



Ref. A083/1782

PRIME MINISTER

Cabinet: Community Affairs

You will wish to tell Cabinet about the discussions in the European Council on 17-19 June. After very tough bargaining and a bit of hard pounding - absolutely appropriate on the 168th anniversary of the Battle of Waterloo - you succeeded in getting a 1983 refund of 750 mecu (£437 million) to be incorporated in the draft Community budget for 1984. This brings the United Kingdom's total refunds for 1980-83 to over £2,500 million. Over the four years 1980-83 the average rate of refund is about two-thirds (65.4 per cent) of our net contribution. We now need to ensure that appropriate provision is made, as agreed, in the 1984 draft budget. We shall also have to watch for French attempts, with possible Italian support, to impede the payment of the refunds. A long-term and permanent solution is the really important objective for the United Kingdom. You obtained a satisfactory document setting out the elements for a negotiation on the financing of the Community, which gives a proper emphasis to the need for budgetary discipline, to a fairer financing arrangement and to the importance of controlling agricultural and other expenditure. No question is prejudged. In particular, you succeeded in ensuring that the question of an increase in own resources is in no way prejudged. (On the basis of the conclusions reached on development of policies, improving budgetary discipline and the examination of the Financial System, the extent and timing of the Community's requirements in terms of own resources will be determined.) The future negotiation will be handled by special Council meetings at Foreign and Finance Minister level. The results will be submitted to the next European Council meeting in Athens on 6 December. At the European Council you also signed the Genscher/Colombo Declaration on European Union. This reaffirms the ideals and objectives of the Community, particularly in political co-operation. The paragraph on majority voting which at one time risked to put in question the "Luxembourg Compromise" has been revised, and the United Kingdom has in any event reaffirmed its position on the Luxembourg Compromise in the record.



2. The Foreign and Commonwealth Secretary will report the outcome of the Foreign Affairs Council on 21 June. This discussed the follow-up to the European Council's conclusions on future financing, and agreed that the first special Council meeting to launch the negotiation should be held on 8 July. There was some risk that other member states would try to reopen elements of the Stuttgart package (eg link between the long-term solution and our 1983 refund) but we took action to forestall this and in the event it was not raised. It was generally accepted that proposals which member states wished to have considered in the negotiation should be put forward by 1 August; the United Kingdom will be ready to put forward its ideas for the budgetary "safety net" scheme and for controlling agricultural expenditure in July. The Council agreed the Regulation providing 100 mecu (£60 million) for urban renewal in Belfast. No progress was made in the revision of the Regional Development Fund, which was referred back to COREPER, or on the mandate for the negotiation of Lome III, which will be taken up again at the July Council. The United Kingdom was outvoted by qualified majority on the global quantities of food aid for 1983; we argued for lower quantities than those entered in the budget by the European Parliament.

3. The Foreign and Commonwealth Secretary may also refer to the visit to this country by Mr Dankert, the President of the European Parliament, which starts today and continues to the end of the week. You have agreed to see Mr Dankert on Friday 24 June.

4. The Secretary of State for Trade and Industry will wish to report on the Steel Council on 21 June and on his bilateral discussions with Commissioners Andriessen and Davignon. The Council agreed to roll over the existing quota regime for one month (effect of Italian election). A further Council is to be held on 25 July. In the bilateral discussions on the United Kingdom's notification of aid to the steel industry, the Commission acknowledged the considerable restructuring in this country but said that a great deal of aid had also been given. They pressed for further cuts in capacity, and indicated that closure of the Ravenscraig hot strip mill would resolve all the problems. Mr Parkinson made it clear that the closure of Ravenscraig was not negotiable and emphasised that the United Kingdom had already contributed 47 per cent of the Community's



capacity reductions, and that ours were actual reductions as opposed to the promises of other member states. Further cuts in capacity would delay the British Steel Corporation's return to viability. The Secretary of State pressed the Commission for early agreement to the Port Talbot investment.

5. The Secretary of State for Trade and Industry may also report that the Internal Market Council on 21 June, at which the United Kingdom was represented by the Minister for Trade, did not make progress. The next Council is due to be held in the second half of September.

6. The Minister of Agriculture, Fisheries and Food may report on the Fisheries Council on 20 June. The Council did not agree on total allowable catches and quotas for 1983, including the proposed reopening of the herring fishery in the North Sea, but will come back to these problems on 4-5 July.

7. The Secretary of State for the Environment will wish to report on the Environment Council on 16 June, at which the United Kingdom was represented by the Parliamentary Under Secretary of State, Mr Waldegrave. This reached agreement on a Directive designed to prevent risks from cadmium pollution in places of work. The United Kingdom's initiative to eliminate lead from petrol was supported by most countries but France and Italy refused to go beyond a general commitment to seek a further reduction on lead levels. Other matters were referred back to COREPER for further work.

8. The only Council meeting scheduled during the next seven days is the Research Council on 28 June.

A handwritten signature in black ink, appearing to read 'R.A.' with a stylized flourish.

ROBERT ARMSTRONG

22 June 1983

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Euro Pay
Budget



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MR COLES

cc: Sir Robert Armstrong

MR 24
h.a.

EUROPEAN COUNCIL OF 17-19 JUNE: PARLIAMENTARY STATEMENT
ON 23 JUNE

NOTES FOR SUPPLEMENTARIES

I attach Notes for Supplementaries on the 1983 United Kingdom budget refund and the long term budget solution. These take account of discussions with the Foreign and Commonwealth Office, who are submitting also the supplementary notes on the other questions covered by the meeting of the European Council on 17-19 June.

D F WILLIAMSON

22 June 1983