

Ref.A083/2263

PRIME MINISTER

Cabinet: Community Affairs

The Chancellor of the Exchequer will report on the results of the Budget Council on 20-22 July at which the United Kingdom was represented by the Financial Secretary, Treasury. After the longest ever continuous session for EC Ministers, the Council established the draft 1984 budget including specific provision on budget lines for the United Kingdom's full 1983 refund agreed at Stuttgart (750 million ecu grossed up to 991 million ecu). This was satisfactory. The United Kingdom received little support, except from the Dutch, in pressing for a reduction in agricultural expenditure. The draft 1984 budget now goes to the European Parliament. On the draft 1983 supplementary budget, however, there was a long dispute over the calculation of the extra payment to the United Kingdom under the 1982 risk-sharing (the basic 1982 refund of 850 million ecu is already being paid). The Council fixed an arbitrary figure which in our view is 73.5 million ecu net (£42 million) less than our entitlement of 304.5 million ecu net (£177 million). The United Kingdom therefore voted against the draft 1983 supplementary budget (which also now goes to the European Parliament) and made clear formally in the Council Minutes that the decision was insufficient to discharge the Community's obligation under the October 1982 agreement, calling on the Community to take the necessary corrective action as a matter of urgency. The Foreign and Commonwealth Secretary has written to the Greek Presidency, giving notice that he will raise this in the margins of the special Council on 30 August and asking that it be formally put on the agenda for the next Foreign Affairs Council.

2. The Secretary of State for Trade and Industry will report on the Steel Council on 25 July at which he and the Minister of State for Industry (Mr Lamont) represented the United Kingdom. Agreement was reached on the extension of the mandatory quota arrangements. The Council agreed in principle that the quotas should be continued

11/2/83
PR.
Lamont

380,000

CONFIDENTIAL

140,000

240,000

Mod: PNT/UK.

until the end of 1985, but because of Italian political difficulties the formal decision was for prolongation until 31 January 1984, with a declaration of intent on a further renewal for two years. The United Kingdom secured an increase of quota for our producers of 380,000 tonnes a year (140,000 tonnes for independent steel producers and 240,000 tonnes for the British Steel Corporation). This recognised the British industry's record in restructuring and reflected more flexible provisions for private sector companies facing difficulties as a result of severe quotas. The Italians explicitly accepted the 5.8 million tonnes capacity reduction required of them by the Commission.

3. The Minister of Agriculture, Fisheries and Food will report on the Fisheries Council on 25-26 July at which he, his Minister of State (Mr McGregor) and the Minister of State, Scottish Office (Lord Gray) represented the United Kingdom. The Council again failed to reach agreement on herring quotas because the Danes invoked the Luxembourg Compromise in blocking any decisions which did not constitute an overall package of total allowable catches, quotas and conservation measures for 1983. They did, however, support a further interim quota of 20,500 tonnes of herring for Norway, which was approved by qualified majority, the United Kingdom voting against and the Netherlands abstaining. The next Council will take place on 3-4 October.

4. The only Community meetings scheduled during August are the preparatory discussions by officials on 16-18 and 23 August for the Special Council on 30 August which will carry forward the work commissioned by the Stuttgart European Council.

RA

ROBERT ARMSTRONG

27 July 1983