

Ref.A084/985

PRIME MINISTER

Cabinet: Community Affairs

You have already discussed in OD this morning the results of the Foreign Affairs Council on 27 March and the Agriculture Council on 26-27 March.

2. The Foreign and Commonwealth Secretary will wish, however, to report to Cabinet on the Foreign Affairs Council of 27 March which did not reach agreement on the correction of the Community's budget burden on the United Kingdom. The discussion concentrated on the fair sharing of the budget burden and dealt both with the system and its base figure. It was usefully agreed that the ad hoc rebate of 1,000 million ecu will now be for one year (1984) only with the revised system coming into effect thereafter. This meets the position you took in the European Council. It was also agreed by all member states that there must be a reformed system of financing included in the own resources decision. No-one, however, made a move on the base figure, and so the gap remains between the 1,000 million ecu on offer at the European Council and the 1,250 million ecu which you have indicated we could accept. The Commission are now likely to come forward with some proposal on the starting figure for the new system, after discussion in the Finance Council on 2 April, in preparation for the Foreign Affairs Council on 9-10 April, which may still formally be considered a continuation of the work of the European Council. The Commission has promised to be in touch with us before they make any ideas public.

3. You may wish to draw out two points in the Cabinet -

(i) we should not be misled by the presentation in Brussels which is on the lines that the United Kingdom is rejecting concessions by nine other member states. The fact is that other member states are demanding a change in the basic financing Decision of the Community by increasing the VAT resources of the Community. Their demand is equivalent to a change in the Treaty and requires the unanimous agreement of member states

and their Parliaments. The United Kingdom Government has indicated that it is ready to consider their demand for a fundamental change if there is effective control of Community expenditure and a fair sharing of the budget burden;

(ii) the base figure in the system is of real importance because it establishes in effect the limit on the United Kingdom's net contribution over the foreseeable future. The difference of 250 million ecu on 1983 figures would be substantially greater in later years.

4. The Minister of Agriculture, Fisheries and Food will wish to report on the Agriculture Council of 26-27 March. The discussions were largely devoted to the Irish Republic's milk quota. He made a determined effort to get a proposal for a continuation of the beef variable premium. The Council is to reconvene on 30-31 March in a further effort to reach a settlement before the 31 March deadline (end of marketing year for some major agricultural products).

5. You decided on the immediate steps that needed to be taken in your OD discussion, when it was agreed that we should not meet the Commission's current request for an advance of own resources and that, in presenting the outcome of the Special Foreign Affairs Council to the House of Commons, the Foreign and Commonwealth Secretary should adhere on withholding to the line you took after the European Council. He would also make it clear that the United Kingdom was not the supplicant in these negotiations.

6. There was also a Transport Council on 22 March at which the United Kingdom was represented by the Parliamentary Under Secretary of State, Department of Transport, Mr Mitchell. No decisions were taken requiring a report to Cabinet.

Note.  
G.R.  
I.R.C.

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7. The Agriculture Council will meet on 30 March and the Finance Council on 2 April, and there will be informal meetings of Transport Ministers on 2 April and of Social Affairs Ministers on 5 April.

RIA

ROBERT ARMSTRONG

28 March 1984

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