



PM/84/18

PRIME MINISTERPrime Minute.

A useful document which I will ask Mr. Fisher to keep on hand to

Question:

A.S.C. 25/11.

Shankson - it is a very useful summary.

UK Position in the Negotiations on the Stuttgart Declaration

1. I recently asked my department to produce, in a single piece of paper and in clear succinct language, a summary of our position on the main issues in the post-Stuttgart negotiations. I enclose a copy.

2. I intend to use this as a kind of aide memoire in the bilateral contacts of which I will be having a considerable number in the coming weeks. Where possible we have avoided language which would be counter-productive (e.g. 'net contributions') and have picked up language from e.g. the Delors paper tabled before Athens. The words in quotation marks are taken from the Stuttgart Declaration.

3. I am copying this minute to the Chancellor of the Exchequer, the Minister for Agriculture, the Secretary of State for Trade and Industry and Sir Robert Armstrong.


(GEOFFREY HOWE)

Foreign and Commonwealth Office

27 January 1984

ANGLO-ITALIAN SUMMIT, 26-27 JANUARY

Post-Stuttgart negotiations: speaking note for the Prime Minister
(After referring to the areas of agreement on defence)

① At Stuttgart the Heads of State and Government set out an ambitious programme - the so-called "relaunch of the Community". The United Kingdom attaches real importance to this initiative and wants the major decisions to be taken at the March meeting. The Community is stagnating. Internal difficulties mean that it is not playing its full role in the world. Italy and the United Kingdom surely have a common interest in establishing the conditions in which the Community can develop. There is a real need for the common market in goods and services to be completed and for new policies to be developed where they make common sense.

② The United Kingdom believes that the conditions for a sustained development of the Community are

- a financial solution which must contain a lasting correction of the present inequity in the budget and effective control of Community spending

- some changes in the operation of the common agricultural policy in order to adapt to the changed circumstances.

We have made clear that we are prepared to consider the Community's requirements for own resources, provided that the present budget inequity is corrected and that there is effective control of agricultural and other spending. There is no prospect of an increase in the Community's own resources unless these conditions

/are satisfied. We

are satisfied. We are not completely inflexible on the methods and modalities. But an increase in own resources would be a fundamental change in the *acquis communautaire*, requiring the unanimous agreement of 10 member states and 10 parliaments. We could not contemplate it without being satisfied that the conditions for a satisfactory future development of the Community on a fairer financial base were met.

In 1970 the original Six set up a new financial arrangement which suited them but is clearly ill-adapted to a Community of 10 or 12. The choice is to change it totally, which would take a long time, or to make the sort of changes which the United Kingdom is proposing in order to remove inequity.

On the budget imbalance it is quite wrong that the United Kingdom, which is of about average prosperity in the Community, ^(of 12) should be the only member state apart from Germany to transfer large resources to the Community every year. We believe that the solution must

- be lasting. This can be achieved easily by including it in the revised Own Resources Decision, which would in any event require amendment if Own Resources were increased
- establish a limit on the amount which each member state should transfer to the Community, taking account of ability to pay (helpful that Germans have agreed that they want a limit but not a cutback below their actual contribution)
- be implemented on the revenue side, ie by correcting a member state's VAT contribution in the following year. This will avoid any disputes with the European Parliament

- take account of the full burden which we bear, although we expect to remain a modest net contributor
- come into effect in respect of 1984 and later years.

On control of agricultural and other spending, our proposals are entirely in line with the Treaty and with the practices of national governments. There is wide agreement already in the Community that rate of growth of agricultural spending should be markedly less than the rate of growth of own resources, which are needed for other desirable policies. We think that this guideline should be put in the budgetary procedure of the Community. On control of spending generally, we believe that Monsieur Delors' proposals tabled in November provide a very good basis.

On agriculture, the Agriculture Ministers are now trying to work out a package. It is quite evident that price restraint, a wider application of guarantee thresholds, special measures for milk and some dismantling of monetary compensatory amounts must be achieved. Otherwise the policy will break down under the weight of its weaknesses. We believe that all member states, including large food importers such as the United Kingdom and Italy, must equally carry the burden of adjustment. Despite some differences between us, there is a common interest that the price of cereals and milk, which affect our import bills, should be restrained and that the excesses should be reduced.

On new policies I hope also that we can find common ground on such issues as the internal market (eg a genuinely liberal non life insurance arrangement), on transport (liberalisation of lorry quotas) on energy (solid fuels policy) and on some areas of high technology.

None of the future developments can be achieved, however, unless we settle quickly the financial package on a lasting basis.



10 DOWNING STREET

From the Private Secretary

30 January 1984

UK Position in the Negotiations on the
Stuttgart Declaration

The Prime Minister found the paper enclosed with the Foreign and Commonwealth Secretary's minute of 27 January a very useful summary. She intends to make use of it herself.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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