

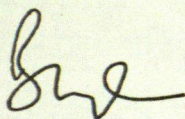
MR COLES

The proposed formula even as amended will only encourage speculation about withholding.

What I advise is that I should take the following line:

1. we have heard rumours circulating in Strasbourg that the Prime Minister, wholly for electoral reasons, will withhold UK budget contributions before a General Election regardless of the outcome of any budget solution in the meantime;
2. this is monstrous. The Prime Minister is not in the business of withholding for the sake of it; of being a bad or gratuitously difficult partner; of playing confrontation politics for the sake of some alleged electoral advantage at home;
3. I propose to scotch this once and for all. "The allegation is monstrous, unfounded and disgraceful";
4. The Prime Minister is very much in the business of securing early reform of the European budget not least because it is in the interests of the development of Europe; and the Prime Minister is politically and economically committed to Europe, as she has repeatedly made clear;
5. the last thing she wants to contemplate is withholding - and both her and her Government do not expect the issue to arise.

The reason I advise this is because there is no point in playing clever, using fancy words. They will rebound. We must hit the Strasbourg rumour firmly on the head. Direct methods are invariably sound and efficacious.



B, INGHAM

24 January 1983

The European Budget Issue in 1983-4The 1982 Refund (payable out of the 1983 Budget)

The European Parliament will probably give a first reading approval to the 1982 refunds at its mid-FEBRUARY session. It will impose conditions. These will have to be negotiated with the Council. The final vote will probably take place at the Parliament's MARCH session: but the timetable may slip to APRIL.

The 1983 Refund

Between FEBRUARY and JULY the Council will doubtless pursue negotiations about a long-term solution to the problem, covering the refunds for 1983: arising from this, or included in it, will be a negotiation about a fourth year of ad hoc payments, in respect of 1983 (possibly also for 1984 and another year or so ahead).

There will therefore be no provision for the 1983 Refund in the Commission's Preliminary Draft Budget for 1984 - presented in APRIL or MAY. Council could include provision when it adopts the Draft Budget in JULY. But the probability must be that this will not be done, and the Commission will have to propose amendments to the 1984 Draft in the autumn.

Such amendments to the 1984 Draft could be introduced at any stage up till early NOVEMBER. Following the precedent of the 1982 Refund it would even be possible to finance an ad hoc payment for 1983 from a supplementary budget for 1984, passed before the end of MARCH 1984 (to fall within the British 1983 financial year).

Implications for the British election

If the general election were to be in OCTOBER 1983 it would probably be possible to fudge this issue, provided that (a) the European Parliament had approved the 1982 Refund in MARCH/APRIL 1983, and (b) that the Commission brings forward proposals in the early autumn to cover 1983 in the form of amendments to the 1984 Draft Budget.

European
Budget

MR INGHAM

EC BUDGET: WITHHOLDING AND OPINION
IN THE EUROPEAN PARLIAMENT

I agree with the formula which you propose (your minute attached) and hope you will take action today.

I am copying your minute to Mr Hancock and Mr Gow and would be grateful if, as previously discussed, he could take urgent action with MEPs.

A. J. Cole.

24 January, 1983

If the election were to be in the Spring of 1984 it would probably be very difficult to defuse this issue, even if there had been agreement on 1982, unless there had also been agreement before MARCH 1984 on the 1983 Refund.

An Assessment of the chances for the 1982 and 1983 Budget

I am pessimistic about the chances of the Council agreeing to the minimum concessions acceptable to Parliament in respect of the 1982 Refund. Probably all that Parliament will insist on is the classification of the Refunds as non-obligatory, with Parliament accepting that it will not then draw advantages from such classification. Even if the British Government were to agree to this is it doubtful if others would.

I am very pessimistic about the chances of Refunds for 1983 and further years. (a) Unlike the 1982 Refund there is no political agreement in Council on this. (b) Parliament may not continue to press its "no-more-ad-hoc payments" line in relation to 1982: but it will almost certainly do so in respect of 1983. (c) The Commission is so worried about being censured by Parliament that it may not be prepared to bring forward proposals for a 1983 Refund without strong cover from Council.

The Choice

If the probability, thus, is a major bust-up on this issue, the choice for the British Government is _

- should it ensure that there is no agreement in Council for minimum concessions to Parliament in respect of the 1982 Refund, thus provoking the rejection of that Refund in MARCH/APRIL 1983 - with the crisis following immediately, but the blame falling largely on Parliament;

- or should it work hard for agreement with Parliament on the 1982 Refund, in the hope of playing the 1983 issue beyond the general election.

Two Points to note: (a) whatever the British Government may try to do in Council, there may be no agreement in respect of 1982 - leading to rejection and presumably, a crisis: (b) the longer 1983 wears on without any agreement for Refund to cover the year, the more difficult it will be to get the money back by with-holding.

Observations on "With-holding"

A British decision to with-hold part or all of the payments from Britain to the European Budget would almost certainly be found illegal by the Court. Our legal ground is strongest in respect of the 1982 Refund, where there is at least a political agreement within Council to rest on.

The impact on our partners would not be immediate: it would be cumulative; and, depending on the state of the agricultural markets, it would eventually be quite serious. There is little prospect of any agreement ending the illegal situation before the election, whenever it is held.

With-holding payments does in a sense solve the problem: Britain is paying what she considers to be a reasonable amount; the others are obliged to find ways of carrying the burden. On the other hand, we could not - nor could the Community - carry on indefinitely in such an irregular situation. With-holding should therefore be seen as in the context of the need to find a legal solution.

Such a solution would be more difficult to obtain if the British were to play the with-holding card in a triumphalist manner. The tone should be "more in sorrow than in anger".

This surely fits with the electoral logic of the situation, in which our line would presumably be that the best way to serve Britain's interests is to stay in Europe (cp Labour), and to fight hard to win for Britain (cp Alliance).

Speech by Robert Jackson in the European Parliament Debate on the
1982 Refund for Britain: 14/12/82.

Mr R Jackson (ED), Mr President, it has been complained that there has been too much emotion from this group. Well, let me try some calm, cool rational analysis. There are six possible solutions to Britain's problem with the Community budget. Let me try to run through them briefly in the hope that this overall view will help us to reach a sensible conclusion in the vote tomorrow.

The first solution, which a lot of members here would like, is that Britain should give up its search for a fairer balance. Well, I think we can rule this out. It is perhaps not widely enough understood in this House how very large the sums of money involved are. The fact is, Mr President, that the uncorrected net British contribution this year would be more than the total of British overseas aid to the less-developed countries. Britain simply cannot accept that we should pay more to support the food exports of the Netherlands, Denmark and increasingly the Federal Republic of Germany than to the whole of the Commonwealth in Africa and Asia.

The second solution, Mr President, is the so-called Lange mechanism for financial equalisation and this is of course what is envisaged by Madam Barbarella and her resolutions. Well, we heard this morning from the Commission:- the Lange mechanism is not a solution to the British problem. The point is, Mr President, that Britain is not a poor country; we are not, as Mrs Castle very rightly said this morning, asking for charity. The British budget problem derives from the fact that the Community notoriously spends more than it should on agriculture and less than it should on other policies.

And so we have the third solution, Mr President, to cut the cost of the common agricultural policy. Well, if we were to do this it would be a real contribution. For example, if we were to take out of the Community budget all financial liability for the cost of dumping food surpluses on world markets, this would go a long way to solving the British budget problem. But let us face facts. There is no majority in this House, there is no majority in the Council for a serious reform of the common agricultural policy. Frankly, in this respect our only hope lies not in Europe but in the United States.

/Continued...

And then, Mr President, we have the fourth solution: to spend more on Community policies which benefit Britain. Fine, fine, I agree, but all my experience as rapporteur has made me very well aware of the way in which Members from every state, whatever their European protestations, will insist on their cut out of any increased Community expenditure. Some Members of this house, be it said, use the word Mediterranean as if it were a kind of figleaf to conceal that pursuit of national interests which they condemn in others.

Let us do some most simple arithmetic, Mr President. If we were to take the existing distribution of the Regional Development Fund and then attempt to solve the British problem through an expansion of that fund, the fund would have to be increased fifteen times in order to do it. That is not going to happen.

So, Mr President, we come to the fifth solution: ad hoc payments to the United Kingdom. All I will say about this is that it is precisely this solution that Madam Barbarella is seeking to rule out.

Well, Mr President, I have listed five solutions and every one of them clearly will not work. The Community, the European Parliament will not adopt a general mechanism, which in any case would not solve the problem; they will not cut agricultural expenditure; they will not increase Community expenditure. And now it is proposed that they should rule out ad hoc payments. That leaves only one solution, Mr President - the sixth solution - and I do not intend to spell it out today.

I simply leave colleagues to make their own calculations of what will happen if they try to put Britain with its back to the wall. History supplies some striking illustrations of what can happen as a result of such manoeuvres. I would simply ask this House to reflect on the mood expressed in the fighting speech of my normally very moderate colleague, Mr Balfour, this morning.

It has been observed, not always rightly, that Britain always loses every battle except the last one. I would like to say in all solemnity that I and my whole group and the Conservative Party that sent us here would consider it to be a tragedy if that eventual battle on this subject were to be at the expense of this Parliament and of the principles of the European Community.