I ATTENDED THE EUROPEAN COUNCIL IN BRUSSELS ON 19/20 MARCH, ACCOMPANIED BY THE FOREIGN AND COMMONWEALTH SECRETARY.

As the House will already know, the Council did not reach

AGREMENT ON THE REFORM OF THE COMMUNITY'S

FINANCES NOR ON ANY OF THE OTHER MATTERS BEFORE IT.

I MADE CLEAR AT THE MEETING IN STUTTGART LAST YEAR THAT THE

UNITED KINGDOM WOULD BE PREPARED TO CONSIDER AN

INCREASE IN THE COMMUNITY'S FINANCIAL RESOURCES

BUT ONLY ON CONDITION THAT THERE WAS EFFECTIVE

CONTROL OF AGRICULTURAL AND OTHER SPENDING AND

THAT THERE WAS A FAIR SHARING OF THE BUDGET BURDEN.

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WE MADE PROGRESS TOWARDS SECURING CONTROL OF SPENDING

BY, FIRST, AN ANNUAL LIMIT ON OVERALL EXPENDITURE

AND, SECOND, A STRICT FINANCIAL GUIDELINE ON

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THE FRENCH PRESIDENCY ALSO PROPOSED A LASTING SYSTEM FOR A FAIR SHARING OF THE BUDGET BURDEN.

WE WOULD HAVE BEEN ABLE TO ACCEPT THIS SYSTEM
BUT SOME OTHER MEMBER STATES, DESPITE THE LONG
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Nor were we able to reach agreement on the Level of the United Kingdom net contribution which would result from the application of the system.

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FURTHER DISCUSSION OF THE AGRICULTURAL PACKAGE WILL TAKE
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WE MADE A SUSTAINED ATTEMPT TO REACH A SATISFACTORY

WAS:

COMPROMISE ON ALL THE MATTERS AT ISSUE.

AT THE END OF THE DISCUSSIONS THE PROPOSITION
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Comments THIRD, THAT WE SHOULD ACCEPT AN INCREASE IN THE COMMUNITY'S VAT RESOURCES TO 1.4 PER CENT IN 1986 AND HAVE IN PROSPECT A POSSIBLE FURTHER INCREASE TWO YEARS LATER TO 1.6 PER CENT.

I MADE IT PLAIN THAT NEITHER, NOR THE BRITISH PARLIAMENT

COULD ACCEPT SUCH A PACKAGE. THEREFORE, I DID NOT

AGREE TO ANY INCREASE IN THE COMMUNITY'S RESOURCES.

THE 1 PER CENT VAT CEILING REMAINS.

Immediately following the European Council, the Council of

Ministers (Foreign Affairs) met in order to see

Whether the objections of some member states to

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BUT FRANCE AND ITALY BLOCKED THESE REGULATIONS.

THE GOVERNMENT IS CONSIDERING WHAT ACTION WE SHOULD NOW TAKE TO SAFEGUARD OUR POSITION.

THE COMMUNITY IS IN A DIFFICULT SITUATION.

WE SHALL HOWEVER PERSEVERE IN OUR EFFORTS TO ACHIEVE

A REFORM OF ITS FINANCES AND TO MAKE ITS INTERNAL

AND EXTERNAL POLICIES MORE RELEVANT TO THE NEEDS OF TODAY'S

WORLD.

I WANT TO SEE A MORE EFFECTIVE COMMUNITY DEVELOPING ITS FULL POTENTIAL.

THAT IS THE COMMUNITY IN WHICH I BELIEVE.

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