

Qz.03180

MR COLES

cc: Sir Robert Armstrong

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

EUROPEAN COUNCIL OF 17-19 JUNE: PARLIAMENTARY

STATEMENT ON 23 JUNE

NOTES FOR SUPPLEMENTARIES

I. THE INTERIM SOLUTION: UK BUDGET REFUND FOR 1983

"REFUND TOO LOW"

Over the 4 years 1980-83 we have now brought back more than £2,500 million. On 2 July 1980 the then Chancellor of the Exchequer, reporting on the settlement of 30 May 1980, told the House that we had a rebate "reducing our estimated net contribution for those years by about two-thirds" [Hansard, 2 July 1980, col 1550] . We have now achieved in Stuttgart last weekend a further settlement, as a result of which we have for the 4 years 1980-83 an average refund of about two-thirds of our net contribution (65.4%). Hon. Gentlemen opposite never did anything effective to get back a penny piece.

"REFUND LESS THAN WE ASKED FOR"

We were prepared in the negotiation to accept less than two-thirds of 1983 net contribution because we did much better than expected in respect of 1980 and 1981. That is why the agreement has to be seen in the context of the full 4-year period.

WHY NO RISK SHARING FOR 1983?

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In earlier years the reference figure on which the calculations were based was set rather low. It was to our advantage to have a risk sharing formula. The 1982 risk sharing formula, for example, is now operating in our favour and an extra refund for 1982 of an estimated 305 million ecu (£178 million) will very shortly be made to the United Kingdom. In 1983, on the contrary, the reference figure has been set at a higher level. It is quite probable that it will be to our advantage to have no risk sharing formula in 1983.

WILL FRENCH BLOCK PAYMENT OF THE REFUNDS?

The French have, like all member states, agreed to the European Council conclusions, which specify the amount of the UK compensation and say that it will be included in the draft 1984 Community budget. There are no conditions attached.

WHAT ABOUT 1984?

The European Council in Stuttgart has now launched a major effort to achieve a permanent solution to the problem of a more soundly based and more fairly financed Community. This has been the aim of UK policy for some years and we

/strongly welcome the

strongly welcome the initiative now being taken. The results will be reported to the next meeting of the European Council on 6 December. It is the objective of all member states that any revision of the system should apply to 1984. If not, it is also understood that an appropriate solution will need to be found for 1984.

WHAT WILL THE MONEY BE SPENT ON?

This will be decided when the figures are entered in the Community's draft budget shortly. The money will be spent on measures of Community interest in the United Kingdom. These may include action to improve transport and to make better use of energy.

II. THE LONG TERM SOLUTION

"PASS SOLD ON INCREASE IN COMMUNITY'S OWN RESOURCES?"

No. Other member states pressed us hard to commit ourselves to such an increase. But the conclusions do not contain such a commitment. This question has not been prejudged.

Main elements for discussion in important negotiation ahead are control of agricultural and other expenditure; greater budgetary discipline; a more equitable financial arrangement; the extent

/and timing of the Community's

and timing of the Community's requirements in terms of its own resources; the development of Community action on research, innovation and new technologies; and the conclusion of accession negotiations with Spain and Portugal. We are prepared to look at the Community's financial requirements "on the basis of the conclusions reached on . . . improving budgetary discipline and the examination of the financial system".

AGRICULTURAL AND OTHER SPENDING

We have agreed, for the first time, that the Community is committed to taking measures "to ensure effective control of agricultural expenditure" and that "expenditure must also be controlled . . . outside the agricultural sector". One element under discussion is strict financial guidelines on agricultural spending.

TACKLING THE UNFAIR BUDGET BURDEN PERMANENTLY

We have agreement on the objective "to agree measures which, taken as a whole, will avoid the constantly recurrent problems between the member states over the financial consequences of the Community's budget and its financing". This is the first time that we have set ourselves a long term aim to settle this problem once and for all as a Community.

"OPENING THE DOOR"

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In these conclusions we have at last really opened the door to a sounder based financial system which will deal on a permanent basis with the budget problem which has plagued Britain since its entry. The work which is to be carried out on a tight timetable and with a special procedure in the autumn will be important. First meeting: 8 July. We shall support the work fully.

POSSIBLE REACTION OF EUROPEAN PARLIAMENT

The European Parliament wants what we want - a long term solution. The United Kingdom is one of the member states most concerned that the future financing and development of Community actions should be put on a sounder and fairer basis. We shall be pressing strongly for such a solution, if possible by the end of this year, when the Parliament will have to adopt the 1984 budget. Mr Dankert stated recently that "Interim solutions, such as a financial mechanism to increase benefits and compensate disadvantages seemed virtually inevitable".

/IS THE COMMUNITY'S MONEY RUNNING OUT?

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Yes. It seems likely that, when the Commission proposes a supplementary budget for 1983, the Community will be almost at the limit of own resources even in the current year.

22 JUN 1983



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MR COLES *AR 23/6. h.a.*

cc: Mr Fall - FCO
Mr Kerr - Treasury
Mr Ballard - DOE
Mr Shaw - D Em
Mr Spencer - DTI
Sir Robert Armstrong

EUROPEAN COUNCIL, 17-19 JUNE: DRAFT WRITTEN PARLIAMENTARY STATEMENT BY THE PRIME MINISTER *with PM*

I refer to Mr Williamson's minute of 20 June which did not contain a mention of the political cooperation discussions. The following draft, which has been agreed with the FCO, might be included at the end of the statement:-

"As is customary, the European Council also discussed a number of international political questions including Poland, the CSCE Review Conference in Madrid, the Middle East and Central America. Copies of the Presidency conclusions on these subjects have been placed in the Library of the House."

D.R.C.

D R C DURIE

21 June 1983

Evils for Budget
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The House of Commons has agreed with the FOI right to be included at the end of the statement.

In its statement, the European Council also discussed a number of international political issues including the 1983 European Conference in Berlin, the 1983 and 1984 American, copies of the Presidency's conclusions on the 1983 and 1984 American, copies of the Presidency of the House.

27 JUN 1983

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