

**CONFIDENTIAL**

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S  
GOVERNMENT

EHG(L)(80)2A

COPY NO

25 APRIL 1980

EUROPEAN COUNCIL, LUXEMBOURG  
27/28 APRIL 1980

PRESIDENCY CONCLUSIONS :

DRAFT FRENCH TEXT ON COMMUNITY PRINCIPLES

Brief by the Foreign and Commonwealth Office

OBJECTIVE

1. To ensure that any statement on general Community principles in the Presidency Conclusions is not based on objectionable parts of the French draft.

POINTS TO MAKE [If others raise the issue]

2. Perfectly content that the Conclusions of the European Council should contain a statement of basic principles.

3. Have difficulty, which we understand others share, with some aspects of French draft.

4. Officials should work out a suitable passage in the Conclusions taking account of French ideas to the extent acceptable to others.

BACKGROUND

References:

- A: French draft text on General Principles;  
B: UKREP Tel No 2089 reporting COREPER discussion of 24 April;  
C: Statement of Economics and Finance Council of 11 February.

**CONFIDENTIAL**

/5. It

is there a disposition of Community law which forbids it and the whole of the discussion within the Community since before the Strasbourg European Council has recognised the need to take account of these factors.

Paragraph 3, third sub-paragraph

5. We cannot accept that the CAP is the pre-condition in the agricultural sector of the free circulation of produce. Free circulation is a principle in its own right and is not dependent on the CAP.

Paragraph 3, fourth sub-paragraph

6. We can accept the French draft as it stands but it would be preferable if the reference were to Article 39 alone.

Paragraph 3, sixth sub-paragraph

7. This should be deleted on the grounds that it is inaccurate. In particular it takes no account of the arrangements for sugar imports from the ACP, Algerian Wine imports or the Community's concessions in the MTNs on eg. Hilton Beef, manufacturing beef and cheese, which are neither temporary nor subject to periodic review.

Paragraph 3, seventh sub-paragraph

8. This goes too far. If there has to be something about the Community's role as an agricultural exporter it would need to state that the Community's ability to contribute to the food needs of the world, other than through food aid, must depend on its ability to export at competitive prices and not to do so on a heavily subsidised basis which disrupts third country and third world markets.

Paragraph 3, eighth and ninth sub-paragraphs

C 9. The language on the CAP here is weaker than the commitment in the Conclusions of the Eco Fin Council of 11 February. It needs to be at least as strong.

10. We see no justification for the reference in the ninth sub-paragraph to family farms. We prefer the language of paragraph 2 of the section on the CAP in the draft Conclusions circulated by Ruggiero after the meeting of his Group on 2 April. This reads:

'The European Council recognised the need to maintain a prudent agriculture price policy such as to take account of the economic and budgetary situation as well as the need to ensure the maintenance of a reasonable income for farmers'.

Paragraph 4

11. This is a step back from previous European Council statements on convergence, which are also part of the acquis. The following extract from the Presidency Conclusions of the Dublin European Council is relevant:

'The European Council, reaffirmed the conclusions reached at their meetings in Brussels and Paris that achievement of the convergence of economic performance requires measures for which the Member States concerned are primarily responsible, that Community policies can and must play a supporting role within the framework of increased solidarity and that steps must be taken to strengthen the economic potential of the less prosperous countries of the Community'.

'To these ends the European Council expressed its determination to promote the adoption of measures to

improve the working of Community policies, to reinforce those policies most likely to favour the harmonious growth of the economies of the Member States and to reduce the disparities between those economies. They further declared the need, particularly with a view to the enlargement of the Community and necessary provisions for Mediterranean agriculture, to strengthen Community action in the structural field''.

French Delegation

DRAFT SUMMARY OF CONCLUSIONS OF THE EUROPEAN COUNCIL

(UNOFFICIAL TRANSLATION)

(Original French version attached)

GENERAL PRINCIPLES

Taking up the questions raised by the British Government regarding the operation of the Community budget, the European Council established the following points:

1. No Member State is asking or proposing that the basic principles and rules of Community law as at present defined should be changed. They all affirm their confidence in the value of those principles and rules and their intention to ensure that they are observed.

2. This applies in particular to the budget.

a) Its financing is based on the existence of resources which belong to the Community in its own right and cannot be regarded as contributions from the Member States. These "own resources" are primarily made up of customs duties and agricultural levies. This reflects the fact that the Member States have chosen to base their enterprise on a common market, according preferential treatment to their industrial and agricultural products in relation to those from third countries. The resources are supplemented, in so far as is necessary, by drawing on VAT revenues, subject to a limit of 1%.

The "own resources" system is therefore not a means of sharing financial burdens among the Member States.

b) The resources as a whole are intended to provide for the financing of Community expenditure. Such expenditure is effected in pursuance of specific policies decided on by the Council.

c) No provision of Community law either provides for or justifies any allowance being made for a comparison between the expenditure effected in each Member State and the "own resources" derived from that State.

3. (1) This also applies to the Common Agricultural Policy.

- (2) Recalling the statements it has made on this point on several occasions the European Council solemnly reaffirms the importance it attaches to this policy, on which the livelihood and the future of a large part of the Member States' population depend.
- (3) It recalls that, within the Community, the Common Agricultural Policy has a special character: it is the precondition, within the agricultural sector, for the free movement of goods.
- (4) The policy must seek to achieve all the objectives assigned to it by Art 39 of the Treaty of Rome and observe the principles of free movement, unity of price, financial solidarity and Community preference.
- (5) These principles, which are indivisible, must be upheld and reaffirmed.
- (6) Community preference, being essential to the existence of a common market, can only be subject to limited, temporary derogations the justification for which requires reexamination from time to time.
- (7) The Community must be able, through an active export policy for agricultural products and foodstuffs, to contribute to the satisfaction of ever-growing world food requirements and to participate fully in international trade in those products.
- (8) It is within this general framework, especially in view of prospective enlargement, that we must continue the efforts we are already making to achieve structural improvement, and undertake determined action to

A2

establish greater control of the financial cost of the Common Agricultural Policy, particularly in the surplus sectors.

- (9) This action must be based on more efficient management and a prudent price policy. It will be reinforced by the producers taking a greater share of responsibility for dealing with surpluses, with due regard for the importance of giving priority to exploitation of the Community's natural resources and ensuring that family-type holdings are maintained.

4. It is in the common interest that the opportunities for economic and social development of each Member State should be exploited to the full. Responsibility for the policies to be pursued with this end in view lies primarily with the States. But effective coordination of those policies within the Community is essential. Action taken at Community level can and must promote those policies and reflect enhanced solidarity, with the aim in particular of reducing any disparities which may exist between the various regions of the Community, enabling those that are less prosperous to progress towards the economic and social achievements of the more advanced. It is therefore essential that in the future an increasing share of the Community's resources can be used to attain this objective.

A  
Mr Gordon  
Mr ...  
Mr ...  
Mr ...

PROJET DE RELEVÉ DE CONCLUSIONS  
DU CONSEIL EUROPEEN

PRINCIPES GENERAUX

En abordant l'examen des questions soulevées par le Gouvernement britannique à propos du fonctionnement du budget communautaire, le Conseil européen a fait les constatations suivantes :

1. Aucun Etat membre ne demande ni ne propose de modifier les principes et les règles de base du droit communautaire tels qu'ils sont actuellement définis. Tous affirment leur confiance dans la valeur de ces principes et de ces règles et leur volonté d'en assurer le respect.

2. Ceci s'applique en particulier au budget.

a) Son financement repose sur l'existence de ressources qui appartiennent en propre à la Communauté et qui ne peuvent être considérées comme des contributions des Etats membres. Ces ressources propres sont en premier rang constituées par les droits de douane et prélèvements agricoles. Ceci traduit le choix qu'ont fait les Etats membres de fonder leur entreprise sur un marché commun, privilégiant leurs produits industriels et agricoles par rapport à ceux des pays tiers. Ces ressources sont complétées, en tant que de besoin, par le recours à la TVA dans la limite de 1%.

Le système des ressources propres n'est donc pas un instrument de répartition de charges financières entre les Etats membres.

b) L'ensemble de ces ressources est destiné à assurer le financement des dépenses communautaires. Celles-ci sont effectuées en exécution de politiques spécifiques décidées par le Conseil.

.../...



X 7  
c) Aucune disposition du droit communautaire ne prévoit ni ne justifie que soit prise en considération une comparaison entre les dépenses effectuées dans chaque Etat membre et les ressources propres en provenance de celui-ci.

3. Ceci s'applique également à la politique agricole commune.

Rappelant les déclarations qu'il a faites à plusieurs reprises sur ce point, le Conseil européen réaffirme solennellement l'importance qu'il attache à cette politique dont dépendent la vie quotidienne et l'avenir d'une large partie de la population des Etats membres.

X  
Il rappelle que la politique agricole commune a, dans la communauté, un caractère spécifique : elle est la condition dans le secteur agricole de la libre circulation des produits.

intin  
alle  
Cette politique doit répondre à l'ensemble des objectifs que lui assigne l'article 39 du Traité de Rome et satisfaire aux principes de la libre circulation, de l'unité des prix, de la solidarité financière et de la préférence communautaire.

X  
Ces principes qui ont un caractère indivisible doivent être maintenus et réaffirmés.

7  
Inhérente à l'existence d'un marché commun, la préférence communautaire ne saurait faire l'objet que de dérogations limitées, temporaires et dont la justification doit être réexaminée périodiquement.

7  
La Communauté doit être en mesure, par une politique active d'exportation agro-alimentaire, de contribuer à la satisfaction des besoins alimentaires mondiaux sans cesse croissants et de participer pleinement au commerce international de ces produits.

C'est dans ce cadre d'ensemble qu'il convient de poursuivre, notamment dans la perspective de l'élargissement, l'effort d'amélioration structurelle déjà entrepris et d'engager une action résolue pour établir un meilleur contrôle

du coût financier de la politique agricole commune, en particulier dans les secteurs excédentaires.

Cette action doit reposer sur une gestion plus efficace et une politique de prix prudente. Elle sera renforcée par une participation accrue des producteurs à la prise en charge des excédents, en tenant compte de l'intérêt qui s'attache à valoriser en priorité les ressources naturelles de la Communauté et à assurer le maintien des exploitations de type familial.

4. Il est de l'intérêt commun que les possibilités de développement économique et social de chaque Etat membre soient exploitées au mieux. La responsabilité des politiques à mettre en oeuvre dans ce but relève en premier lieu des Etats. Mais il est essentiel que ces politiques soient coordonnées efficacement au sein de la Communauté. Les actions mises en oeuvre au niveau communautaire peuvent et doivent soutenir ces politiques et exprimer une solidarité accrue, visant notamment à la réduction des disparités qui peuvent exister entre les diverses régions de la Communauté et permettant aux moins prospères de se rapprocher des réalisations économiques et sociales des plus avancées. Il importe donc qu'à l'avenir une part croissante des moyens d'action de la Communauté puisse être utilisée pour atteindre cet objectif.

*long way  
back for  
later  
E.  
mie  
stipendies*

GRS 1100

CONFIDENTIAL

DESKBY 250600Z

FM UKRE PBRUSSELS 242019Z APR 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 2089 OF 24 APRIL

INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS  
BONN LUXEMBOURG

M I P T

COREPER (AMBASSADORS), 24 APRIL: EUROPEAN COUNCIL PREPARATIONS:  
CONVERGENCE AND BUDGETARY QUESTIONS

SUMMARY

1. FRENCH TEXT CRITICISED BY MAJORITY OF DELEGATIONS AND COMMISSION. IT WILL NEVERTHELESS BE PUT INTO EUROPEAN COUNCIL DOSSIER, ACCOMPANIED BY A RECORD OF THE MAIN CRITICISM MADE BY DELEGATIONS.

DETAIL

2. NANTEUIL INTRODUCED THE FRENCH TEXT AT LENGTH, STRESSING THAT A REAFFIRMATION OF PERMANENT COMMUNITY PRINCIPLES WAS PARTICULARLY APPROPRIATE AT A TIME WHEN THE EUROPEAN COUNCIL WAS AGREEING TO TEMPORARY LIMITED ASSISTANCE TO THE UK. THERE WAS THEN A TOUR DE TABLE. POSITIONS TAKEN BY MEMBER STATES ON DIFFERENT SECTIONS OF FRENCH TEXT ARE RECORDED SUMMARILY BELOW. I SPOKE LAST AMONG NATIONAL DELEGATIONS, AFTER MANY OF OUR CRITICISMS HAD ALREADY BEEN MADE BY OTHERS. NOEL (COMMISSION) ALSO SPOKE HELPFULLY, AND AS A RESULT HSI INTEGRITY GRATUITOUSLY CRITICISED BY NANTEUIL.

GENERAL

3. ALL DELEGATIONS COULD AGREE TO A REAFFIRMATION OF BASIC COMMUNITY PRINCIPLES. BUT A NUMBER (BELGIUM, NETHERLANDS, GERMANY AS WELL AS THE UK) SAID THAT THE TEXT CONFUSED STATEMENTS OF PRINCIPLE WITH ASSERTIONS OF POLICY WHICH WERE NOT IN ALL CASES AGREED. GERMANY, BELGIUM, NETHERLANDS AND THE UK SAID THE TEXT WAS TOO "INTROVERTED": THE COMMUNITY'S OUTWARD-LOOKING NATURE AS EMBODIED IN ARTICLE 110 OF THE TREATY SHOULD BE REAFFIRMED. ONLY DENMARK AND IRELAND WHOLEHEARTEDLY SUPPORTED THE FRENCH TEXT. SEVERAL DELEGATIONS SAID THAT IT WAS FOR THE PRESIDENCY TO PRODUCE DRAFT CONCLUSIONS FOR THE EUROPEAN COUNCIL.

OWN RESOURCES

4. BELGIUM:- CRITICISED PARAGRAPH 2(C) AS TOO NEGATIVE. IT WAS LEGITIMATE TO TAKE ACCOUNT OF MEMBER STATES' NET CONTRIBUTIONS TO MEET EXCEPTIONAL CASES AND THE TEXT SHOULD SAY SO.  
NETHERLANDS:- PARAGRAPH 2(A) WENT BEYOND A STATEMENT OF COMMUNITY

*/Principles.*

CONFIDENTIAL

PRINCIPLES.

LUXEMBOURG:- AGREED WITH BELGIUM ON 2(C) : THE TEXT SHOULD RATHER SAY THAT "A COMPARISON OF CONTRIBUTIONS AND RECEIPTS DID NOT NECESSARILY REFLECT THE BENEFITS OF COMMUNITY MEMBERSHIP TO MEMBER STATES".

GERMANY:- SUGGESTED A REFERENCE TO THE 1 PER CENT VAT LIMIT, BUT NETHERLANDS LUXEMBOURG AND OTHERS ARGUED THAT THIS WAS NOT A PRINCIPLE.

UK:- I SPOKE AS AGREED REJECTING FIRST SENTENCE (SECOND HALF) OF 2(A), LAST SENTENCE OF 2(A) AND 2(C), CITING 1974 DECLARATION ON UNACCEPTABLE SITUATIONS.

ITALY:- SUPPORTED UK AND CRITICISED 2(C). NET CONTRIBUTIONS RELEVANT TO ASSESSING "UNACCEPTABLE SITUATIONS".

COMMISSION:- 2(C) INACCURATE: CONTRADICTED BY ARTICLE 2 OF TREATY, ARTICLES 129- 131 OF ACCESSION TREATY AND NET TRANSFER CONCEPT IN FINANCIAL MECHANISM. LAST SENTENCE OF 2(A) ALSO INACCURATE: ECONOMIC INCIDENCE HAD BEEN A FACTOR IN CHOICE OF VAT AS AN OWN RESOURCE. MORE GENERALLY THE QUESTION OF FINANCIAL BURDENS COULD NOT BE IGNORED.

CAP

5. GERMANY:- FRENCH TEXT TOO WEAK ON ECONOMY MEASURES. CONCLUSIONS OF FEBRUARY ECO/FIN COUNCIL SHOULD BE REPEATED. THE EUROPEAN COUNCIL MUST DIRECT THE AGRICULTURE COUNCIL TO DECIDE ON PRICES AND ON AN ENLARGEMENT OF THE CORESPONSIBILITY LEVY.

BELGIUM:- THE REFERENCE TO "EXPORT VOCATION" A STATEMENT OF POLICY NOT PRINCIPLE AND NOT GENERALLY ACCEPTABLE. STATEMENT ON COMMUNITY PREFERENCE TOO NEGATIVE. SOME DEROGATIONS HAD BEEN AGREED MORE OR LESS PERMANENTLY IN RESPONSE TO IMPERATIVES OF COMMUNITY'S EXTERNAL POLICY. NETHERLANDS AND LUXEMBOURG :- COULD NOT ACCEPT "EXPORT VOCATION" OR TEXT ON COMMUNITY PREFERENCE, QUOTING ACP AND ASSOCIATION AGREEMENTS.

UK:- AGREED WITH BENELUX ON "EXPORT VOCATION" AND COMMUNITY PREFERENCE; IN PARTICULAR POLICY ON EXPORTS HAD TO TAKE ACCOUNT OF COSTS AND EFFECT ON WORLD MARKETS. REJECTED THE VIEW THAT FREE CIRCULATION DEPENDENT ON A COMMON POLICY, CITING EUROPEAN COURT RULINGS. REJECTED FIFTH SUB-PARAGRAPH ON "INDIVISIBILITY". SUPPORTED REFERENCE TO ECO/FIN COUNCIL CONCLUSIONS ON ECONOMICS. REJECTED LAST SENTENCE ON CORESPON<sup>C</sup>IBILITY LEVY AS PREJUDGING POLICY ISSUES BEFORE AGRICULTURE COUNCIL.

COMMISSION :- CRITICISED SENTENCE ON FREE CIRCULATION AS NOT IN ACCORDANCE WITH JUDGMENT OF THE COURT. FRENCH DOCTRINE ON COMMUNITY PREFERENCE NOT IN ACCORDANCE WITH ARTICLE 110.

CONVERGENCE

6. BELGIUM:- THIS SECTION SHOULD BE COMPLETED BY A REFERENCE TO

2.

THE DYNAMIC

CONFIDENTIAL

B2

CONFIDENTIAL

THE DYNAMIC DEVELOPMENT OF THE COMMUNITY, IE NEED FOR NEW POLICIES.  
UK AND COMMISSION:- TEXT NOT STRONG ENOUGH. I REFERRED TO 1979  
EUROPEAN COUNCIL CONCLUSIONS.  
NETHERLANDS:- A REFERENCE TO ARTICLE 2 OF THE TREATY WOULD BE  
APPROPRIATE.

7. IN SUBSEQUENT DISCUSSION PRESIDENCY AGREED THAT FRENCH TEXT WOULD  
BE IN EUROPEAN COUNCIL DOSSIERS TOGETHER WITH NOTE OF DELEGATION'S  
COMMENTS ON IT.

FCO ADVANCE TO :

FCO - PS /SOFS PS/LPS PS/PUS BRIDGES SPRECKLEY UK BUDGET DIST.

CAB - ARMSTRONG FRANKLIN WALSH

MAFF- PS/SOFS HAYES HADLEY

TSY - PS/CHANCELLOR COUZENS MISS WRIGHT (7 COPIES)

NO 10- ALEXANDER

B/E- PS/GOVERNOR BALFOUR

BUTLER

FILES  
E.C.D (I)  
FRD  
WED  
ECON D.  
PS/LPS  
SIR J HAILELAND  
LORD BRIDGES  
MR HANNAY  
MR EVANS

COPIES TO  
MISS WRIGHT H TSY  
MR ELLIOTT } CABINET OFF.  
MR HORNE }  
MR S. RAY ODA.

(ADVANCED AS REQUESTED)

B3

CONFIDENTIAL

**FINANCIAL**FINANCIAL IMPLICATIONS OF THE COMMON AGRICULTURAL POLICY

- I. The Council, bearing in mind the conclusions of the European Council in Dublin, took note of the proposals made by the Commission on 4 December 1979 for improving the common agricultural policy with a view to helping to balance the markets and streamlining expenditure. It approved the Commission's objective of resolving the specific problems arising, in the interests of safeguarding the common agricultural policy and its economic and social merits, while respecting its principles and taking account of current budgetary difficulties. This goal presupposed substantial savings and a prudent price policy.
- II. The Council considered it to be desirable that the discussions on the Commission's proposals should be guided by the following principles:
1. An improvement of the common agricultural policy with the aim of considerably reducing the growth rate of agricultural expenditure was absolutely essential also in order to ensure that the 1% own resources limit was not exceeded, having regard to the resources required for other policies.
  2. Subject to the examination of the assessment announced by the Commission of the foreseeable development of market organization expenditure in the event of its proposals

C 1

being implemented and taking growth in expenditure over the last few years as a basis, it would be necessary to take measures leading to substantial savings, reaching the order of magnitude proposed by the Commission.

3. In this connection, the Council was of the opinion that the measures should be directed particularly at surplus products; it requested the Commission to see whether further savings might be achieved by means of the more efficient use of the market organization instruments.

III. The Council requested the Permanent Representatives Committee and the AGRI/FIN Working Party to continue examining the financial aspects of the improvement of the common agricultural policy and to report back to the Council at the very earliest opportunity, in preparation for further discussions.

C 2