



Foreign and Commonwealth Office

London SW1A 2AH

27 July 1984

Prime Minister

Poor chance of getting
anywhere through the European
Courts.

CDD 27/7

Dear Charles,

1983 Refunds

I enclose some points to make on which the Prime Minister might wish to draw in her interview on Newsnight tonight. I also enclose transcripts of interviews given by Mr Rifkind earlier today.

The Prime Minister asked two questions about the legal aspects of the Parliament's action:

- (i) whether the blocking of the transfer is contrary to Community law; and
- (ii) whether Mr Dankert had acted illegally in not sending a letter to the President of the Community, saying that the transfer had been approved, immediately after the Budget Committee voted to that effect on 12 July.

We have consulted Treasury Solicitors and the Law Officer's Department and the following represents the advice of Whitehall advisers at official level. On the first question, Parliament is not mentioned in the Treaty of Rome as one of the institutions whose acts can be reviewed by the European Court of Justice. It might be that, if the merits of the case were strong, the Court would find some way of overcoming this procedural barrier but we could not be at all confident of such an outcome. On the merits of the case, in order to succeed in a claim that the resolution blocking our refunds constituted an illegal act, we should want to show that Parliament had a legal duty to approve the transfer of appropriations. Although the Regulations concerned provide for the appropriations to be entered in the general budget of the Communities, the Court would not necessarily hold that this constituted a specific obligation on the Parliament, as part of the budgetary authority, to make available money for our refunds.

/On

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On the second question, we would probably run up against the same procedural difficulties as described above. We have considered whether, instead of bringing proceedings against the Parliament, action could be brought against the Commission for their failure to act to implement the decision of the Committee. But we are advised that the scope for bringing a case would be very limited. The Commission would argue that they had taken all the measures open to them including holding a meeting of the Advisory Committees only yesterday. They would equally argue that they were blocked from making the final payment by the Parliament's vote against the transfer proposal. Whether the plenary of the Parliament had the power to block the transfer when it had already been approved by the Budgets Committee under delegated authority would be in dispute. But the Commission would argue that it was not within their power to challenge the Parliament's own interpretation of its own actions.

There is no simple answer to the question of liability under Community law. The above represents the legal advisers' preliminary view and the Law Officer would of course need to be consulted before we could draw any conclusions. What is certain is that, if we were to try to bring a case, it could drag on for a very long time and would certainly mean that our refunds were not paid in the meantime. We have included in the notes for supplementaries an answer covering this point.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Lord Chancellor, the Attorney General and Sir Robert Armstrong.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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10 DOWNING STREET

From the Private Secretary

30 July, 1984

1983 Refunds

Thank you for your letter of 27 July about the legal aspects of the European Parliament's action in blocking the transfer of our 1983 refunds.

The Prime Minister has noted the conclusion that if we were to bring a case, it could drag on for a very long time and would mean that our refunds would not, meanwhile, be paid.

I am copying this letter to David Peretz (H.M. Treasury), Richard Stoate (Lord Chancellor's Office), Henry Steel (Law Officers' Department) and Richard Hatfield (Cabinet Office).

C. D. POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office

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HD/ECD(I) (2)

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SIR C TICKELL

MR ~~RENEWICK~~

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DESKBY 271200Z JUL 84

FM UKDEL STRASBOURG 271115Z JUL 84

TO DESKBY 271200Z FCO

TELEGRAM NUMBER 101 OF 27 JULY

INFO IMMEDIATE UKREP BRUSSELS

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FROM UKREP BRUSSELS

1983 REFUNDS

UKDEL STRASBOURG TELNO 99

SUMMARY

1. THE EUROPEAN PARLIAMENT BLOCKED THE TRANSFER OF 1983 REFUNDS ONCE AGAIN AS A REACTION TO REPORTS ON THE UK ATTITUDE TO 1984/85 FINANCING. THE OPERATIVE TEXT READS THAT THE EUROPEAN PARLIAMENT " REJECTS THE TRANSFER OF APPROPRIATIONS AT THIS TIME AND WILL RE-EXAMINE IT ON THE OCCASION OF THE SUBMISSION OF THE SUPPLEMENTARY BUDGET ".

DETAIL

2. THE EUROPEAN PARLIAMENT ON 27 JULY ADOPTED THE HOFF (GERMAN SOCIALIST) RESOLUTION WITH AN AMENDMENT (PARAGRAPH 6A.) BY PFENNIG (GERMAN CHRISTIAN DEMOCRAT) REJECTING THE TRANSFER OF THE REFUNDS. FULL TEXT AS ADOPTED IN MIFT.

3. THE EDG, THE BRITISH WITH A MINORITY OF OTHER MEMBERS OF THE SOCIALIST GROUP, AND A FEW INDIVIDUALS FROM OTHER GROUPS VOTED AGAINST THE RESOLUTION WHICH WAS ADOPTED BY 212 FOR, 70 AGAINST WITH 3 ABSTENTIONS.

4. THE EDG (DOURO, LADY ELLES AND PROUT) ARGUED BEFORE THE VOTE THAT THE PFENNIG AMENDMENT WAS INADMISSABLE BECAUSE IT CONTRADICTED A DECISION PROPERLY TAKEN BY THE BUDGET COMMITTEE WHICH HAD DELEGATED AUTHORITY. PFLIMLIN TWICE RULED THAT THE PARLIAMENT AS

A DECISION PROPERLY TAKEN BY THE BUDGET COMMITTEE WHICH HAD DELEGATED AUTHORITY. PFLIMLIN TWICE RULED THAT THE PARLIAMENT AS A WHOLE WAS SOVEREIGN AND THIS WAS THE OVERRIDING PRINCIPLE.

5. PFENNIG, INTRODUCING HIS AMENDMENT, SAID THAT IT WAS NECESSARY BECAUSE THE PARLIAMENT COULD NOT ALLOW THE COMMUNITY TO RUN OUT OF FUNDS BECAUSE TWO MEMBER STATES WOULD GET REFUNDS WHILE THE COUNCIL HAD FAILED TO PROVIDE FOR THE NORMAL FUNCTIONING OF THE COMMUNITY. HE ADDED THAT THE TRANSFER SHOULD BE APPROVED ONCE THE FONTAINEBLEAU PROVISIONS ON 1984 FINANCING HAD BEEN MET BY THE COUNCIL. (NOTE: THE VERBATIM TEXT OF HIS EXACT WORDS ON THIS POINT WILL NEED TO BE EXAMINED).

6. MRS CASTLE SPOKE STRONGLY TO THE EFFECT THAT THE MONEY WAS CLEARLY DUE TO BRITAIN UNDER THE TERMS LINKING THE REFUND TO STUTTGART. THE NEW LINK THE PARLIAMENT WAS MAKING WAS UNACCEPTABLE BOTH ON THE GROUNDS OF PRINCIPLE AND BECAUSE THE SUPPLEMENTARY BUDGET WOULD NOT BE FOR NEW POLICIES BUT TO CONTINUE TO FINANCE AGRICULTURAL EXCESSES. THE PARLIAMENT'S ACTION SHOWED THE WEAKNESS OF THE FONTAINEBLEAU AGREEMENT. MRS THATCHER SHOULD NOT HAVE AGREED TO INCREASE OWN RESOURCES ON SUCH A FLIMSY BASIS.

7. LORD DOURO DESCRIBED THE DECISION AS DISGRACEFUL, MAKING THE POINTS THAT THE PARLIAMENT'S LINK WAS WITH THE STUTTGART PACKAGE WHICH HAD BEEN SETTLED, AND THAT THE BUDGET COMMITTEE HAD ALREADY TAKEN A FAVOURABLE DECISION ON THAT BASIS. HE THOUGHT THE EUROPEAN PARLIAMENT'S ACTION WOULD MAKE IT ALL BUT IMPOSSIBLE FOR THE UK PARLIAMENT TO RATIFY THE INCREASE IN OWN RESOURCES.

COMMENT

8. THE HIGH LEVEL OF ATTENDANCE FOR THE VOTE AND THE LARGE MAJORITY FOR THE PFENNIG AMENDMENT REFLECT THE STRONG, AND ESSENTIALLY IRRATIONAL, ATTITUDES OF MEPS ACROSS THE POLITICAL SPECTRUM. THEY ARE PERHAPS SUMMED UP BY THE COMMENTS OF VON WOGAU (A GERMAN CD MEMBER WHO NORMALLY HAS FRIENDLY LINKS WITH THE CONSERVATIVES) AFTER A DISCUSSION WITH EDG MEMBERS YESTERDAY, " I KNOW IT IS IRRATIONAL. WE DO NOT WANT TO GO ON TALKING ABOUT THE REFUNDS ANY MORE THAN YOU DO. BUT WE ARE FED UP WITH THE BRITISH ATTITUDE ON BUDGET QUESTIONS AND THIS IS FRANKLY TIT-FOR-TAT."

9. IT SEEMS LIKELY THAT THE NEXT STEP AS AFR AS THE PARLIAMENT'S PLENARY IS CONCERNED WILL BE A FURTHER DEBATE AND VOTE EARLY IN THE SEPTEMBER SESSION. AN UNOFFICIAL PAPER FROM THE PARLIAMENT'S NEW BUREAU WHICH WE HAVE OBTAINED PROVIDES FOR THIS BETWEEN 5 AND 8 PM ON TUESDAY 11 SEPTEMBER.

FCO ADVANCE TO :
FCO: PS/SOS, PS/MR RIFKIND, RENWICK, WALL
CAB: WILLIAMSON, LAMBERT
TSY: PS/MR STEWART, PEET

FCO PLS PASS ALL

STODDART

PRIME MINISTER

EC BUDGET: THE EUROPEAN PARLIAMENT

Jurgen Ruhfus telephoned me again this morning to say that Chancellor Kohl's staff had again been in touch earlier this morning with the German Christian Democrats in the European Parliament to try to dissuade them from pressing their amendment. He did not know what the result would be. I said that the vote had already been taken and gone against us. This was a matter of great concern to you. Herr Ruhfus said he was sorry to hear of the outcome which was not wished by the German Government.

I should also record that I spoke again to Sir Henry Plumb early this morning. He was most grateful for your help in sending a message to Chancellor Kohl.

C.D.P.

27 July 1984

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THATCHER 'FURIOUS' OVER BUDGET DECISION
EURO MPS IN STRASBOURG TODAY DECIDED ONCE AGAIN TO BLOCK
BRITAIN'S £457 MILLION COMMON MARKET BUDGET REBATE -- AND MRS
THATCHER WAS FURIOUS ABOUT WHAT WHITEHALL REGARDS AS AN "INTOLERABLE
DECISION," WRITES THE PRESS ASSOCIATION CHIEF POLITICAL
CORRESPONDENT.

THE PRIME MINISTER FEELS THE DECISION IS UNJUSTIFIED AND IS A
FURTHER EXAMPLE OF THE NIGGLING ATTEMPTS BY SOME FACTIONS IN EUROPE
TO ALIENATE BRITISH PUBLIC OPINION FROM THE INSTITUTIONS OF THE
COMMUNITY.

HOWEVER, DESPITE THIS MORNING'S EVENTS IN STRASBOURG, THE
GOVERNMENT IS CONFIDENT THAT IT WILL GET ITS MONEY.
WHITEHALL SOURCES BELIEVE THERE MAY EVEN BE ELEMENTS OF
VINDICTIVENESS AGAINST BRITAIN IN THE DECISION, WHICH CAN DELAY BUT
NOT STOP THE REPAYMENT.

AND THEY PREDICT ANOTHER ROW, PROBABLY IN SEPTEMBER, IN WHICH
BRITAIN WILL MAKE CRYSTAL CLEAR HOW INTOLERABLE AND UNJUSTIFIED THEY
BELIEVE THIS DECISION TO BE.
MRS THATCHER WILL NOW EXPECT BRITISH EURO-MPS TO ADD THEIR VOICES
TO THE CHORUS OF BRITISH PROTESTS. SHE HAS NOT, HOWEVER, SO FAR BEEN
IN TOUCH WITH SIR HENRY PLUMB, LEADER OF THE BRITISH CONSERVATIVES IN
EUROPE.

THE BRITISH GOVERNMENT'S VIEW IS THAT IT IS ABOUT TIME THE
COMMUNITY LEARNED SOME SENSE OVER THESE ISSUES AND THAT THIS LATEST
MOVE IS LITTLE SHORT OF STUPID.

271235 JUL 84

The European Parliament,

- having regard to the decision of the Committee on Budgets of 12 July 1984 to approve transfer of appropriations (number 1/84 (COM)(84)148 Final) thereby releasing the 1202 million ecu to finance compensatory measures in favour of the United Kingdom for the 1983 financial year and measures in favour of the Federal Republic of Germany in the same context:

(1) expresses strong reservations as to the new mechanism for budgetary compensation established in Fontainebleau by the Heads of State or Government;

(2) notes, in particular, that the decisions in Fontainebleau were taken without Parliament participation and in disregard of its powers and responsibilities in the budgetary and financial fields. These decisions do not, furthermore, provide the lasting solutions brought by Parliament;

(3) considers that any mechanism which involves equalisation of revenue on the basis of a "fair return" is contrary to the spirit and the letter of the Treaties;

(4) believes that, on the contrary, it would be possible to correct any budgetary imbalance by Community financing of special projects in the fields of employment, energy, transport or any other appropriate measures in the Member

/States

States concerned, on the basis of an agreement concluded in March 1984 between Parliament, the Council and the Commission;

(5) will use this principle as a starting point for its consideration of Commission proposals concerning the new compensation mechanism and of the draft budget for 1985;

(6) states that it will ^(not) allow budgetary decisions to be taken without its assent;

(6a) amendment tabled by Pfenig rejects the transfer of appropriations at this time and will re-examine it on the occasion of the submission of the supplementary budget;

(7) instructs its President to forward this resolution to the Council and the Commission;

(7a) vote for the resolution as a whole was:

212 in favour

70 against

3 abstentions

cc. Mr Williamson } Cabinet Office
Miss Lambert }

Mr Varin }
Mr Hopkinson } HMT Treasury
Mr Peet }

PS

PS/Mr Ripford

Sir C. Tickell

Mr Renwick

Mr Wall

R. Yarde 27/7

Charles Powell

Pl. Kelly

EC Budget File.

Transcript by
JAMES LEE of:

INTERVIEW WITH THE PRIME MINISTER, MRS. THATCHER,
ON BBC 2 PROGRAMME "NEWSNIGHT" ON FRIDAY,
27 JULY 1984 - INTERVIEWER JOHN TUSA

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JOHN TUSA

Prime Minister, can we start with the decision today by the European Parliament? What is your feeling about their refusal to pay Britain's rebate?

PRIME MINISTER

I thought it was absolutely despicable. We have no quarrel, of course, with the Heads of Government, because all Heads of Government agreed that it should be paid and put their name to a communique which said that. But then it was very churlish and petty of the Parliament to disagree with it; the more so because the previous Parliament had agreed, and it is very irritating indeed. So often they ask us why are we not more communitaire? No country does more for Europe than Britain does and then they do this to us. It just adds one more difficulty to the many we have had to surmount.

JOHN TUSA

What are you going to do about it, though, and in the end are you going to have to pay? Is it going to be worthwhile paying a little bit more to this year's European budget, which the row is about?

PRIME MINISTER

I do not think so. First, expenditure has gone up far more than it should have done and therefore they want to put up income. I think it was Errol Flynn who said that his nett income was not enough for his gross habits. Well, you know, when that happens you really ought to cut your expenditure.

The Treaty is very firm about this. The Treaty says that the budget has got to be in balance. You cannot borrow. The Treaty also says that you have to live within the own resources.

Now, if you got to have a balanced budget and if you have to live within certain resources unless you alter the Treaty, then you in fact must cut your expenditure, not just ask for more income. And I thought some of the people I saw on television were right if they said one should challenge in the Courts if there is any suggestion of putting up the expenditure within the year.

JOHN TUSA

What about withholding Britain's payments which one Labour MP suggested?

PRIME MINISTER

I do not think it has come to that yet. We have often been told we should withhold and I have not withheld because I do not believe we should default on our undertakings even though other people default on theirs, until the end of the year has come.

There are other opportunities. The Parliament will have it back in September, and it is still in the reserve budget and should come to us by December. Let us see if it does. Just because they behave that way is no reason for us to do so too.

JOHN TUSA

does

But this not now cast a very substantial shadow over one of the main foreign affairs achievements? You have declared it was one of the main foreign affairs achievements - the whole package of the Fontainbleau Summit?

PRIME MINISTER

A small shadow; not a big one. All Heads of Government were united, every single one; no difference between us, on setting up the system which we have longed to have for a very long time. That system will not enable the Parliament to do what it has done today. That is why they have reacted. They are a little bit waspish about it.

JOHN TUSA

But is there any practical way that you think you are going to get that rebate without making concessions on the budget?

PRIME MINISTER

We are going to have a very difficult time this year, because they have overspent, but you know, we are the tough one, and they need someone to be disciplined. No organization will command respect and be able to carry on for long unless it has a good budget and a disciplined budget, and we are the one who exerts the discipline.

You know, next time, we are going to have M. Delors who is going to be President of the Commission. He has been very strict with the French budget. It was he who suggested strict guidelines for the European budget. Now he is going to be in the Presidency of the Commission and it will be very interesting to see if the Commission is run better as far as its financial budget is concerned than it has been in the past.

JOHN TUSA

Can we move on to the main issue, really, of this year, which is the miners dispute. You said a few weeks ago that you thought it would run a little while yet. How long do you think it is going to run now?

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EEC REBATE DECISION 'CHURLISH' - RIFKIND
MINISTER OF STATE FOR THE FOREIGN OFFICE, MALCOLM RIFKIND HAS
DENOUNCED THE ACTION OF THE EUROPEAN PARLIAMENT TO BLOCK BRITAIN'S
EEC REBATE AS 'CHURLISH'.

HE SAID ON ITN'S NEWS AT ONE: 'THE WAY THE EUROPEAN PARLIAMENT
HAS BEHAVED IS FRANKLY CONTEMPTIBLE AND IT BRINGS THE WHOLE EUROPEAN
PARLIAMENT INTO DISREPUTE.

'OVER THE LAST FEW MONTHS THE PARLIAMENT HAS LAID DOWN VARIOUS
CONDITIONS FOR THE PAYMENT OF THE BRITISH REFUND. EACH TIME THE
CONDITIONS HAVE BEEN MET, THE PARLIAMENT HAS CHANGED THE CONDITIONS -
THAT FRANKLY IS AN INTOLERABLE WAY TO BEHAVE.'

MR RIFKIND ACCUSED THE PARLIAMENT OF ACTING CONTRARY TO ITS OWN
RULES AND TWISTING ITS PROCEDURES TO BRING ABOUT THIS OUTCOME.

BUT HE STRESSED: 'THIS IS NOT A DISAGREEMENT WITH OTHER EUROPEAN
GOVERNMENTS. THE FONTAINEBLEAU SUMMIT REACHED UNANIMITY - THAT WAS A
SUMMIT OF HEADS OF GOVERNMENT AND PRIME-MINISTERS.

'THEY ARE ALL HONOURING THEIR OBLIGATIONS UNDER THAT SUMMIT.
THIS IS A DISPUTE WITH ONE INSTITUTION OF THE COMMUNITY, THE EUROPEAN
PARLIAMENT, WHICH IS NOT ANSWERABLE TO A GOVERNMENT AND WHICH,
THEREFORE, DOES BEHAVE OCCASIONALLY IN A GROSSLY IRRESPONSIBLE
FASHION. THIS IS ONE OF THOSE OCCASIONS.'

HE SAID TODAY'S EVENTS SUGGESTED THE RELATIONSHIP BETWEEN THE
PARLIAMENT AND THE COUNCIL OF MINISTERS NEEDED REFORM.

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271451 JUL 84

30 July 1984

TO BE CHECKED
AGAINST DELIVERY

BY PRIVATE NOTICE

*La Mr George Foulkes (Carrick, Cumnock and Doon Valley): To ask the Secretary of State for Foreign and Commonwealth Affairs, if he will make a statement on the vote by the European Parliament on Friday 27 July to reject the rebate for Britain.

MR MALCOLM RIFKIND

Our 1983 refunds, totalling £440 million, were agreed by Heads of Government at the European Council in Stuttgart over a year ago. Two principal steps were needed before the refunds could be paid: approval by Member States of the necessary implementing regulations and agreement by the European Parliament to transfer the sums concerned from the reserve chapter of the budget.

Two Member States, France and Italy, made clear after the Stuttgart meeting, that they would only approve the regulations in the context of overall agreement in the negotiations on budgetary imbalances.

Following the agreement reached at Fontainebleau in June France and Italy gave their agreement to payment of the refunds. The only remaining substantial step was for the European Parliament to approve the necessary transfer. This was done by the Budgets Committee of the Parliament on 12 July by a vote of 25 votes to 0 with two abstentions. Following that vote, on 26 July, the Advisory Committees of Member States approved the necessary decisions actually implementing payment of the refunds on projects in the United

Kingdom. All the procedures to enable the refunds to be paid had thus been completed.

As hon Members know, the new Parliament held its first session last week. It decided to overturn the decision taken by the Budgets Committee and to hold up payment of the 1983 refunds.

Mr Speaker, there is no possible justification for the Parliament's petty and churlish action. Agreement on our refunds was reached at Stuttgart by all Heads of Government and was specifically endorsed by them at Fontainebleau. The Fontainebleau settlement itself met the Parliament's earlier conditions. There was no ground for new conditions being set. There was no ground for linking payment with the issue of the 1984 overrun on which the Government have made positive proposals in conformity with the Treaty and consistent with the own resources system.

The Parliament's inept behaviour will not affect the Government's attitude to discussions of the 1984 budget overrun which will be resumed at the Budget Council on 6 September. It will, however, make the search for an agreement more, not less, difficult.

Mr Speaker, one of the most welcome conclusions of the Fontainebleau Summit is that, in future, our refunds will be paid automatically on the revenue side of the budget. This would prevent similar difficulties arising in the future. It may be for this reason that the Parliament has been making difficulty over our 1983 refund, the last refunds in which it will be involved.

The Fontainebleau agreement set the Community's finances on a new and sounder basis. We have no quarrel with other Member States who are working with us to implement the Fontainebleau agreement. Hon Members will have noted the

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statement of the French Government criticising the Parliament's action. When the Parliament next meets in September, we trust that it will rethink its hasty, intemperate and damaging action. The President of the Parliament has said that the eventual repayment of the refunds is not in doubt. That promise will have to be honoured.

HMG IS OBSTRUCTING SOLUTION OF 1984 OVERRUN?

No so. We have put forward constructive proposals for dealing with the problem in accordance with the provisions of the Treaty and in a way which is consistent with the own resources system. We have taken the orthodox, Community minded approach.

LINK WITH BUDGET DISCIPLINE

The overrun question cannot be considered in isolation from budget discipline, the need for which has been reinforced by the Commission's use, last week, of the management procedures to incur spending for which funds are not available. We must therefore achieve satisfactory texts to embody budget discipline in the Community's budgetary procedures.

FONTAINEBLEAU AGREEMENT SHOWN TO BE WORTHLESS

Not at all. The heads of government came to a unanimous decision which all are honouring. There is no dispute with other governments. The action taken by the Parliament in no way reflects on Fontainebleau.

IS THE PARLIAMENT'S ACTION ILLEGAL?

That is a question that Community lawyers could argue over for years. We do not want that. We want to get the refunds paid. And we shall do so, because ultimately we do not believe the Parliament will stand against the rest of the Community and an agreement reached under Chancellor Kohl's Presidency of the Community and endorsed under President Mitterrand's Presidency.

UK SHOULD NOW WITHHOLD?

Has not come to that. It is only the Parliament that is standing in the way of payment. They have delayed payment of our refunds, but the money is still in the budget and we still expect this obstacle to be overcome. All the other Member States agree that the refunds must be paid. The Parliament has behaved irresponsibly but that is no reason for us to do so too.

DO YOU RULE OUT SUPPLEMENTARY FINANCING IN 1984?

We shall continue to insist that the problem must be dealt with in accordance with the provisions in the Treaty and in a way that is consistent with the own resources system. At first the Community were asking for double what they are now seeking. We believe there is still scope for further substantial economies.

UK ISOLATED 9 TO 1

Not so. There are several other Member States who also believe that more work is needed on the size of the overrun and that the immediate priority is to find savings. The Budget Council will be meeting again in early September to consider this problem further.

WILL YOU INSIST THAT ANY DEFERRALS SHOULD COUNT TOWARDS
OUR RELIEFS

We made clear that we had taken the Community's financial difficulties in 1984 fully into account when we accepted a flat rate refund of 1000 mecu in respect of 1984.

HAS THE UK FAILED TO HONOUR PART OF THE FONTAINEBLEAU
CONCLUSIONS?

No. The passage in the Fontainebleau Conclusions dealing with this issue was not cleared textually with Member States but was issued on the responsibility of the French Presidency. An earlier version, which was shown to delegations at Fontainebleau referred, correctly in our view, to the need for the budget to be brought into balance.

WHY DID UK NOT PROTEST AT FONTAINEBLEAU CONCLUSIONS?

The United Kingdom Permanent Representative made clear our reservations immediately after the Conclusions were published. He subsequently, on instructions, sent a letter to the Council Secretariat for circulation to other Member States. This letter recorded our view that Section 3 of the Conclusions, on the financing of the 1984 budget, did not accurately reflect the understanding reached in the European Council, namely that it was for the Budget Council to decide what should be done.

UK PROPOSAL TO DEFER SOME 1984 EXPENDITURE INTO 1985 NO
REAL ANSWER

Deferral of expenditure into 1985, combined with the real savings that we and other Member States have proposed, would keep the budget within the 1% ceiling. Deferral implies the need for continued budget discipline in 1985. Last week's Budget Council agreed on savings in the 1985 Preliminary Draft Budget to bring that budget within the 1% ceiling.

UK SELLING THE PASS BY AGREEING THAT OWN RESOURCES
SHOULD COME INTO EFFECT IN 1985

It has always been envisaged that our 1984 refunds would be paid in 1985 on the revenue side of the budget ie as part of the revised own resources decision. It follows that the revised own resources should come into effect by October 1985. If this happens, there is of course no question of the increased rate applying retrospectively to the whole of the year. Budget discipline will therefore be maintained.

WHAT ARE THE EFFECTS ON PUBLIC SECTOR PROJECTS OF THIS
FURTHER DELAY IN THE PAYMENT OF THE REFUNDS?

Regulations adopted on 26 June 1984, provide for Community support for projects, measures and schemes in the employment, transport infrastructure and energy strategy fields.

The projects will continue to be funded from the relevant public expenditure programmes. None have, so far, had to be delayed because of the late payment of the refunds.

CAN PARLIAMENT BLOCK REFUNDS IN FUTURE?

Under the agreement reached at Fontainebleau, our refunds will in future be paid automatically on the revenue side of the budget. Our 1983 refunds are the last refunds to be paid on the expenditure side of the budget and therefore the last opportunity for the Parliament to block them.

LINK WITH 1984 OVERRUN

No justification for the Parliament's action. We have not refused to deal with the 1984 budget problem. We have said that it must be dealt with in accordance with the Treaties. We have taken the orthodox, Community minded approach. The Budget Council will be meeting in early September to consider the overrun problem.

Further detailed work is needed to identify savings and deferrals. A solution to the overrun problem needs to be compatible with the Treaties and the own resources system. The overrun question cannot be considered in isolation from budget discipline, the need for which has been reinforced by the Commission's use, this week, of the management procedures to incur spending for which funds are not available. We must therefore achieve satisfactory texts to embody budget discipline in the Community's budgetary procedures.

UK SHOULD NOW WITHHOLD?

It is only the Parliament that is standing in the way of payment. They have delayed the payment of our refunds, but they will be paid. All the other Member States agree that they must be paid. The Parliament has been irresponsible but there are always obstacles of one kind or another in the Community and we are confident that this one can be overcome.

FONTAINEBLEAU AGREEMENT SHOWN TO BE WORTHLESS

Not at all. One of the great advantages of that agreement is that it provides for UK reliefs on the revenue side of the budget, which means that in future they will be deducted automatically from the payments we make to the Community. This will avoid the annual haggles with the Parliament of which the 1983 refunds is the latest example. We are working with other Member States on the detailed implementation of the Fontainebleau agreement, in particular of the agreements on budget imbalances and budget discipline. We have made clear that our Parliament will not be asked to approve an increase in own resources until measures guaranteeing budget discipline have been adopted.

IS THE PARLIAMENT'S ACTION ILLEGAL?

That is a question that Community lawyers could argue over for years. We want to get the refunds paid. And we shall do so, because ultimately I do not believe the Parliament will stand against the rest of the Community and an agreement reached under Chancellor Kohl's Presidency of the Community and endorsed under President Mitterrand's. We shall most certainly not agree to an increase in own resources until the matter,

together with the question of future budgetary
discipline, is resolved.

WHAT ABOUT THE COMMISSION'S SALE OF CHEAP BUTTER?

We, the Italians and the Dutch voted against the Commission's proposal. We voted against because;

a) the Commission was spending money that the Community did not have at a time when they needed to be looking for savings;

b) because it was wrong to treat such a politically sensitive issue simply as a matter of technical market management;

c) because the people of this country would not understand why the Community should be making cut-price sales to the Soviet Union.