Foreign and Commonwealth Office

London SW1A 2AH

15 March, 1984

Dear John,

European Community: Prime Minister's Meeting with M. Thorn

/ 1. I enclose four sets of briefing for the Prime Minister's meeting tomorrow with President Thorn.

Yours ever

Roger Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

M THORN'S VISIT TO LONDON (16 MARCH) : EUROPEAN COMMUNITY

INTRODUCTION

M Thorn will be in London following a working breakfast with Mr Lubbers in Amsterdam. This week he will also have seen the Italian Prime Minister and the German Chancellor. He addressed the European Parliament on 14 March. He will be accompanied by M Emile Noel, the Secretary General of the Commission, Alexander Schaub (M Thorn's deputy Chef de Cabinet) and M Pirzio Biroli, another member of the Cabinet.

OBJECTIVES

1. To impress on M Thorn that we are working for agreement next week but that seriousness of Community's financial situation requires far reaching remedial steps.

2. To emphasise that what is at stake for us over budget imbalances is so important that we shall not be deflected by any amount of talk of nine versus one etc: we want a far reaching solution; we are not intransigent but we will insist that there must be a lasting and equitable settlement before we can consider any increase in own resources.

3. To stress that the budget overrun about which M Thorn spoke to the European Parliament this week reinforces the case for rigorous budget discipline and that this must be achieved before there can be any talk of finding short term ways of dealing with the problem.

POINTS TO MAKE

4. UK has as much interest as in other Member Staes in relaunch of Community and in taking decisions in Brussels next week.

5. Have had to take hard decisions at home which are now paying off. We are not about to stand by and allow the

/Community

Community to take half baked decisions which will merely exacerbate its problems, in the short term as well as the long term.

6. Need for the EC to apply at Community level the same kind of discipline that Member States apply at national level is increasingly accepted in Community, though many Member States still unwilling to face the real consequences. UK perhaps more ready to face up to reality because of its enormous budget burden. Other Member States dispute the extent of it. But all fight hard to try to avoid being in the same position.

7. UK has no desire to thwart development of the Community, on the contrary. But given serious underlying causes of Community's financial state, and given our position as a major net contributor would be folly for us to consider an increase in own resources until our two essential conditions are met.

Budget Discipline

8. Much progress since Stuttgart, reflected in the Commission's own proposals, in Commission approach to the agricultural price fixing and in attitude of other Member States. Virtually all now accept that finance must determine expenditure. Tribute to your role in reminding Member States of uncomfortable realities.

9. Our difficulties with the Commission text on budget discipline are borne of experience of last few years and difficulty of holding European Parliament to its commitments. This is why, for overall budget discipline, we want mechanism to be incorporated in budget procedures so that it binds the three institutions. This does not necessarily mean Treaty amendment. But latter should not be ruled out.

10. Crucial, however, is control of agricultural

/expenditure

expenditure. To avoid kind of problems we are currently facing we must have a strict financial guideline which binds Council and Commission throughout price fixing and which holds rate of growth of agricultural expenditure markedly below that of own resources base. If commitment is simply to holding rate of growth to no greater than that of the own resources base this will mean that CAP continues to take up a disproportionate amount of the budget and that in practice proportion is actually likely to grow.

Budget Overrun

11. Noted your speech to the European Parliament and reference to need for national contributions to finance expected overrun. Understand problems which the Commission face. But no question of our considering the problem in this way at this time. We are only three months into EC financial year. There must be further scope for savings. We should not be looking for short term palliatives but for the necessary decisions which will reform the basis of the Community's finances and ensure that we avoid these problems in future. If, after the Community has taken the necessary decisions on budget discipline and after all possible savings have been found, there is still a problem later in the year then the Community will need to consider it. But not now.

CAP

12. Grateful for efforts by the Commission to point out the extreme gravity of the financial situation of the CAP.

13. Agriculture Ministers must redouble their efforts to find savings: They will need to act courageously, and beyond the Commission's various price and reform proposals, particularly in that:

(a) The emerging deal on MCAs, which Britain will only be able to agree in the context of a tough CAP package as a whole, will be inflationary and expensive: (we note that M Rocard reported to the European Parliament on

/14 March

14 March that it might cost 400 mecu in 1984).

(b) Carry-overs from 1983 are much higher than expected, and claims on EAGGF this year are well up on projections.

(c) Some of the Commission's proposed "savings", such as the oils and fats tax, were in fact nothing of the sort. The Council is rightly rejecting this idea.

14. The Commission estimate of a 1.5 - 2.0 becu overrun of the FEOGA budget on current trends seems to us, if anything, conservative.

15. Your suggestion to the European Parliament of "complementary payments" by Member States, to balance the 1984 budget, has not helped the situation. The need is to secure tough agricultural decisions. There will be no manna from heaven. If necessary the Commission may have to take additional decisions within its own competence to reduce support for some products.

16. The agreement on milk at the last Agriculture Council is encouraging as far as it goes - but it shows up the lack of progress on other CAP dossiers. Tough decisions are needed, for example, on cereals prices and on price restraint and gurantee thresholds wherever economic outlets for CAP production are limited: (ie including Mediterranean products).

Budget Imbalances

17. Can be no question at Brussels of horse trading over a figure and then finding a system to fit it. The figure for the UK's adjusted net contribution in the first year of a new system, based on relative prosperity for Community of 12, is clearly very important. Hence my reference to 400-500 mecu at Athens. But problem we are seeking to resolve derives from the system operated within the Community and requires a system to correct it.

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18. Number of elements, now generally accepted in the Community, would go to help make an acceptable system.

(a) Duration: we could accept that system should last as long as revised own resources decision. This would have to be on presumption of continuity unless there were unanimous agreement to the contrary.

(b) System of reliefs to be related to relative prosperity in an enlarged Community with upper limit expressed as proportion of GDP.

(c) Correction on revenue side of the budget ie reduction of VAT payment in following year.

(d) Operation in respect of 1984 and subsequent years.

19. Both France and FRG favour scheme based on VAT share/-expenditure share gap. Realise the nature of our partners' objection to net contributions but cannot ignore that levies and duties represents real burden on Member States which is reflected in net transfers across the exchanges. Realise that it is possible to draw parameters of a VAT share/-expenditure share scheme tightly enough to give UK an adjusted net contribution in year one on a par with a figure which would be produced by a scheme based on full measurement of the burden. But there would be high risks for future years given possible fluctuation of levies and duties element. Must therefore have system which fully covers us on a sustainable basis.

20. As regards figure given by a system, know that many Member States are talking about giving UK relief similar to 1983 refund of 750 mecu. No need to remind you that we accepted figure for 1983 because of alleged overpayment in 1980/81. Average of our refunds from 1980-83 was two-thirds. 750 mecu represented only a 40% refund of our 1983 net contribution. Clearly quite unacceptable therefore as basis for a lasting settlement, particularly a settlement in return for which UK has been asked to agree to increase in own

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resources.

21. This was why I said at Athens that we believed tht system should leave UK with an adjusted net contribution in first year of its operation, based on 1982 figures and on relative prosperity in Community of 12, of between 400-500 mecu.

[22. If M Thorn says that we are seeking to protect ourselves totally against the costs of enlargement: Not so. Under UK proposal level of contribution would depend upon relative prosperity. If UK's relative prosperity rose in enlarged Community, so would our contribution. Moreover, if system were based on relative prosperity in Community of 12 we would be paying more than our due share in years prior to enlargement.]

[23. If M Thorn argues that system should be based on relative prosperity in Community of 10: We are talking about a scheme which will apply particularly in enlargement and on a lasting basis. Must therefore be based on relative prosperity in Community of 12. As already indicated, UK is willing to make its net contribution in 1984/85 on that basis ie paying more than would be due on basis of relative prosperity in Community of 10. This will itself represent a considerable contribution to costs of enlargement.]

1983 Refunds

24. Much regret linkage made by France and Italy; Stuttgart agreement was freestanding. No justification for linking adoption of Regulations to outcome of European Council. Important if Community is to avoid serious consequences for Regulations to be adopted on 20 March.
Hope FAC will then give its opinion immediately on Commission proposal for a transfer to the line so that there is no further Council obstacle in the way of payment of the bulk of our refunds by the end of March. Hope Commission will, as

requested

requested by FAC, now take all necessary measures so that there is no further delay once Regulations are adopted.

New Policies

25. Welcome Presidency decision to have passage on new policies for European Council including reference to key priorities on development of internal market and need for liberalisation on transport policy. UK has demonstrated its determination to play key role in development of Community eg agreement to ESPRIT and participation in A 320.

26. Must bear in mind that many new policies can actually save money. Community devotes much time to declarations of future intent. Its credibility as a viable, meaningful organisation would be much more apparent to ordinary people if it dealt decisively with the obvious and simple problems which nontheless have proved intractable. Our failure to solve them, as witnessed by recent lorry troubles in France, merely brings Community into disrepute.

M THORN'S VISIT TO LONDON (16 MARCH): EUROPEAN COMMUNITY

ESSENTIAL FACTS

1983 Refunds

1. The Commission have hitherto refused to come forward with a proposal before the formal adoption of the Regulations for fear of falling foul of the Parliament.

2. At the 12/13 March Foreign Affairs Council, the Refund Regulations were agreed in substance but formal action was blocked by France and Italy, who insisted that the payment of the refund was conditional on a satisfactory outcome to the post-Stuttgart negotiations. However, the Commission was invited to come forward with a transfer proposal as soon as possible (without waiting for formal adoption of the Regulations) and to prepare decisions and arrange for management committees to meet so that all the arrangements would be ready for payment. We must leave M Thorn in now doubt that urgent action is essential.

3. If the special meeting of the Foreign Affairs Council on 20 March adopts the Regulations and gives its opinion on the transfer proposal, the Parliament is expected to vote on the transfer at its plenary session in the week beginning 26 March.

1982 Refunds

4. M Thorn's letter of 8 February to Sir G Howe on our 1982 risk-sharing refunds is not too bad, given the fact that the Commission were never likely to accept our case fully or to seek to involve themselves directly in resolving it. The main positive elements from our point of view are:

(i) The Commission shared our view that the issue needs to find a satisfactory solution in the context of the current negotiations.

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(ii) The Commission confirmed the basis used for its original calculation of the amount due to us, ie the payments basis, even though we do not accept the figure that they put forward - because of its failure to compensate the UK for its share of German risk-sharing refunds.

(iii) The Commission took the view that the figure for UK risk-sharing refunds adopted by the Budget Council was a political figure which did not itself correspond to any precise formula of calculation.

5. On 13 March, Sir G Howe wrote to M Cheysson, drawing his attention to M Thorn's letter and asking him, in his capacity as President of the Council, to consider how the matter can now be taken forward and resolved in the Council. Our aim is to keep the issue under active review until the March European Council and either to dispose of it there as part of an overall settlement, or to take decisions thereafter on how to pursue our claims (ie to initiate legal proceedings in the ECJ or to withhold).

BUDGET IMBALANCES

Recent Developments

6. The Germans have just tabled a new text for the European Council conclusions which is very similar to the text they tabled at Athens (measurement of the VAT/expenditure share gap, threshold to be determined as a percentage of GDP which varies with relative prosperity, partial compensation above the limit with the amount of compensation declining in inverse relation to relative prosperity) with the exception that:

(i) the parameters would be determined with reference to the figure for UK compensation for the first year agreed at the European Council;

(ii) the reliefs would be financed according to the

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special key proposed by the French in September 1983;
(iii) review clause after 5 years.

NOT FOR USE

7. We have now seen the draft French Presidency conclusions on budget imbalances which include the following provisions:

(i) levies and duties not to be taken into account (ie measurement of VAT/expenditure share gap);

(ii) threshold limit and degree of compensation above the limit to be determined as a function of relative prosperity;

(iii) Member States benefitting from reliefs must contribute to cost of enlargement;

(iv) reallocation of administrative expenditure;

(v) implementation of reliefs by deduction of VAT in the following year;

(vi) mechanism to be incorporated in the revised own resources decision;

(vii) UK refund for 1984 to be calculated on basis of EC 12 prosperity index.

Commission's Position

8. The Commission have not yet tabled a proposal on budget imbalances. They are expected to propose a corrective mechanism based on the VAT/expenditure share gap. But because of uncertainty as to whether the Germans will contribute a substantial share of UK refunds they are still hesitating about the nature and timing of their contribution. The Commission are divided between those who argue that the rising line which will determine the percentage of GDP which a Member State would have as the threshold should flatten out above 120% of Community relative prosperity, ie that the Germans should have no limit at all on their contribution; and those who think that the Germans will have to have a limit of some kind but could be persuaded to accept a limit which would be above the likely level of their VAT/expenditure share gap in 1984 and a very low percentage

/refund

refund once the limit was reached.

9. We should point out to M Thorn the deficiencies of the VAT/expenditure share gap while indicating that we would be ready to explore ways in which the scheme could be worked so as to give us adjusted net contribution of between 400-500 mecu. But even if this were conceded, we would also want to have protection against further increases in our excessive customs duties and agricultural levies.

10. Discussion in Coreper suggests that the Commission may be colluding with the French in whittling down the measurement of the UK budget problem by proposing:

(a) arbitrary changes to the present system of allocating administrative expenditure;

(b) postponement of a decision on how to take account of enlargement until the arrangements for the transitional period are better known. This proposal may be intended to leave the way open for neutralising the costs of enlargement (ie that it should be removed for the scope of the corrective mechanism and financed by a special key). Our contribution to the cost of enlargement is provided for by the fact that we have calculated the relative prosperity index (GDP per head) on a Community of 12 index.

(c) definition of VAT "in economic and statistical terms without reference to the definition used in the annual budget procedure". The meaning of this proposal is obscure. It is not clear whether it is referring to the calculation of VAT on an assiette basis with some adjustment for exchange rate factors or to something more sinister. If this subject comes up we should resist any attempts to change the definition used hitherto, ie the payments basis.

/Budget

Budget Discipline

11. The Commission's proposal for a guideline for agricultural expenditure is likely to be incorporated in the draft Presidency conclusions for the European Council. The Commission propose a guideline which would keep the 3 year moving average growth rate of expenditure below that of the Own Resources base. The Commission proposal could serve as a basis for a satisfactory guideline but it would need to be strengthened in the following prospects:

(a) must be binding, ie the Commission's proposals and Councils decision on price fixing and the budget must be consistent with the guideline (not merely drawn up "in the light of the guideline"

(b) should include the "markedly lower than" formula

(c) Any overshoot to be clawed back over two succeeding years.

12. The weak Commission proposal on overall budgetary control is likely to be replaced by a shorter Presidency text as the basis of discussion at the European Council. The Commission proposal expressly rules out Treaty amendment and appears to leave open the possibility that the Parliament could increase the budget without the Council's agreement. To make them effective, we would need a provision that the Council should decide on upper limit or envelope for the budget each year, to be binding on all 3 institutions throughout the budgetary procedures. A margin for the Parliament could still be allowed but they and the Commission would lose the power to propose increases in expenditure beyond the overall ceiling.

New Own Resources

13. The new Commission paper (1 March) does not provide any detailed analysis of what new own resources would be needed. It cites the following reasons for an increase in the VAT ceiling to 2%:

(i) Since they are dropping the idea of further tranches

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of VAT to be approved by the Council and the European Parliament with ratification by national parliaments, they want to avoid the need for a further process of national ratification for a considerable time. Hence they need the proposed increase in own resources to last much longer.

(ii) Since the increase in own resources would be accompanied by measures to impose budget discipline, Member States would have no reason to insist on a low ceiling.

(iii) Enlargement is the only factor singled out in justification of the proposed ceiling. The Commission estimates enlargement is likely to cost between 0.1 and 0.2 per cent of VAT.

(iv) Levies and duties are on a declining real trend. The Commission considers that an increase of 0.2 per cent in the VAT rate is necessary simply to offset this real decline.

(v) The Commission considers that at least 2 years is necessary to ratify an increase in own resources. This adds to the case for making the increase last longer and also implies that there will be a substantial overhang of expenditure before the present increase is agreed. The Commission envisages a "temporary increase" in the budget during this phase.

14. At the informal Foreign Ministers meting on 12 March, M Thorn said that Community expenditure was already running at 1.1%. If the EC could agree on budgetary discipline, that was a bonus - but that was no reason to be restrained on new own resources. As for savings, so far the Agriculture Council has come up with no savings whatsoever.

CAP

... 15. The texts on milk and MCAs agreed at the Agriculture Council on 11 - 13 March are attached.

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16. The Commission's proposals for reform of the CAP (COM(83)500) were claimed to yield nearly 900 mecu net "savings" in 1984 to match a similar prospective overspending compared with the 16.5 billion ecu in the budget. These particular savings will not be achieved (the supplementary levy on milk will not come in by 1 April, we are rejecting the oils and fats tax; and the Germans are not accepting the proposal on the green DM). Meanwhile forecasts of spending for January-April point to an overspill of 2-2.5 billion ecu this year before allowing for the price settlement.

17. M Thorn suggested, in the European Parliament on 14 March, that the agricultural overspread might be of the order of 1.5 - 2 becu: "in these circumstances it will be the responsibility of Member States to ensure a balanced 1984 budget by complementary payments." This could mean:

(a) national contributions based on Article 200 of the Treaty of Rome;

(b) national contributions based on Article 235;

(c) a period of national financing reimbursed by the Community after Own Resources have been increased.

18. Any proposal to make extra money available for agriculture this year is deeply objectionable on policy grounds - whatever its legal form. It would be a backdoor way of increasing the Community's revenue; it would be quite inconsistent with our emphasis on budgetary discipline; and it would make a mockery of any agreement on a strict financial guideline.

New Policies

19. Our priorities are:

Internal Market

. removal of barriers to trade in goods and services (eg by securing early agreement to the 15 draft standards harmonisation directing currently on the table; by adoption of a Single Administrative Document for customs

/clearance

clearance; liberalisation of <u>insurance</u>).

. <u>liberalisation of transport</u> (particularly road haulage and air transport).

. <u>a solid fuels policy</u> to encourage the <u>economic</u> production and consumption of coal.

. <u>environment</u>: a date for the introduction of unleaded petrol (no later than 1990).

Foreign and Commonwealth Office
15 March 1984

MILK

GENERAL SECRETARIAT
OF THE COUNCIL

Brussels, 13 March 1984

INTRODUCTORY NOTE

Subject: Main points of the Agreement on the control of production in the milk sector

1. The main points of the agreement worked out by the Agriculture Council concerning milk are contained in Annex I.

At the close of proceedings, the President noted that the delegations' agreement was subject to the condition that broader agreement be reached

- on the one hand, on all the measures relating to the adjustment of the common agricultural policy and agricultural prices;

- on the other hand, on the questions submitted to the European Council, particularly regarding financing.

2. Without prejudice to the agreement reached, two questions are still unresolved:

- the Irish delegation's request for exceptional treatment [1]: the Council noted the special political nature of this question;

- the question relating to the application of a tax on vegetable fats and oils: the Council noted that, political questions exceeding the sphere of agriculture arose in this case also.

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(1) The United Kingdom delegation stated its opposition to any exception and therefore to the idea of a Community reserve of 0,6 million tonnes.

13 March 1984

ANNEX I

MAIN POINTS OF THE AGREEMENT ON MILK

1. The duration of the control arrangements will be five years. A report will be drawn up by the Commission after three years.

2. The definitive overall guaranteed quantity will be 97,2 million tonnes plus 0,6 million tonnes (Community reserve). Allocation among Member States will be on the basis of 1981 + 1%.

3. For the 1984/1985 marketing year the guaranteed quantity will be 98,2 + 0,6 (reserve).

   This flexibility will be financed by an additional linear co-responsibility point for the 1984/1985 marketing year.

4. The quantities corresponding to the references for each Member State will be allocated either among producers or among dairies by regions defined according to Community criteria and a Community procedure. The penalty for overshoots will be a levy of

   - 75% of the milk target price for milk for individual quotas
   - 100% of the milk target price for collective quotas.

5. The system will be extended to direct deliveries.

6. Flexibility will follow the criteria outlined in the working document (VI/1513/84)(1). The necessary adjustments will be made for the regions where the guaranteed quantities are applied at the level of dairies.

(1) See appended hereto the amendment made to point 6 of the working document

7. After the Community criteria for allocation have been defined, the aid of 120 million ECU will be maintained for two marketing years (extension of Regulation 1210/83).

8. Under conditions to be determined, restructuring aid for milk production may be granted under the structural policy for the period of application of the production control arrangements.

9. The special levy on milk from intensive holdings will not be maintained.

10. Butter consumption aid will be reduced by 75% to 10 ECU/100 kg.

ANNEX II

AMENDMENT TO BE MADE TO WORKING DOCUMENT VI/1513/84

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6. A producer who has undertaken a milk production development plan under Directive 72/159/EEC, approved by the Member States concerned before 1 January 1984 may, subject to the decision of the Member State:

- if the plan is in the process of realization on that date, obtain a specific reference quantity which takes into account the quantities of milk and milk products provided for by the development plan;

- if the plan was realized after 1 January 1981, obtain a specific reference quantity which takes into account the quantities of milk and milk products supplied in the year during which the plan was completed.

If the Member State in question has sufficient information at its disposal, account may also be taken of investments effected without development plans.

ANNEX III

STATEMENTS IN THE MINUTES

1. by the Luxembourg delegation

"It is understood that the Commission, having taken note of the Luxembourg position, will ensure, throughout the period of application of the arrangements for controlling milk production, that the specific problem concerning Luxembourg is resolved through the allocation of the Community reserve of 0,6 million tonnes of milk";

2. by the Italian delegation

"It is understood that the Commission, having taken note of the Italian position, will ensure, throughout the period of application of the arrangements for controlling milk production, that the specific problem concerning Italy is resolved through the allocation of the Community reserve of 0,6 million tonnes of milk".

MCAs

PROCEEDINGS OF THE AGRICULTURE COUNCIL

on the dismantling of monetary compensatory amounts

NB: All the delegations entered general reservations on this text linked to the discussion of the overall problem of the adjustment of the common agricultural policy and of its financing.

1. Positive MCAs

1.1. As regards the future MCAs, the Council will adopt the necessary provisions to ensure that until the beginning of the 1987/1988 milk year no changes in monetary parities may under any circumstances entail the creation of fixed positive MCAs.

The foregoing should be effected by application of a corrective weighting to the central rates used in the context of the ECU.

The Commission will take the necessary measures to prevent the negative MCAs thus created from leading to distortions at export refunds level.

The negative MCAs thus created will be dismantled on a proposal from the Commission in the light of the Member States' economic situation. [1]

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[1] The United Kingdom proposed that this subparagraph be replaced by the following:

"That part of the negative MCAs created at an EMS realignment which results from the application of the first and second subparagraphs of this paragraph shall be phased out for the commodities concerned in three equal stages at the beginning of the next three marketing years after the realignment. Other negative MCAs created at an EMS realignment shall be dismantled on a proposal from the Commission in the light of the Member States' economic situation".

2. Before 31 December 1986, the Commission will submit to the Council a report on the application of these arrangements and will make proposals having regard to the Community's economic and monetary situation and the trend in farm incomes and in the light of experience acquired.

Should the Council not adopt decisions before the beginning of the 1987/1988 milk marketing year intended, in the light of the above report, either to extend the system in force or to set up another, the arrangements applicable prior to the 1984/1985 marketing year will be re-introduced.

1.3. As regards the existing positive MCAs:

(a) At the beginning of the 1984/1985 marketing year for each product, part of the positive MCAs of all the Member States concerned will be dismantled by applying a corrective weighting enabling them to be converted into negative MCAs; the weighting shall be calculated in such a way as to reduce the German MCAs by 3 points. The negative MCAs thus created will be eliminated ([1]) at the beginning of the 1984/1985 marketing year for each product. ([2])

(b) The German positive MCAs will be dismantled by 5 points on 1 January 1985. In return the Federal Republic of Germany will be authorized by the Community to grant special aid by means of a paymant mentioned in the VAT invoice and/or declaration. The amount of such aid shall be equal to 3% of the price exclusive of VAT paid by the purchaser of the agricultural product.

The Community will make a contribution towards the financing of this aid on a decreasing scale amounting to /¯x_7 MECU in 1985 and /¯x-y_7 MECU in 1986. A contribution from the Community may be decided on in 1987 in the light of the trends in the national compensation which the Federal Republic of Germany will have effected.

([1]) The United Kingdom proposed that the sentence end as follows: "In three equal stages at the beginning of the next three marketing years."

([2]) The Commission will be authorized to take appropriate transitional measures.

(c) As regards the Netherlands, on 1 January 1985 0,6 points of MCA on milk, 0,7 points on cereals and 0,8 points on the other products will be dismantled in such a way that Dutch MCAs are equal to German MCAs. If at their request the Netherlands are authorized to take national measures similar to those taken by the Federal Republic of Germany, they will be able to benefit from Community measures similar to those to be decided for the Federal Republic of Germany.

(d) Positive German and Netherlands MCAs existing after 1 January 1985 shall be eliminated at the latest by the beginning of the 1987/1988 marketing year for each product.

(e) In the case of the United Kingdom, the status of the pound sterling will not allow any positive MCAs to be dismantled under any other schedule than that provided for in (a). Provision for dismantling will therefore be made beyond that provided for in (a) if necessary at the time of the Community's annual price proposals.

2. Negative MCAs

Existing negative MCAs will be eliminated following a proposal from the Commission.

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This document refers exclusively to the proceedings of the Agriculture Council on the dismantling of MCAs; the United Kingdom nonetheless requested that the following paragraph be added:

"The Commission and the Council agree that the proposals for changing the rules governing the calculation of MCAs mentioned in COM(83) 586 will not be adopted."

The Council has not yet taken a decision on this matter which has still to be discussed.

John Coles

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Head of UK Offices: George Scott

12 March 1984

M 15/4

f.a.

I am enclosing for your information a copy of the address by the President of the Commission to the European Parliament, setting out the Commission's Programme for 1984.

George Scott

George Scott

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