

**COMPREHENSIVE AGREEMENT BETWEEN THE NINE
British contribution to the Community budget;
Farm prices; sheepmeat; declaration on fisheries**

Reproduced from the Bulletin of the European Communities, No. 5/1980

1. Comprehensive agreement between the Nine

British contribution to the Community budget; farm prices; sheepmeat; declaration on fisheries

1.1.1. Five weeks after what is commonly regarded as the failure of the Luxembourg European Council on 27 and 28 April, political agreement was at last reached on all the questions that remained to be settled, which as it happens were also the most important questions—the British contribution to the Community budget, farm prices for 1980/81, the organization of the sheepmeat market and the declaration on a common fisheries policy.

From the European Council to the end-of-May meetings

1.1.2. This important result, achieved in what must be record time considering the attitudes taken at Luxembourg, was made possible by the combined efforts of the President of the Council, the Commission and the governments of the Member States at the various ministerial and other meetings held in May.

For five weeks the Community institutions had devoted virtually their full attention to the problems left over from Luxembourg. Taking stock of the situation on 30 April the Commission decided to stand by the compromise solution it had presented and declare that it was 'resolved to assume its full responsibilities for helping rapidly to find the necessary solutions'.¹ A small group of Members was immediately set up to monitor progress on convergence and budgetary questions and to prepare Commission initiatives. It did this

throughout the month, and the Commission was able to present a paper at the beginning of the Council meeting (Foreign Affairs) on 29 and 30 May.

As the European Council had no desire to carry on discussing these matters in the same atmosphere as at Luxembourg, the Council worked to find solutions on them, attended by the ministers for whichever item was on the agenda. The Council (Foreign Affairs) met for a general exchange of views on 5 and 6 May. The Council (Agriculture) reached broad agreement on most of the questions before it and adopted the outline of a response to the rest. The Council (Energy) achieved considerable success on 13 May.² And on 27 May the Council (Economic and Financial Affairs) examined the new tables of figures presented by the Commission setting out Community revenue and expenditure for the three years from 1980 to 1982.

Mr Colombo, President of the Council, visited the capitals of the Member States, and on 29 May, before the Council meeting of Foreign Ministers, met Mr Jenkins to harmonize his and the Commission's approaches to the search for a solution.

Parliament had already expressed concern at the failure of the European Council, and on 21 May held a wide-ranging debate³ following statements by Mr Colombo and Mr Jenkins. On 28 and 29 May the Economic and Social Committee urgently appealed to the European Council, the Community institutions and the governments of the Member States to take immediate action to put an end to the crisis situation confronting the Community.

¹ Bull. EC 4-1980, point 1.1.22.

² Points 1.4.1 to 1.4.5.

³ Point 2.3.4.

1.1.3. This, then, was the story so far when the ministers met in Brussels at the end of May. The Council (Agriculture) was the first to get down to work; it met for three days from 28 to 30 May. In point of fact, following a series of adjournments so that bilateral contracts could be held to work out compromise solutions on some of the more delicate points, the discussions came to an end on the evening of 29 May when the President noted that all the delegations had withdrawn all their reservations on specific aspects of the agricultural package. It was recognized that the British Delegation could only give its final agreement after being apprised of the results of the Council meeting of Foreign Ministers dealing with convergence and budgetary problems. So the meeting was adjourned until the next day, pending the final results of the Council (General Matters), since the UK regarded convergence, agricultural prices and sheepmeat simply as three interconnected facets of a whole complex problem.

1.1.4. The Council meeting (Foreign Affairs) began in the afternoon of 29 May. After some tough negotiations in which the President, backed up by the Commission, had made a superhuman effort, a compromise agreement was eventually reached on the basis of a Commission paper that had been reworked and amended both at the meeting and outside. By the morning of 30 May a provisional agreement on the British contribution and fisheries policy was finally reached after a debate lasting something like 20 hours. Each delegation undertook to recommend its Government to approve the agreement and notify the Presidency as a matter of urgency.

1.1.5. The press release put out by the Council (Agriculture) sums up the agricultural decisions as follows:

- (i) provisional agreement was reached on the overall agricultural package, to be confirmed once all reservations on the budgetary matters being discussed by the Council (Foreign Affairs) were lifted;
- (ii) a series of written procedures were set in hand for the adoption of 17 market regulations to enter into force at the beginning of June;
- (iii) the Council signified its agreement on the introduction of a common organization of the market in sheepmeat¹ and forthwith fixed the basic prices, reference prices and intervention prices for the 1980/81 marketing year.

1.1.6. Certain governments were only able to give their final approval after lengthy and sometimes difficult discussions. The British Cabinet announced its approval on 2 June, followed by the Federal German Government in the evening of 4 June. The French Government followed suit on 5 June. Both the Federal Republic of Germany and France published official statements, which are reproduced below.²

On 6 June the President of the Council recorded the final approval of the 'conclusions' of 30 May and of all the other arrangements, including the agricultural regulations, which appeared in the Official Journal on 5 June³ (the Commission had put the situation on ice on 1 June). The Regulation on the common organization of the market in sheepmeat (and goat's meat) will enter into force only when voluntary restraint agreements with the main exporting countries that supply the Community (particularly New Zealand)

¹ Point 2.1.54.

² Points 1.1.10 and 1.1.11.

³ OJ L 140 of 5.6.1980.

are in operation. In the meantime Parliament is to deliver its opinions and certain subordinate matters will have to be finalized.

50% to be borne by the United Kingdom and 50% by the other eight Member States; above 850 million EUA, 25% to be borne by the United Kingdom and 75% by the others.

The content of the agreement

Council conclusions and declaration

1.1.7. The conclusions of the Council on the UK contribution to the Community budget are reproduced below.

5. Payments over the period 1980-82 should be made by means of the adapted financial mechanism and the supplementary measures proposed by the Commission. The financial mechanism will continue to function automatically until the end of 1982.

6. The credits are entered in the budget of the following year, following the precedent of the financial mechanism.

'Conclusions on the United Kingdom contribution to the financing of the Community budget

At the request of the United Kingdom the Council can decide each year on a proposal from the Commission to make advances to permit the accelerated implementation of the supplementary measures.

1. The net United Kingdom contribution for 1980 will be calculated on the basis of the present Commission estimate (1 784 million EUA). 1 175 million EUA will be deducted from this figure. This leaves a United Kingdom contribution of 609 million EUA for 1980.

7. For 1982, the Community is pledged to resolve the problem by means of structural changes (Commission mandate, to be fulfilled by the end of June 1981: the examination will concern the development of Community policies, without calling into question the common financial responsibility for these policies, which are financed from the Community's own resources, or the basic principles of the common agricultural policy. Taking account of the situations and interests of all Member States, this examination will aim to prevent the recurrence of unacceptable situations for any of them). If this is not achieved, the Commission will make proposals along the lines of the 1980-81 solution and the Council will act accordingly.

2. The net United Kingdom contribution for 1981 will be calculated on the basis of the Commission estimate of 2 140 million EUA. The United Kingdom's 1980 net contribution will be increased by a percentage equal to the difference between 1 784 and 2 140 million EUA, namely 19.9% or 121 million EUA. The net United Kingdom contribution for 1981 therefore becomes 730 million EUA.

3. The United Kingdom contribution, based on the above calculations, is reduced for 1980 and 1981 by 2 585 million EUA (1 175 plus 1 410).

8. The Council reaffirms the conclusions adopted by it (in its composition of Ministers of Economic Affairs and Finance) on 11 February 1980,¹ which included reference to the 1% VAT own resources ceiling.

4. If the United Kingdom's actual contributions for 1980 and 1981 are higher than 1 784 and 2 140 million EUA respectively the difference will be split: for the first year 25% will be borne by the United Kingdom and 75% by the other eight Member States. For the second year: increase from 730 to 750 million EUA to be borne in full by the United Kingdom; from 750 to 850 million EUA,

9. It is important for the future well-being of the Community that day-to-day decisions and policy-

¹ Bull. EC 2-1980, point 2.1.52.

making should function effectively and this particularly during the period when the review provided for in paragraph 7 is under way. With this objective in mind all Member States undertake to do their best to ensure that Community decisions are taken expeditiously and in particular that decisions on agricultural price fixing are taken in time for the next marketing year.¹

Declaration on the common fisheries policy

1.1.8. The Council adopted the following declaration:

'1. The Council agrees that the completion of the common fisheries policy is a concomitant part of the solution of the problems with which the Community is confronted at present. To this end the Council undertakes to adopt, in parallel with the application of the decisions which will be taken in other areas, the decisions necessary to ensure that a common overall fisheries policy is put into effect at the latest on 1 January 1981.

2. In compliance with the Treaties and in conformity with the Council Resolution of 3 November 1976 (the "Hague agreement"),² this policy should be based on the following guidelines:

(a) rational and non-discriminatory Community measures for the management of resources and conservation and reconstitution of stocks so as to ensure their exploitation on a lasting basis in appropriate social and economic conditions;

(b) fair distribution of catches having regard, most particularly, to traditional fishing activities, to the special needs of regions where the local population are particularly dependent upon fishing and the industries allied thereto,³ and to the loss of catch potential in third-country waters;

(c) effective controls on the conditions applying to fisheries;

(d) adoption of structural measures which include a financial contribution by the Community;

(e) establishment of securely based fisheries relations with third countries and implementation of agreements already negotiated. In addition,

endeavours should be made to conclude further agreements on fishing possibilities, in which the Community—subject to the maintenance of stability on the Community market—could also offer trade concessions.

3. Furthermore, Article 103 of the Act of Accession shall be applied in conformity with the objectives and provisions of the Treaty establishing the European Economic Community, with the Act of Accession, *inter alia* Articles 100 to 102, and with the Council Resolution of 3 November 1976, and in particular Annex VII thereto.

4. The Council agrees to resume its examination of the Commission proposals for Regulations under (a) (technical conservation measures) and (c) (control) at its meeting on 16 June 1980, and also on this occasion to begin examination of other proposals, including a proposal on quotas for 1980 which the Commission undertakes to submit in good time.⁴

1.1.9. The decisions on agricultural prices and related measures and on sheepmeat are considered elsewhere.⁴ They were not covered by the Council's conclusions.

Statements by the French and Federal German governments

France

1.1.10. The French Government formally notified its agreement when the Permanent

¹ OJ C 158 of 27.6.1980.

² Bull. EC 10-1976, points 1501 to 1505.

³ See paragraphs 3 and 4 of Annex VII to the Council Resolution of 3 November 1976 (not published: Ed.).

⁴ Points 2.1.51 to 2.1.54.

Representatives Committee met on 5 June. It made the following statement:

'The French Government notes that the comprehensive agreement worked out in Brussels on 30 May has received the express approval of all its eight partners. The agreement relates to agricultural prices for 1980/81, the organization of the sheepmeat market, the introduction of a common policy on fisheries and the terms for reducing the British contribution to the Community budget over the next two years.

The French Government notes that the definitive appropriations to be used for reducing the British contribution in a given year will be entered in the budget for the following year, which means that decisions for the management of the Community, and particularly for the annual fixing of agricultural prices at levels ensuring that farmers receive a fair income, will have to be taken in advance.

This being so, the French Government in its turn approves the comprehensive agreement of 30 May.'

The Federal Republic of Germany

1.1.11. In a long statement put out in Bonn after a nine-hour cabinet meeting on 4 June, the Government of the Federal Republic of Germany announced that it broadly approved the agreement reached in Brussels, with minor reservations. Extracts from the official statement, the first part of which concerns the adoption of decisions in Brussels, are translated below.

'1. ... The maintenance of equilibrium and the reinforcement of Europe's role in safeguarding peace in the world meant that a compromise had to be worked out with Britain. The Federal Republic of Germany must make its contribution here, as must the other Community Member States in accordance with the distribution key for financing the European Communities applied since 1971.

On 4 June the Federal Government accordingly adopted the decisions worked out at the Council

meetings on general affairs and agriculture in paragraphs 2 to 7 below. These decisions particularly concern:

- (a) the British net contribution to the Community Budget;
- (b) the whole agricultural package—price increases for 1980/81, organization of the sheepmeat market, the increase in the co-responsibility levy on milk producers and the gradual dismantling of the system of monetary compensatory amounts;
- (c) the Council declaration concerning the common policy on fisheries. The Federal Government welcomes the resolve of the Member States, strengthened in the decision on fisheries policy, to accept common rules for fisheries based on the principle of equal access enshrined in the Treaties of Rome and in the accession instruments. The Federal Government calls on the Commission to lay proposals before the Council so that the necessary decisions can be taken before 31 December.

2. The following are the Federal Government's conclusions regarding the economic and financial consequences:

- (a) The amounts to be set aside for reducing the British contribution are currently estimated by the Commission of the European Communities at 1 422 million European units of account (EUA) (DM 3 569 million)¹ in 1980 and 1 732 million EUA (DM 4 347 million)² in 1981.
- (b) For the 1980 budgetary year, the Federal Minister of Finance estimates that agricultural expenditure will increase by about 1 700 million EUA (DM 4 267 million), followed by an increase in 1981 of 1 900 million EUA (DM 4 769 million). The Commission's estimates are lower for both years...

3. The additional budgetary expenditure for the Federal Republic of Germany resulting from the

¹ 1 EUA is currently worth DM 2.51.

² After deduction of the British share in the financing of these amounts, the net reduction in the British contribution for 1980 is about 1 175 million EUA (DM 2 949 million) in 1980 and 1 410 million EUA (DM 3 539 million) in 1981.

Community decisions is not entirely covered by the 1980 Federal Budget, nor by the medium-term financing plan beginning in 1981. Nor can it be covered in 1980 by transfers within the Budget.

In view of the budgetary situation in the Federal Republic, additional expenditure from the Federal Budget resulting from Community decisions can be financed only if the impact on the Federal Budget of the reduction in the British contribution is deferred to the beginning of the next budgetary year. Consequently the advances agreed in the Brussels compromise will of necessity require a unanimous Council decision.

4. The Federal Government strongly reiterates the need, acknowledged in the Community decision, for a fundamental correction to the persistent disequilibrium of the Community Budget, by means of structural changes. It urges the Commission of the European Communities to make provision in the proposals that it is to submit by 1 July 1981 for effective measures to remove surpluses of agricultural produce so that the increase in agricultural expenditure can be kept within the limits of the increase in the Communities' own resources. Other structural changes in expenditure will have to be envisaged in due course (which is to say in the draft budget for 1982) if their effects are to be felt no later than 1982.

The Federal Government is working on the assumption that these measures should result in a distribution of financial burdens in the Community so that they are not borne exclusively by a small number of Member States at a time when others that are economically just as strongly placed receive substantial inflows from the Community. Consideration should be given to the question whether the ceiling placed on financial contributions from one Member State ought not to be extended to all Member States and whether the same principle should not also apply to Member States that are net beneficiaries.

The Federal Government would ask the Council, the European Parliament and the Commission to take account of its wishes.

5. The Federal Government stands firm by its view that the rate of VAT paid to the European Communities should not be allowed to rise above

1%. Community decisions entailing expenditure must have due regard for this objective.

6. The Federal Government invites its partners in the Council, the European Parliament and the Commission to work with it on bringing non-compulsory expenditure under better control and to grasp every opportunity for reducing or cancelling it.

7. The Federal Government expects the British Government, in its policy on oil and gas, and particularly regarding the use of its production potential, to have regard to the interests of its European partners, especially with respect to questions of supply, which could well put solidarity in Europe to the test...'

Reactions and comments

Community statements

Mr Colombo, President of the Council

1.1.12. Giving a press conference at the end of the Council meeting, Mr Colombo was visibly pleased with what had been achieved. He particularly welcomed the fact that all the ministers present had shown a clear determination to bring the negotiations to a successful conclusion. They had all assured him that they would personally defend the agreement when putting it before their respective governments.

Mr Colombo warmly thanked the Commission for the preparatory work that it had done and for its active involvement in bringing the agreement within reach.

Mr Colombo went on to add that the agreement struck him as being well balanced, for nobody had lost and nobody had won. A consensus had been reached on all the main

items that had not been settled in Luxembourg on 27 and 28 April and which had sparked off a serious crisis in the Community, making it very difficult for Europe to affirm its identity in the current international climate.

Recalling the rather depressing atmosphere generated by the failure of the Luxembourg European Council, the Council President again stressed the willingness of all those concerned to negotiate and to reach a compromise. This new spirit had improved the climate within the Community and opened the way to a solution to the outstanding problems (such as the 1980 budget and the draft 1981 budget).

Stressing the benefits that will flow from the agreement, Mr Colombo noted that the Ministers had asked the Commission to undertake a detailed study of the common policies to find ways of seeing that they develop in a more balanced fashion.¹

Commission statement

1.1.13. 'The Commission warmly welcomes the agreement now reached on the complex of problems involving the British budgetary contribution, the agricultural price settlement for 1980, principles to guide the common fisheries policy, and the establishment of a regime for sheepmeat. So long as the outcome was in doubt, the coherence of the Community itself was in peril. But on the basis of the agreement, we can now look forward both to the strengthening and to the further evolution of the Community in response to the changing circumstances of our time.'

1.1.14. Commenting on the results of the Council (Foreign Affairs) the Commission spokesman said:

'The Commission is glad to have been able to contribute to bringing about such a positive result. In the succession of Commission papers since last year the Commission refined the problem, suggested ways and means of solving it, and contri-

buted the necessary political impetus. It was the working paper produced by the Commission at the beginning of the General Affairs Council on 29 May that provided the framework for the eventual agreement.

One of the most encouraging aspects of the negotiations last week was that from the beginning all concerned showed a strong desire to reach a settlement and negotiated with that in mind. Naturally ministers worked hard to defend their national interests and positions. But the common interest of a Community agreement was paramount, with the result you know.'

In the Member States

1.1.15. Mrs Thatcher, the British Prime Minister, stated that the reduction in the British contribution to the Community budget for the next two years was 'an excellent result'.

The outcome of the Brussels negotiation had already been put to the House of Lords the day before by Lord Carrington, Foreign Secretary, and to the House of Commons by Sir Ian Gilmour, Lord Privy Seal. The Foreign Secretary stressed that in his view the most important aspect of the Brussels compromise was that Britain's fellow members of the Community had undertaken to review the development of Community policies and the structure of the budget. For his part, Sir Ian Gilmour stressed that the increase in farm prices accepted by the United Kingdom would have only a negligible effect on retail prices (up 0.15%). And he added that the concessions made by Britain's Community partners at a time when the general economic climate was not favourable should not be underestimated.

1.1.16. In Belgium, which with Denmark was one of the first countries to approve the Brussels agreement, Mr Martens, Prime Minister, said: 'The main thing is that the

¹ Point 1.1.7 (paragraph 7).

European ministers have been able to reach a compromise agreement that confirms all the basic principles of European policy—the principle of own resources and the common agricultural policy.’ Mr Nothomb, Minister of Foreign Affairs, noted that, ‘Everybody is pleased that agreement has been reached, though we are not necessarily all pleased with what has been agreed’, and particularly welcomed the fact that the compromise had solved the problem of the British veto on the 5% increase in agricultural prices for 1980/81.

1.1.17. The Dutch Deputy Prime Minister stated that great efforts had been needed to break the deadlock. The financial consequences of the agreement on the British contribution for the Community budget would aggravate Dutch budgetary problems, but Mr Wiegel added that the Government had accepted this since the only alternative was to break up the Community. The Dutch Minister of Agriculture, Mr Braks, emphasized that by reaching agreement on agricultural prices the Council had made it unnecessary for the French Government to resort to national measures, which would have been the CAP’s death warrant.

1.1.18. The Brussels compromise was warmly welcomed in Ireland. Mr Lenihan, Minister for Foreign Affairs, said that the important achievement was that the long-standing difference between Britain and the rest of the EEC had been resolved. This was a very positive aspect, he added, because the agricultural package, which meant a very substantial benefit to Ireland, had now been unblocked. The Minister of Agriculture, Mr McSharry, considered that the agreement between the Nine had great advantages not only for farmers but for the economy as a whole.