

Budget crisis threat: Chancellor Kohl's request for money back will lead to other European partners paying more

# Germany demands rebate from EU

BY KATHERINE BUTLER in Cardiff

HELMUT KOHL threatened a full-scale EU budgetary crisis at the Cardiff summit yesterday by demanding Germany's money back.

Facing elections in three months time and fighting for his political survival after 16 years in power, the German Chancellor is under pressure to return from the summit today with a pledge that Germany will be given a British-style rebate on its £7bn annual contribution to EU coffers.

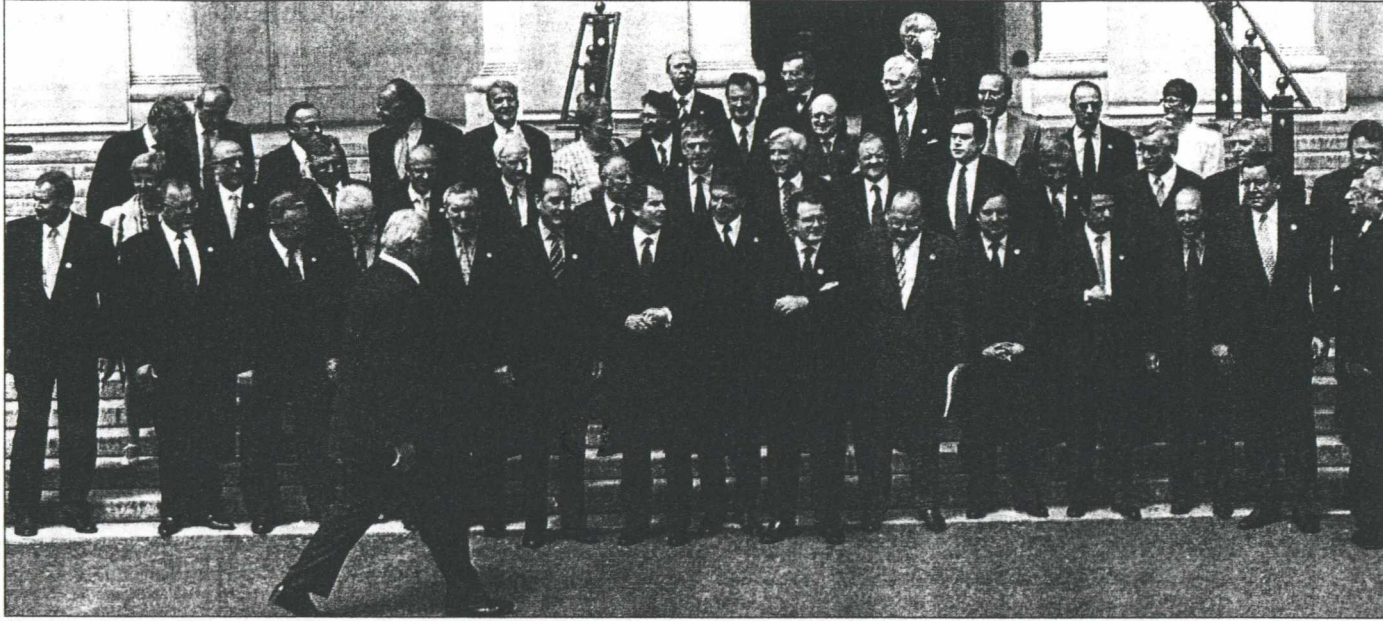
Chancellor Kohl said: "We want a fairer share of the burden-sharing. The financial system is not all right." His demand triggered a similar call from the Dutch, Swedes and Austrians who also argue they are paying beyond their means.

But any cap on the German contribution would mean Britain and other governments would have to pay in billions of pounds a year more.

Tony Blair repeated yesterday that the British rebate negotiated by Mrs Thatcher in 1984 is not negotiable. An alternative way forward, he said, would be to slash the amounts the EU spends on agricultural subsidies as a way of trimming waste.

The "discount" Britain is entitled to averages at around £2bn a year which cuts its annual net contribution - the total after grants and other payments to Britain are deducted - to around £2.3bn a year.

The Spanish, Irish and other



Chancellor Helmut Kohl arrives late for the group photograph of European leaders and their ministers at Cardiff town hall

Louisa Buller/AP

big recipients of EU aid also vehemently rejected any change in the status quo. But Jacques Santer, the European Commission president, appeared to suggest that the British rebate could be up for grabs. "All the cards have to be put on the table. If one country is paying less, other countries have to pay more."

Germany foots almost one-third of the EU's bills. But

against the background of soaring unemployment, German public opinion is increasingly hostile to what is viewed as an unfair share of the burden.

Werner Hoyer, the German European Affairs minister, told reporters: "Mr Kohl does not care about deadlines for a decision on this. He simply wants to make sure that nobody leaves Cardiff failing to understand that we are deadly serious about this. It is not an election gimmick."

Mr Kohl exploited a summit discussion on how to pay for EU expansion into eastern Europe to put his demand on the table, echoing Mrs Thatcher, who in 1984 pushed EU leaders into granting the UK an annual rebate worth two-thirds of its contribution to the budget.

Mr Kohl made clear the plan to admit five east European

countries early in the next century is not negotiable. Yet he said Bonn is not willing to bear the brunt of that expansion.

The current budgetary system favours countries with a large dependence on agriculture and regional funding. For example, Ireland is the biggest beneficiary in per capita terms, while Germans get the rawest deal.

No decision on revamping

the EU's financial system is expected until next year but Bonn's warning will cause alarm among the smaller member states.

The 15 leaders are expected to agree in their summit conclusions today that a summit in March under the chairmanship of Germany will be the deadline for sweeping reforms to the two biggest EU spending areas, farm policy and regional

grants. This is the context in which a new deal on the budget could be thrashed out.

An unpublished report from the European Court of Auditors, meanwhile, warns that to extend the British budget abatement system to Germany and other "paymaster" countries would be impossible without a massive transfer of costs onto the shoulders of the poorest nations.

## Summit split on Kosovo action

BY RUPERT CORNWELL in Cardiff

THE EUROPEAN Union tightened the sanctions screw yesterday against the Yugoslav President Slobodan Milosevic, but is split down the middle on whether to go ahead with military action in Kosovo without the authority of a specific resolution in the United Nations Security Council.

Although Britain and Germany believe legal corners may have to be cut in the higher interest of preventing Mr Milosevic from exploiting any delay to intensify the crackdown against the ethnic Albanian majority in the province, most EU countries believe a resolution is essential.

At a lunch meeting of foreign ministers devoted almost entirely to the Balkan crisis, an "overwhelming majority" of those present said it was "indispensable" to have authorisation from the UN, according to Lamberto Dini, the Italian foreign minister. "We have to act in a legal framework."

The argument was reflected in a statement afterwards which announced that, following the example of Britain, the United States, Germany, France and Italy in their Contact Group talks in London on Friday, all 15 EU countries will ban all flights by Yugoslav and Serbian carriers until Mr Milosevic changes his ways in Kosovo.

But the statement sidestepped the Security Council issue, referring merely to the "much stronger response, of a qualitatively different order" which will be required if the crisis continues. It spoke vaguely of a "full range of options" including those which "may require" authorisation at the UN. Kosovo's wounds, page 12

# Blair sermon on Europe's loss of faith

REFORMS TO lackle a loss of faith in the European Union among its citizens are to be pushed forward at a special summit this autumn, it was announced last night.

Tony Blair will meet his counterparts in Vienna this October to debate the future of Europe after agreement that the union must be decentralised.

The Prime Minister told the Cardiff European Council

BY FRAN ABRAMS in Cardiff

meeting yesterday that citizens of Europe felt they had too little influence on its institutions. "I hope there can be a strong agreement that we need a decentralised Europe, not some federal super-state," he said in a television interview.

Mr Blair's comments echoed those in a letter from the German Chancellor, Hel-

mut Kohl, and the French President, Jacques Chirac, last week underlining the sovereignty of member states.

The Prime Minister's spokesman said last night there were two possible ways forward - to improve the institutions of the EU, for instance through an elected president of the European Commission, or to enhance the roles of member governments and their parliaments.

In his discussions with other European leaders in the run-up to this week's summit, Mr Blair had found much more support for the latter approach, he said.

In his remarks at yesterday's meeting the Prime Minister welcomed the letter sent by Chancellor Kohl and President Chirac. He also stressed that he did not wish to bash the European Commission, which had a

role to play in ensuring respect for the European

Union was maintained and in delivering the single market.

"Citizens of Europe do have concerns about the European Union and its institutions and if we are to maintain their confidence we need to ensure that they don't feel remote from the EU and its decision-making processes," the Prime Minister's spokesman said.

Chancellor Kohl had made a powerful statement about the issue yesterday, he added, say-

ing his position was in no way anti-Europe but that people had to be able to see decisions being made at a local level. "I think it is fair to say that there was consensus on this as a problem. The electors want to be part of a strong European Union but they do feel remote from its institutions and that gap has got to be closed if the European Union is to continue to demand support. The decisions that it takes," he said.

The move underlines a warning in a leaked internal Labour Party policy document, reported in *The Independent* yesterday, that the European Union was losing the support of its citizens.

The paper, approved by a committee chaired by Mr Blair, quoted research showing that fewer than half Europe's citizens believe the European Union is "a good thing" compared to 70 per cent in 1990.