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MR POWELL

FOREIGN AFFAIRS COUNCIL, 17-21 MARCH

The following is a very cryptic summary of the position at the conclusion of this Council:

(i) enlargement. The Council is meeting again on 28 March to try to settle the remaining points. In our view it is likely to do so. The dominant feature was a number of disagreements between France and Spain.

The critical points for Britain have been broadly settled in a very satisfactory way. In particular, in the fisheries sector the application of restrictive arrangements to Spain for 17 years, no access for Spanish fishing vessels to the North Sea and no reductions in any British quotas anywhere is a very good result. Agreement has also been reached on social affairs in a way which deals satisfactorily with the Gibraltar point. At present no-one is challenging the treatment of the transitional financing arrangements for Spain and Portugal on the Greek model which will give us the protection of the Fontainebleau mechanism.

The main outstanding points are in the fisheries sector; the number of Spanish boats on the basic and periodic list (big problem for France), the date at which the Irish Box will be opened to some Spanish fishing and the division of a part of the hake quota between areas (a question of interest to France and Britain but limited in importance because the greater part of the Spanish hake will in any event be taken in the Bay of Biscay). There is also a substantial disagreement between the Community and Spain on wine (primarily a French point);

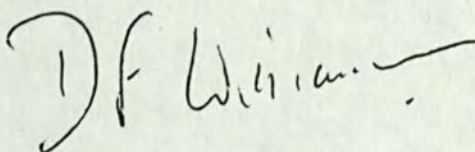
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(ii) own resources and the budget. The result is good and should be presented as good. It is the so-called "mixed solution". There is agreement in the Community on the text of the revised own resources decision (Greek waiting reserve and one minor technical point to be settled). This, subject to the agreement of all national parliaments, will now implement the Fontainebleau agreement.

The revised own resources decision (the 1.4% VAT ceiling) will make available new own resources after ratification of the accession treaties. The United Kingdom's 1000 million ecu abatement for 1984, however, will be available immediately on ratification of the own resources decision itself.

The United Kingdom has also agreed that the 1985 overrun should be financed by an intergovernmental agreement, subject, of course, to the agreement of national parliaments. The size of the budget overrun will be determined by the Budget Council in the normal way.

I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury) and to Sir Robert Armstrong.



D F WILLIAMSON

22 March 1985