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PRIME MINISTER

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Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will want to report on the Foreign Affairs Council on 18 July. This discussed the United Kingdom's 1982 and 1983 budget refunds. Sir Geoffrey Howe expressed concern at the trend of developments since the European Council. He stressed that it had been agreed that both years' refunds were net and that this required both the 1982 risk-sharing payment and the 1983 refunds to be grossed up to include the United Kingdom's contribution to Germany's refund. He made it clear that the 1982 risk-sharing payment should be calculated on the accepted method used since 1980 and not changed, as some delegations were seeking, to an alternative basis which would give a lower figure. He also emphasised that the 1983 refunds should be entered on the line in the 1984 budget and not included in the reserve Chapter 100 which would give the European Parliament the opportunity to make greater difficulties. There was little discussion, and decisions on these points have to be taken by the Budget Council on 20-21 July.

2. The Foreign Affairs Council agreed on a strong statement expressing dissatisfaction with the United States import restrictions on special steel and the Community's intention to pursue its right in GATT vigorously. The Secretary of State for Trade and Industry may report on his discussions on this topic with the United States Trade representative, Mr Brock, on 18 July when he explained what the United Kingdom were doing to reduce steel subsidies and make the British industry more efficient and underlined the dangers to EC/United States trade relations of such protectionist measures.

3. The Foreign and Commonwealth Secretary will also want to report on the Special Council on the future financing of the Community on 19 July, at which he and the Financial Secretary represented the United Kingdom. Sir Geoffrey Howe set out the





United Kingdom position, particularly on the safety net and the strict financial guideline for agricultural expenditure, foreshadowing the two papers which the United Kingdom is putting in shortly. There was an increasing convergence of views between the United Kingdom, Germany and the Netherlands, and an indication that most member states are now prepared to discuss some form of safety net and improved control of expenditure. There will be several meetings of officials in the second half of August to prepare for discussion of agriculture, including our financial guideline paper, and the structural funds at the next meeting of the Special Council on 30 August.

4. The Minister of Agriculture, Fisheries and Food may report on the Agriculture Council on 18 July. This postponed discussion of the Mediterranean acquis because of Italian political difficulties. The French sought to get Agriculture Ministers more closely involved in the work of the Special Council. The Greek Presidency said that the Stuttgart Declaration ruled out discussion of the Commission proposals in the Agriculture Council but agreed to discuss how agriculture might best contribute to the work on the future financing of the Community.

5. The Budget Council is meeting on 20-21 July to consider a second supplementary budget for 1983 and a draft budget for 1984, both of which will need to provide for the payment of the United Kingdom's budget refunds. It is unlikely to be concluded in time for a report to be made to this week's Cabinet. The Steel Council will discuss steel restructuring within the Community on 25 July. The Fisheries Council will make a further attempt to agree the total allowable catches and quotas for 1983, including those for North Sea herring, on 25-26 July.

ROBERT ARMSTRONG

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