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Foreign and Commonwealth Office

London SW1A 2AH

1 February 1984

Sally

Use amended
and standard
text (typed last
week)

Mr. Fisher.

WFB to me pl.

Jan John,

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UK Position in the Negotiations on the Stuttgart Declaration

Thank you for your letter of 30 January letting me know that the Prime Minister had approved the above paper, which was sent under cover of the Foreign and Commonwealth Secretary's minute of 27 January, and that she intends to make use of it herself.

In the paragraph on New Policies, we inadvertently omitted a reference to our proposals for the abolition of road haulage quotas. I enclose a fresh copy of the paper which includes the correct reference.

I am copying this letter and its enclosure to the Private Secretaries to the Chancellor of the Exchequer, the Minister of Agriculture, the Secretary of State for Trade and Industry and Sir Robert Armstrong.

Jan John
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

UK POSITION IN THE NEGOTIATIONS ON THE STUTTGART DECLARATION

1. The overall objective is to re-launch the Community.

Budgetary Issues

2. On budgetary imbalances we seek a solution designed to 'avoid the constantly recurrent problems between the Member States over the financial consequences of the Community's budget and its financing'. This solution should consist of a corrective mechanism which would:

- be incorporated in the revised own resources decision and last as long as the problem it was designed to correct;
- be based on an objective measurement of the budgetary burden borne by a Member State. The basis of calculation would be the current allocated budget (calculated on the basis used by the Commission in its note XIX/480/80 and its subsequent note of 16 June 1983);
- correct the measured burden by setting a threshold. This would vary in relation to each Member State's relative prosperity. It would be expressed as a percentage of a Member State's gross domestic product;
- provide net relief to that Member State for sums paid in excess of that threshold. The relief would take the form of a deduction on the revenue side of the budget in the year following that for which it was granted;
- operate in respect of 1984 and subsequent budget years.

3. We also seek greater budgetary discipline, to ensure effective control over the rate of growth of agricultural and other expenditure. To this effect we wish to see:

- the management of EC resources based on the same strict rules as those governing the management of public finance in the Member States ie expenditure must be determined by available finance.
- The establishment by the Council, at the beginning of the budgetary procedure, of a frame of reference ie the maximum overall resources available in the following financial year.
- Within this overall control, the setting of a financial guideline for FEOGA Guarantee Section expenditure which would hold its growth markedly below that of the own resources base defined on a three year moving average.

These provisions should be incorporated in the Community's budgetary procedures.

4. On the basis of decisions taken under paras 2 and 3 above, we are ready to decide on the future financial requirements of the Community.

CAP

5. We want to bring about changes in the operation of the CAP which will adapt it 'to the situation facing the Community in the foreseeable future, in order that it can fulfil its aims in a more coherent manner'. To this end we are seeking agreement on:

- commitment to a rigorous price policy, and to a wider applications of guarantee thresholds for all sectors which are, or are likely to be, in surplus; or where such measures prove necessary because of a significant increase in expenditure or where production is increasing more rapidly than consumption.
- Effective measures to control milk production. We would like these measures to include at least a freeze on common prices for the next three years. They could also include a super-levy, as proposed in the Commission's papers of July and September 1983 (COM(93)(500) and COM(83)(508)), subject to agreement on the modalities.
- A decision to narrow progressively the gap between the Community's cereals prices and those in other producer countries over the next five years.

6. If decisions are taken on milk and cereals on the basis set out in the preceding paragraph, we are ready to authorise the opening of negotiations under Article XXVIII of the GATT with the United States and other principal suppliers designed to achieve the stabilisation of the Community's imports of cereals substitutes (corn gluten feed and citrus pellets). The results of the negotiation would be reported to the Council which would then decide whether to unbind the tariff.

7. We are not prepared to agree to the Commission's proposal for an oils and fats tax.

New Policies

8. We attach great importance to early agreement on a substantial list of measures designed to bring about improvements in the internal market and the strengthening of the Community's industrial competitiveness. To this end we would like to see agreement reached on:

- adoption of the blocked Article 100 directives designed to lead to harmonisation of industrial standards.
- Adoption of a Single Administrative Document for customs clearance.

- Adoption of the proposed Common Commercial Policy Regulation which would enable the Community to respond rapidly to unfair trading practices by third countries.
- Implementation of a genuinely liberal regime for Non-Life Insurance Services.
- A programme for the abolition of road haulage quotas.
- Progress towards liberalisation of air transport services in the Community.
- A date no later than 1990 for the introduction of unleaded petrol.
- A solid fuels policy.
- The ESPRIT programme.

9. We are ready to work constructively on proposals for increasing industrial cooperation, particularly in the areas of high technology.

Structural Funds

10. We are working for early agreement on revised FEOGA Structure and Regional Funds. More work is needed on the Commission's proposals for Integrated Mediterranean Programmes which must be examined in close relation to the Community's structural funds.

Enlargement

11. We want to see the accession negotiations with Spain and Portugal effectively concluded by the end of September 1984, so that these two countries can enter the Community, as they wish to do, on 1 January 1986.

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