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Foreign and Commonwealth Office

London SW1A 2AH

21 June 1984

Prime Minister

John Chubb,

MS

A useful & supportive report

C D P 21/6

Foreign Affairs Committee Report on the Forthcoming
Fontainebleau Summit

The Foreign Affairs Committee of the House of Commons have published a report on the forthcoming Fontainebleau Summit. I enclose a copy together with a statement made by the Foreign Secretary about the report.

Attached to cover of file.

The report follows the evidence which Sir Geoffrey Howe gave to the Committee on 2 April and the Committee's own visit to Paris, Bonn and Rome in May.

As Sir Geoffrey Howe's statement makes clear, the Committee's report is on the whole helpful, particularly in suggesting that other Member States have not shown adequate realisation of the extent to which the United Kingdom has moved in the interests of reaching a settlement. It also brings out very clearly the extent of our net contribution and the fact that the question of budgetary imbalances is a question of critical concern to the Community as a whole.

The report does not comment on the merits of an increase in own resources though the Committee point to the virtual impossibility of financing the Community without one. They also refer to the importance of controlling Community expenditure as a major ingredient in any settlement.

The main points in the report are as follows:

- (i) all the elements currently under negotiation in the post-Stuttgart negotiations form a package. The issues should not be decoupled (paragraph 9);
- (ii) any mechanism allowing for automatic increases in the own resources ceiling without reference to national parliaments would be unacceptable to the House of Commons (paragraph 16);

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- (iii) even if agreement on an increase in own resources is reached at Fontainebleau, some form of bridging finance will be needed if UK refunds are to be paid (paragraph 17);
- (iv) control over the growth of the CAP, and the general tightening of budgetary discipline, are vital. The effectiveness of budget discipline will depend upon the extent to which any arrangements are enshrined in legislative form (paragraphs 24 and 25);
- (v) the issue of budgetary imbalances transcends the particular problems of the United Kingdom and has become a question of the critical concern of the whole Community (paragraph 33);
- (vi) contrary to the impression given by press reports, both the UK and other Member States have made significant concessions: the UK by accepting the VAT share/expenditure share gap; the others by accepting only one more ad hoc year (paragraphs 36 to 37);
- (vii) other Community politicians should recognise that HMG has moved away from the position adopted in 1979 and now wished to secure merely 'some relatively continuous and reasonably fair conclusion' (paragraph 38);
- (viii) the UK's attitude to the notion of European union gives little evidence that the inclusion of this item on the Fontainebleau agenda will help to defuse the budget negotiations (paragraph 42);
- (ix) the Committee's talks in Paris, Bonn and Rome revealed a desire to settle the issue but also a good deal of frustration and exasperation with the United Kingdom. The French Government showed a desire to bridge the gap but gave no inkling of how it should be done; the German attitude is ambivalent; the Italians have little sympathy with our negotiating stance but fear the prospect of a growing Bonn/Paris axis (paragraphs 47-57);
- (x) other Community Governments should recognise HMG's flexible approach, the extent of its concessions and the evidence of its commitment to the Community (paragraph 58);
- (xi) the UK should not sacrifice potentially more important budgetary matters (budget discipline etc) in the interests of a popular settlement on the rebates issue (paragraph 59);

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- (xii) the ground should be prepared for the possibility of further disagreement at Fontainebleau with a view to making it clear that this is not a last chance and that the negotiations should continue (paragraph 62);
- (xiii) the European Council does not have the same legislative role as other Community institutions. It should focus more on long term policy matters and should not undermine the decision making role of the Council of Ministers (paragraphs 64-68).

A handwritten signature in dark ink, appearing to read 'R B Bone', written in a cursive style.

(R B Bone)
Private Secretary

C D Powell Esq
10 Downing Street



COMMENT BY THE FOREIGN AND COMMONWEALTH SECRETARY ON "THE FORTHCOMING FONTAINEBLEAU SUMMIT"

The Foreign and Commonwealth Secretary has seen the report of the Foreign Affairs Committee. He welcomes their thorough analysis of the problems facing the Community and their assessment of the issues at stake in the negotiations.

As the Committee point out, considerable progress has already been made in the negotiations and the Government have made a number of significant moves in the interests of an agreement. The Government are committed to try to settle the negotiations at Fontainebleau so that the Community can concentrate on its future development and on playing its full part in international affairs. The Government hope that other Member States will be willing to join with it in making this final effort to clinch a settlement.

MJ

cc Sir P Cradock

22 June 1984

Foreign Affairs Committee Report
on the Forthcoming Fontainebleau
Summit

Thank you for sending me this report with your letter of 21 June. The Prime Minister has noted it as well as the Foreign Secretary's statement.

CP

Roger Bone Esq
Foreign and Commonwealth Office.

RB