



# BRITISH INFORMATION SERVICES

## POLICY AND REFERENCE DIVISION

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## POLICY STATEMENTS

### 22/80. EUROPEAN COMMUNITY BUDGET: BRITAIN ACCEPTS COMPROMISE PLAN

Lord Carrington, Secretary of State for Foreign and Commonwealth Affairs, in the House of Lords on June 2, 1980:

Britain accepted the proposals put forward to settle the dispute over its contributions to the European Community Budget, Lord Carrington, the Secretary of State for Foreign and Commonwealth Affairs, said in the House of Lords on June 2. With this arrangement, Britain could now play its part in developing further the internal and external policies of the Community.

When the Government of Mrs. Margaret Thatcher came into office, it was determined to make a success of Britain's membership in the Community. "The first task," he said, "was to tackle the inequitable Budget contribution. That we have now done. But Europe is about more than that. The challenges that face the Community both internally and externally are as daunting as any in its relatively brief history. None of us can find adequate solutions to them on our own. This agreement gives us the chance to solve them together."

Lord Carrington said:

"At the Foreign Affairs Council on May 29, the following arrangements were proposed to alleviate the United Kingdom's Budget problem. The first element in the solution is the following formula: provided our net contribution does not exceed the amounts estimated by the Commission, there will be ceilings on what we pay of £370 million /\$865 million/ in 1980 and £440 million /\$1,029 million/ in 1981. This would mean rebates of £710 million /\$1,661 million/ and £860 million /\$2,012 million/. All these sterling figures are

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845 Third Avenue, New York, N. Y., 10022, Telephone: (212) 752-8400

converted at a rate of 1.65 units of account to the pound. These arrangements would result in a total rebate to Britain over the two-year period of £1,570 million ~~£3,673 million~~.

"A further element of the solution is a risk-sharing formula. Should the amounts of the United Kingdom's uncorrected net contributions in 1980 and 1981, as estimated by the Commission, in fact be exceeded, the arrangement is that in 1980 we will bear only one-quarter of the cost of this excess. For 1981 a more complex formula exists under which we would meet the first £12 million ~~£29 million~~ of any excess, the next £60 million ~~£140 million~~ would be shared between us and our partners equally, and thereafter we would meet only a quarter of the excess, as in 1980.

"For 1982, it was envisaged that by this time the Council would have completed a radical review of the pattern of Community expenditure and the operation of the Budget. However, if that had not by 1982 produced arrangements resolving the United Kingdom's Budget problem, the Commission would put forward proposals along the lines of the 1980 and 1981 solutions and the Council would act accordingly. We can therefore be sure that for 1982 as well there will be similar restrictions on the level of the United Kingdom's net contribution.

"The payment of these amounts to Britain will be brought about by improvements in the operation of the 1975 financial mechanism, bringing our gross contribution more or less into line with our share of Community gross national product, and, for the rest, through Community expenditure in the United Kingdom. There will be a new regulation under Article 235 of the EEC Treaty to provide for this expenditure.

"Following the precedent of the financial mechanism, the credits under the new regulation will appear in the Community Budget for the following year, but with the possibility of advance payments in the current year. For 1980, we would expect to be paid before the end of our financial year 1980-81.

"In the long-term the most important part of the package is the commitment of the Council to review the development of Community policies and the operation of the Budget. This together with the restraints

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imposed by the 1 percent ceiling will enable us to press for lasting reforms which will, among other things, resolve the British budgetary problem. This review offers an opportunity which has never been available before, since we joined the Community, to work together with our partners for financial arrangements and Community policies which are to the advantage and interest of all the member states as befits a Community of equals.

"We agreed to a statement of general principles on fisheries, which leaves the substantive issue open for consideration on their merits in the Fisheries Council, which will next meet on June 16. A deadline of December 31, 1980 has been fixed for agreement on a revised Common Fisheries Policy. This is in the United Kingdom's interest; Her Majesty's Government have repeatedly urged rapid progress towards a satisfactory Common Fisheries Policy settlement. I welcome the fact that the Fisheries Text recognizes the need for this, and for a settlement of all the outstanding elements of the CFP together. It in no way prejudices the vital interests of our fishermen which we are determined to safeguard.

"When the Prime Minister refused the offer our partners made at Luxembourg, she made clear that this was because the combination of amount and duration was not right. We have now negotiated better arrangements for the 2 years 1980 and 1981 taken together than were on offer then, and we have also secured an arrangement for the third year 1982, which was refused to us then. Furthermore, the Community has recognized that there will have to be a major review of the operation of the Budget and the balance of Community expenditure and that the United Kingdom Budget problem must be resolved finally.

"As the Prime Minister made clear after Luxembourg we also refused what was on offer then because we were being asked to accept agreements outside the field of the Budget which were damaging to us. Since then, as the Minister of Agriculture, Fisheries and Food will make clear in his statement to the Commons on sheepmeat and CAP prices and related measures, we have secured changes in what was being suggested which give us substantial advantages. Taking the balance of these proposals together, the Government believe they add up to a fair and advantageous outcome.

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"In a negotiation as complex as this, no one party can expect to get everything he wants and to concede nothing. There should be no belittling of the concessions our partners are making at a time when, whatever the impact on them of the Community Budget, the general economic background is unfavorable. With this arrangement Britain can play her part in developing further the internal and external policies of the Community. The negotiation has, moreover, focussed the minds of all member states on the unsatisfactory way in which the Community Budget operates and, more clearly than ever, on the undesirable imbalance in the pattern of Community expenditure. With the review commissioned for 1981 and the proximity of the 1 per cent VAT ceiling, we have an unrivalled opportunity to bring about sensible adjustments to the operation of the Common Agricultural Policy and to put the Community's finances on a sounder basis than ever before.

"This Government came to office determined to make a success of our membership of the Community. The first task was to tackle the inequitable Budget contribution. That we have now done. But Europe is about more than that. The challenges that face the Community both internally and externally are as daunting as any in its relatively brief history. None of us can find adequate solutions to them on our own. This agreement gives us the chance to solve them together."

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Conversion at the rate of £1 = \$2.34.

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