



WHAT IS THE VALUE IN STERLING OF THE VARIOUS FIGURES FOR
UK RELIEFS WHICH WERE DISCUSSED IN THE EUROPEAN COUNCIL?

Today's rate of exchange is 1 ecu equals 0.59 pounds. A refund of 1000 mecu would thus have been equivalent to £590. A relief of 1250 mecu is the equivalent of £737.50.

1983 REFUNDS

WILL YOU NOW WITHHOLD?

We will now have to consider very carefully what steps to take in order to safeguard our position. The Cabinet will discuss this and will make a recommendation to the House in due course.

LEGALITY OF WITHHOLDING

No decisions taken on action needed to safeguard our position. No answer therefore possible at present.

LINKAGE BETWEEN REFUNDS AND OUTCOME OF EUROPEAN COUNCIL?

We are entitled to our 1983 refund by virtue of the agreement which we got at Stuttgart last June. That agreement was separate and freestanding. Text of Stuttgart conclusions make it clear that agreement to UK refunds for 1983 was taken in context of agreement on adoption of the Stuttgart Declaration, not its implementation. No question of any linkage of the UK's refunds in 1982 and outcome of the post-Stuttgart negotiations. No mention of linkage in Chancellor Kohl's statement to the European Parliament on 30 June. The refusal of two Member States to adopt the regulations implementing the UK's refunds for 1983 on the basis of this linkage is therefore totally illegitimate.

31 MARCH AN ARBITRARY DEADLINE?

The UK has a clearly established right to expect the bulk of its refunds to be paid by the end of March ie by the end of the financial year to which the refunds relate. The Council, Commission and the Parliament all recognise the importance of the date to us. Council agreement on this point was entered in the Council minutes of 27 October 1980. This provision was honoured in respect of UK refunds covering 1980, 1981 and 1982. At no stage, until the last week, has any Member State challenged this provision. The extent to which it is an accepted provision of the refund agreements is borne out by the Resolution adopted by the European Parliament at its session on 15 December 1983 in which the Parliament expressed the view that a final decision on the question of 1983 refunds "must be made before 31 March 1984 to avoid discrimination against any of the Member States.

COULD WE STILL GET OUR 1983 REFUND BY 31 MARCH?

Most unlikely following failure of yesterday's special meeting of the Foreign Affairs Council to adopt the Regulations necessary to provide legal base for payment of refunds.

1982 REFUNDS

WHAT ARE YOU GOING TO DO ABOUT OUR 1982 REFUND?

The Community has still not met its legal obligation to pay the £42 million owing to us. We have already drawn this problem formally to the attention of the Commission and the Presidency. We are now considering what other steps are open to us.

WILL YOU NOW WITHHOLD OUR 1982 REFUND/GO TO THE ECJ?

This is one of the options we will have to consider.

BUDGET IMBALANCES

WHAT WERE MAIN DIFFICULTIES?

Principal difficulties were duration and level of UK net contribution which would result from the application of the system. We were ready to accept system proposed by French Presidency for a lasting system for the fair sharing of financial burdens. But some other Member States, despite the long discussions over the last 9 months were unable to do so. Came very close to agreement on figures. But in the end we were unable to close the gap. Size of gap was crucial for us but not very big when divided up among the other Member States.

WHAT FIGURE WAS ON OFFER?

We were offered 1000 mecu for 5 years. This was even lower than the average refund - 1100 mecu a year - we have received over the last 4 years on basis of the original 1980 agreement despite fact that Community expenditure has gone up considerably since then and is going up all the time.

WHAT FIGURE WOULD YOU HAVE ACCEPTED?

Prepared to accept a figure of 1250 mecu for UK compensation in the first year of operation of the new system. A system based on parameters derived from this figure would have given us limits on level of our net contribution.

TOO INFLEXIBLE ON FIGURES?

By no means. In final attempt to reach compromise, indicated that I would have been prepared to accept a refund of 1000 mecu for 1984 only but only provided that it was part of a package which gave us a permanent solution for 1985 and all subsequent years on the lines proposed by the Presidency.

WHAT ABOUT THE GERMAN OFFER OF A TIME-LIMITED SOLUTION?

Could not possibly accept another ad hoc time-limited arrangement. Have been trying for 5 years ever since Dublin Summit to achieve an equitable and lasting solution under which our refund can be calculated on the basis of an objective formula based on the principle of ability to pay. Do not intend to give up now.

BUDGET DISCIPLINE

Considerable progress was made in the European Council on achieving control of agricultural and other Community expenditure which is one of our major negotiating objectives. There was general agreement that Community expenditure must be subject to the same kind of discipline as domestic expenditure, that the Community must henceforth decide how much revenue is available each year and determine expenditure accordingly and that there should be a separate constraint for agricultural spending. The UK will continue to press for these provisions to be embodied in the Community's budgetary procedures in a way that makes them binding on all the Community's institutions.

WHY IS THE UNITED KINGDOM PREPARED TO MAKE ADVANCE
PAYMENTS TO THE COMMUNITY?

The Commission have formally requested an advance payment of own resources under Article 10(2) of the Financial Regulation. In the light of the outcome of the Council and the Council's unwillingness to adopt our Refund Regulations, we shall now have to consider the Commission's request again, along with the wider issues raised by the Council's action.

WHY WAS THE UNITED KINGDOM READY TO AGREE TO AN INCREASE
IN OWN RESOURCES?

There was a discussion of own resources, entirely conditional on the satisfactory resolution of the main problems before the Council. In the absence of overall agreement there is, of course, no question of any increase whatsoever.

WOULD THE UK HAVE ACCEPTED AN INCREASE TO 1.6% -----

We said that a case could be made, taking into account the cost of enlargement, new Community policies, etc., for an increase to 1.4% provided our two conditions were satisfied. Any increase at all would of course, require the approval of Parliament.

WHAT WAS OUR PARTNERS' FINAL OFFER?

The Germans put forward an offer which would have given us reliefs of £570 million over 5 years. This would have left the UK making a net contribution of over £550 million on 1983 figures and was not acceptable. At one point, the Presidency proposed that the UK should receive an ad hoc relief in 1984 of £570 million to be followed by a system for subsequent years. That system would have been based on a relief of £712 million to the UK in the first year on 1983 figures. We would have been ready to accept this. Others proved unwilling to do so.

WHEN THE GAP WAS SO SMALL WHY COULD WE NOT FIGHT IT?

In terms of costs to other Member States, the gap was however a small one and I regret that they were unable to take on the necessary small additional burden to bridge the gap. There was a significant difference between the two proposals. The Germans were proposing an absolute figure for UK reliefs over 5 years. The Presidency system would have been based on a relief of £712 million in the first year. The figure for subsequent years would have been a product of the system which would have taken full account of relative prosperity and other factors.

WOULD THERE BE PRECEDENTS FOR WITHHOLDING?

There is no exact precedent for the present situation in which two Member States have blocked Refund Regulations implementing payments already agreed by the European Council. In 1979, France, Denmark and the United Kingdom refused to pay full VAT contributions since they considered the 1979 budget to have been improperly adopted. In 1981, the French, Germans and Belgians similarly refused to pay in full in respect of the 1980 Supplementary Budget Number 2. The parallel is not exact since in both cases Member States were disputing action by the European Parliament which had unilaterally increased the size of the budget.

COMMON AGRICULTURAL POLICY

MILK: WHY COULD WE NOT AGREE TO A SPECIAL DEAL FOR IRELAND?

The Dairy Sector currently absorbs 30% of all Community spending on agriculture, largely because the Community is producing 20% more milk than can be consumed. It was recognition that this could not go on that led Agriculture Ministers last week to agree provisionally on arrangements to cut back consumption from the 1983 level of 105 m tonnes to 98.2 m tonnes this year and 97.2 m tonnes in 1985.

We were ready to accept a 7.3% cut on 1983 output. Yesterday the Irish Government sought authority to continue increasing its milk production. This would have made no sense. The extra 1.3 million tonnes of quota which the Irish Republic and other Member States were seeking would have cost the Community over £200 million each year in disposal costs at a time when we are all looking for ways of cutting agricultural spending, not raising it. This was unacceptable to a number of Member States including the United Kingdom.

MILK: BRITISH ASPECT

Arrangements agreed provisionally by Agriculture Ministers will require sacrifices on all sides. But they are broadly fair to Britain, giving our farmers 16% of the agreed level of production. My rt hon Friend, Minister of Agriculture, deserves credit for having secured agreement from his colleagues on many points of importance to British farmers:

- (i) No exemptions for small producers for direct sales (would have favoured France);
- (ii) No levy on intensive production;
- (iii) Agreement on 1983 as base year for quotas.

MCAS

There are three stages to the deal provisionally agreed by Agricultural Ministers:

- (i) The green ecu would be revalued by 3 percentage points straight away. This will bring positive MCAs, including our own, down by 3 points - but without any reduction in British farm prices. At the same time, negative MCAs will be increased by 3 points. The countries concerned have sought devaluations of their green rates in compensation. Other Member States have resisted this proposal, since it would cost over 400 mecu.
- (ii) German positive MCAs would be cut by a further 5 percentage points. German farmers would be compensated through VAT adjustments, with a possible contribution from Community funds.
- (iii) Positive MCAs remaining for Germany and the Netherlands on the 1st of January 1985 would be dismantled no later than 1987/8.

Sterling's special status as a floating currency would be safeguarded. Consequently there would be no effect on the green pound of the second and third stages of the dismantlement.

BUTTER

Agriculture Ministers agreed an arrangement for the 75% reduction of the butter subsidy. A parallel cut in the butter intervention price will ensure that butter prices in the shops will not change.

GUARANTEE THRESHOLDS

Agriculture Ministers last week agreed that thresholds should be introduced for the limiting of guarantee payments for products in surplus or of which the cost by rising too rapidly. This has long been a high priority for Britain in our campaign to bring agricultural spending under control.

PRICE FIXING

Agriculture Ministers last week agreed on an outline price fixing package which took an important step towards controlling the spiralling costs of the CAP. This comprised price cuts of 1% for many key products (common wheat, barley, maize, olive oil, dried fodder, peas and beans, flax and hemp, table wine, beef, veal, sheepmeat and pigmeat). Sugar, durum, rye and milk prices were left unchanged, while prices for Mediterranean products are due to vary from minus 3% to plus 2.9% per year. In the absence of an agreement at the European Council, these proposals - along with all the others on the agricultural side - will now be referred back to the Agriculture Council.

DOES PRICE FIXING OFFER US ANY LEVERAGE?

We shall of course press hard for our interests to be safeguarded in all areas. But price fixing is determined by qualified majority voting. Decisions on own resources or on the Regulations governing the payment of our 1982 and 1983 refunds require unanimity. We are therefore dealing with two different types of decision-taking, as well as with two separate issues.

WHY NOT INVOLVE THE LUXEMBOURG COMPROMISE?

This must depend on whether the final package before Agriculture Ministers is in the United Kingdom's interest and whether it incorporates savings needed in the interest of the Community as a whole.

COST OF AGRICULTURAL PACKAGE Commission figures estimate that the package put to the European Council (including a 600,000 tonne reserve milk quota for special cases, which could include Ireland) would cost 608 mecu in 1984 - 864 mecu in 1985 - more than the Commission's own proposals for agricultural reform published last year. This is a high cost, likely to make it even more difficult for agricultural spending to stay within its 16.5 billion ecu budget for 1984. When the package is returned to the Agriculture Council, we shall of course seek to keep the cost as low as possible. The package as a whole nevertheless constitutes significant progress on the important areas of dairy surpluses, pricing and guarantee thresholds, which we would like to see implemented without delay.

BEEF VARIABLE PREMIUM

The Commission has proposed that the Beef Variable Premium scheme be discontinued. Other Member States agree. We have reserved our position.

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- (i) No exemptions for small producers for direct sales (would have favoured France);
- (ii) No levy on intensive production;
- (iii) Agreement that individual farmers may use 1983 production levels less 6% in filling their quotas, provided at the national level Britain respects the 1981 + 1% ceiling.

MILK: WHY COULD WE NOT AGREE TO A SPECIAL DEAL FOR IRELAND?

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WILL BRITAIN BE EXCLUDED FROM ANY FOLLOW-UP MEETING
CALLED BY THE FRENCH PRESIDENCY?

If the French Presidency call a further meeting to try to make progress towards an agreement, I am sure that Britain will be there.

DOES NOT THIS MORNING'S STATEMENT OF THE FRENCH
SPOKESMAN MEAN THAT THE FRENCH ARE TRYING TO ORGANISE
OUR PARTNERS AGAINST US?

We were ready to agree, yesterday, to a proposal put forward by the Presidency. Other Member States were not. What we must now do is work to get the agreement which so narrowly alluded us yesterday. That has to be an agreement of the Community as a whole. I am sure that it is on that basis that the Presidency will wish to call further meetings.

BACKGROUND

After the French Cabinet Meeting today the French Government Spokesman said, that consultations would take place over the next few weeks among either the six or the nine members of the Community - or more than that if it were possible. He added that nine out of ten members of the Community agreed on what should be done and Britain now found itself facing its responsibilities. There was no question of yielding to its demands which would have risked undermining the building of Europe.

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