

PREM 19/1231

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The Community Budget

EUROPEAN POLICY

Developments in the European Community

PE 1: MAY 1979

PE 27: AUGUST 1984

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PART 27 ends:-

OKREP BRUSSELS TEL 3551 31.10.84.

PART 28 begins:-

CDP to FCO 1.11.84.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC (84) 29 th Item 2	02/09/1984
OD (E) (84) 8	05/09/1985
OD (E) (84) 9	05/09/1984
OD (E) (84) 10	06/09/1984
CC (84) 30 th Item 3	13/09/1984
CC (84) 31 st Item 2	20/09/1984
OD (E) (84) 12	28/09/1984
OD (E) (84) 11	28/09/1984
CC (84) 32 nd Item 2	04/10/1984
CC (84) 33 rd Item 4	18/10/1984
CC (84) 34 th Item 3	25/10/1984

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed 

Date 18/09/2013

PREM Records Team

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FRAME ECONOMIC

DESKBY 311630Z

FM UKREP BRUSSELS 311600Z OCT 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 3551 OF 31 OCTOBER.

PARLIAMENT'S BUDGET COMMITTEE.

U.K COMPENSATION FOR 1984.

*Another irritating
e meaningless gesture
by the Parliament.*

SUMMARY

1. PARLIAMENT'S BUDGETS COMMITTEE TODAY VOTED 26 TO NIL IN FAVOUR OF AN AMENDMENT PUTTING U.K COMPENSATION ON THE EXPENDITURE SIDE OF THE 1985 BUDGET.

DETAIL

2. THIS MORNING ARNDT (GERMAN SOCIALIST) PROPOSED THAT THE COMPENSATION FOR THE U.K AND GERMANY IN RESPECT OF 1984 SHOULD BE INCLUDED IN CHAPTER 100 ON THE EXPENDITURE SIDE OF THE 1985 BUDGET. HE SOUGHT THE REACTION OF THE EUROPEAN DEMOCRATIC GROUP. BARBARELLA (ITALIAN COMMUNIST) INTERVENED TO SUGGEST THAT IT MIGHT BE MORE CONSTRUCTIVE (SIC) IF THE MONEY WAS PUT ON LINES RATHER THAN IN CHAPTER 100. DOURO (EDG SPOKESMAN) SAID THAT IF THE COMMITTEE WAS GOING TO PROPOSE THAT THE COMPENSATION BE ON THE EXPENDITURE SIDE, IT WAS ESSENTIAL THAT IT SHOULD BE ON THE LINE. ON THIS UNDERSTANDING HE COULD SUPPORT THE AMENDMENT. OTHER MEMBERS OF THE GROUP AND THE BRITISH SOCIALISTS ALSO INDICATED SUPPORT.

3. BEFORE THE COMMITTEE VOTED ON THIS PROPOSAL IN THE AFTERNOON, THE FINANCIAL COUNSELLOR LOBBIED CURRIE, DOURO AND ELLES (EDG) AND PITT AND TOMLINSON (BRITISH SOCIALIST) NOT TO SUPPORT THE AMENDMENT. HE POINTED OUT THAT IT FLATLY CONTRADICTED THE FONTAINEBLEAU CONCLUSIONS THAT IN FUTURE U.K COMPENSATION SHOULD BE ON THE REVENUE SIDE. LAST WEEK IN THE PLENARY SESSION ALL BRITISH MEPS HAD VOTED AGAINST THE PFENNIG RESOLUTION ON THE DRAFT OWN RESOURCES DECISION PRECISELY BECAUSE IT SOUGHT TO UNDO THE CONCLUSIONS OF THE EUROPEAN COUNCIL ON BUDGETARY IMBALANCES. IT WOULD THEREFORE BE LOGICAL AND CONSISTENT FOR THEM TO VOTE AGAINST THE PRESENT AMENDMENT. CURRIE ARGUED THAT THEY HAD OPTED FOR THE LESSER OF TWO EVILS. PRESSED FURTHER, HE SAID THAT THEY HAD JUDGED IT NECESSARY TO GIVE GROUND ON THIS POINT IN ORDER TO ENSURE THE DEFEAT OF OTHER UNDESIRABLE AMENDMENTS CONCERNING REVENUE. ALL THE MEPS STRESSED THE IMPORTANCE TO THEM OF BUILDING BRIDGES WITH THE OTHER GROUPS IN THE COMMITTEE AFTER 4 YEARS OF ISOLATION BECAUSE OF THE U.K BUDGET PROBLEM AND ASKED US TO BEAR IN MIND THEIR POLITICAL AND TACTICAL SITUATION WITHIN THE PARLIAMENT. HOWEVER, AT THE END OF

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SEPARATE CONVERSATIONS EACH OF THE 3 EDG MEMBERS SAID THAT THEY WOULD VOTE AGAINST THE AMENDMENT IN THE PLENARY AND WOULD EXPECT THE GROUP AS A WHOLE SO TO DO. OUR CONVERSATION WITH PITT AND THOMLINSON WAS EXTREMELY BRIEF. THEY CLAIMED THAT THEIR VOTE HAD BEEN FOR TACTICAL RATHER THAN SUBSTANTIVE REASONS AND THEY UNDERTOOK TO EXPLAIN THEM TO US AFTER THE MEETING.

4. COMMENT: IT WOULD UNDOUBTEDLY BE DAMAGING IF THE EDG, AND EVEN IF THE BRITISH SOCIALIST, WERE TO VOTE IN FAVOUR OF THIS AMENDMENT IN THE PLENARY BEGINNING ON 12 NOVEMBER. IN VIEW OF THE PREDICTION OF CURRIE AND HIS COLLEAGUES THAT THE EDG WOULD IN THE EVENT VOTE AGAINST WE SHOULD NOT PERHAPS OVER-REACT, BUT I WOULD RECOMMEND THAT AN OPPORTUNITY BE SOUGHT TO IMPRESS UPON THE LEADERSHIP OF THE GROUP THAT A VOTE FOR THIS AMENDMENT WOULD BE MOST UNHELPFUL.

FCO ADVANCE TO:

FCO - P.S/MR RIFKIND, FAIRWEATHER, WALL.
CAB - WILLIAMSON, STAPLETON.
TSY - P.S/ECONOMIC SECRETARY, FITCHEW, LENNON.

BUTLER

FRAME ECONOMIC
ECD (I)



Ref. A084/2899

PRIME MINISTER

Cabinet: Community Affairs

There have been no Council meetings since last week's Cabinet, but the Foreign and Commonwealth Secretary will be able to report that the bulk of the United Kingdom's 1983 refund - about £530 million gross - was paid on 25 October.

2. The Chancellor of the Exchequer may refer briefly to the appearance of the Economic Secretary, Treasury, on 29 October before the Treasury and Civil Service Select Committee of the House of Commons inquiry into the economic and political implications of our membership of the Community.

3. There is an informal meeting of Foreign Ministers on 3-4 November. The Development Council and Research Council will meet on 6 November and the Transport Council on 8 November.

ROBERT ARMSTRONG

31 October 1984



10 DOWNING STREET

From the Private Secretary

30 October 1984

Ad Hoc Committee on Institutions

BF / The Prime Minister has read UKREP telegram no. 3484 reporting the general discussion at the last meeting of the DOOGE committee. She is alarmed by some of the ideas which are being aired in this committee - for instance, giving the European Parliament responsibilities on the revenue side, Central Bank powers for the EMF, restrictions on the Luxembourg compromise, a new treaty. She recognises that Mr. Rifkind has spoken out against the most unacceptable ones. But she would welcome an assessment of the work of this committee hitherto and of the prospects for ensuring that it does not report in entirely unrealistic terms to the European Council.

I am sending a copy of this letter to David Williamson (Cabinet Office).

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.



ce PC

10 DOWNING STREET

From the Private Secretary

30 October 1984

European Council

Thank you for your letter of 29 October mentioning the various points about the role and organisation of the European Council which the Foreign Secretary intends to make during the informal meeting of EC Foreign Ministers next weekend. The Prime Minister agrees with points A, B and D. As regards point C, she sees some risk of bureaucratising European Council meetings if notetakers are once allowed in. But she knows that the Foreign Secretary feels very strongly about this and wonders whether the best thing might not be to propose that it be tried for one Council meeting then reviewed. She thinks, however, that other Governments may have reservations even about this.

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

PP

CCPC

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Foreign and Commonwealth Office

London SW1A 2AH

29 October 1984

Dear Charles,

*Yes not Prime Minister
Agree that we
may now go nap on
Signor Adonnino?*

European Community: Chairmanship of the Ad Hoc Committee
on "A People's Europe"

*CDP
24/10*

In my letter of 17 October I reported that the Irish had proposed Prosper Thuysbaert (Belgium) for the chair of the "People's Europe" Committee. During the recent Anglo/Italian Summit Andreotti confirmed that the Italians would be putting forward Adonnino and asked for UK support (on which the Secretary of State was non-committal).

The Prime Minister agreed that we should support Adonnino provided that we ascertained beforehand that the Germans had no candidate to offer - your letter of 18 October. The Germans were grateful to be consulted, but have confirmed that they have no ambitions to secure the chair for Herr Neusel.

It does not appear that Thuysbaert commands general support; nor has he been particularly helpful to us. The Foreign Secretary proposes, therefore, that we should now tell the Irish and the Italians that we favour Adonnino.

Yours ever,

Colin Budd

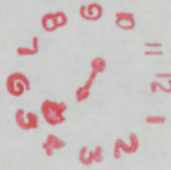
(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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LEONHARD KOLLAUER



1884

CPG ①



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

(a), (b) and (d) are unexceptionable. But (c) risks bureaucratizing the meetings: once you first open the door to officials, they will come flooding in.

29 October 1984

Agree to oppose (c)?
No - see below
CDP
29/A

Dear Charles,

European Council

The Foreign Secretary has it in mind, subject to the Prime Minister's agreement, to make certain points about the role and organisation of the European Council during the informal meeting of EC Foreign Ministers in Ireland next weekend.

The points he would like to make are:

- (a) the need for the European Council to take a more strategic role and to establish clear priorities for EC policy;
- (b) the need for conclusions on substantive matters to be issued only after prior agreement in the Council or between the delegations most involved;
- (c) the desirability of having a record-taker with each delegation so that Foreign Ministers can be free to devote themselves to the discussion;
- (d) the proposal that M. Delors should be invited to attend the Dublin European Council, in order to get a sense of the Council's priorities before he takes over as President of the Commission in January.

F.C.S. feels very strongly about this - he has to take the notes! But I doubt if the rest will agree. not trying for one meeting.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street



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10 DOWNING STREET

From the Private Secretary

MR. WILLIAMSON
CABINET OFFICE

COMMUNITY BUDGET DISCIPLINE

Thank you for your minute of 26 October, setting out the position in the Community on budget discipline. I have shown it to the Prime Minister who agrees that negotiations should continue to clinch the solution described in paragraphs 2 and 3 of your minute.

It would be helpful for your minute and mine to be copied to those principally concerned in Whitehall. Please let me know whether you agree to this.

BF |
↑

Mr Williamson
stated no reply necessary
2/11/84

CP

29 October, 1984



bc PC

JP

10 DOWNING STREET

From the Private Secretary

29 October 1984

AD HOC COMMITTEE ON INSTITUTIONS

The Prime Minister has seen UKREP Brussels tel. no. 3469 reporting the Dooge Committee's discussion of Political Cooperation on 25 October.

The Prime Minister notes that the United Kingdom gave general support to Herr Ruhfus' ideas. She hopes that this support does not extend to the introduction of majority voting to POCO and is also dubious about taking on a formal commitment to consult.

I am copying this letter to David Williamson (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

RESTRICTED
FRAME INSTITUTION
DESKBY 261700Z
FM UKREP BRUSSELS 261420Z OCT 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 3484 OF 26 OCTOBER
INFO ROUTINE COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN, ATHENS
LUXEMBOURG, LISBON, MADRID
INFO SAVING BRUSSELS, STRASBOURG

Prime Minister
There is some pretty good lunacy here.
Agree to ask FCO for an interim report and assessment

AD HOC COMMITTEE ON INSTITUTIONS : DOOGE COMMITTEE, 24/25 OCTOBER
GENERAL DISCUSSION

Yes please Mr. D. where this exercise leading?

COP 29/11.

SUMMARY

1. STRONG SUPPORT FOR CONTENT OF DRAFT REPORT TO DUBLIN EUROPEAN COUNCIL TABLED BY FAURE (FRANCE) AS REFLECTING MAJORITY VIEW THAT ANY SUCH REPORT SHOULD GO INTO SUBSTANCE RATHER THAN SIMPLY DESCRIBE WHAT THE COMMITTEE HAS DONE SO FAR. MR RIFKIND AMONG THOSE RESISTING PREMATURE REPORT ON SUBSTANCE TO NEXT EUROPEAN COUNCIL. SOME DISPOSITION AMONG MAJORITY, THOUGH STILL MAINLY IN PRIVATE, TO CONCEDE THE POINT, AT LEAST AS REGARDS SECTIONS ON INSTITUTIONS AND THE NEED FOR NEW TREATY/INTERGOVERNMENTAL CONFERENCE. SOME DISCUSSION OF FAURE'S SUGGESTION THAT INCREASED USE OF MAJORITY VOTING BE BALANCED BY INSTITUTIONALISING A VERSION OF THE LUXEMBOURG COMPROMISE, THOUGH THE MAJORITY ADD THE RIDER THAT DEFINITION OF RELEVANT VITAL INTEREST SHOULD BE OBJECTIVE, NOT LEFT TO MEMBER STATE CONCERNED. MR RIFKIND AND OTHERS MADE CLEAR THAT THIS WOULD NOT DO. MUCH TALK ALSO OF THE LEGISLATIVE POWERS FOR THE EUROPEAN PARLIAMENT. CONSIDERABLE SUPPORT FOR IDEA OF A COMMISSION OF 10 (LATER 12) MEMBERS.

DETAIL

A. NATURE OF REPORT TO DUBLIN EUROPEAN COUNCIL
2. IN SPITE OF THE FACT THAT FAURE (FRANCE) HAD ONLY TABLED HIS DRAFT OF A REPORT TO THE DUBLIN EUROPEAN COUNCIL THE PREVIOUS EVENING AND THAT THE ENGLISH VERSION HAD ONLY BEEN MADE AVAILABLE BEFORE LUNCH ON 25 OCTOBER, HE WAS INVITED TO INTRODUCE IT AT THE BEGINNING OF THE AFTERNOON SESSION. THE DISCUSSION TOOK PLACE AGAINST THE BACKGROUND OF A PRELIMINARY EXCHANGE OF VIEWS, MAINLY OVER LUNCH, ON THE NATURE OF THE REPORT THE COMMITTEE SHOULD MAKE TO THE DUBLIN EUROPEAN COUNCIL. PAPANTONIOU (GREECE) AND MOLLER (DENMARK) ARGUED STRONGLY THAT THEY COULD NOT AGREE TO ANYTHING MORE THAN A PROGRESS REPORT AND THAT IT WAS PREMATURE TO TRY TO SYNTHESISE DISCUSSIONS WHICH HAD NOT EVEN TAKEN PLACE. THEY EVEN SUGGESTED THAT THE INTERIM REPORT SHOULD BE MADE ORALLY ON DOOGE'S OWN AUTHORITY. MR RIFKIND ALSO ARGUED THAT IT WAS PREMATURE TO TRY TO MAKE A SUBSTANTIVE REPORT TO THE EUROPEAN COUNCIL WHEN A GREAT DEAL OF THE SUBJECT MATTER IT SEEMED INTENDED TO COVER HAD NOT EVEN BEEN DISCUSSED ONCE. ALTHOUGH MANY OTHER SPEAKERS SUPPORTED FAURE'S APPROACH, FERRI (ITALY) RATHER SURPRISINGLY INTERVENED TO SAY THAT HAVING HEARD THE DISCUSSION HE TENDED TO THE VIEW THAT THE EUROPEAN COUNCIL WOULD VIRTUALLY IGNORE A REPORT IF IT WAS A BLAND PROGRESS REPORT, WHILE SOMETHING MORE SUBSTANTIVE MIGHT AROUSE UNWELCOME NEGATIVE REACTIONS. IT MIGHT

BE

BE BETTER TO WAIT UNTIL NEXT TIME. THE QUESTION WAS HOWEVER LEFT OPEN FOR FURTHER DISCUSSION AT THE NEXT MEETING, THOUGH SEVERAL SPEAKERS MADE REFERENCE TO THE QUESTION IN COMMENTING ON FAURE'S PAPER. THE PRESIDENCY ASKED THAT VIEWS ON THIS QUESTION SHOULD BE TRANSMITTED ORALLY BY ASSISTANTS TO THE COMMITTEE SECRETARY BEFORE THE NEXT MEETING, PREFERABLY NEXT WEEK.

3. FAURE'S DRAFT

[?] 3. FAURE CLAIMED THAT HIS PAPER DID NOT GO AS FAR AS HE WOULD HAVE LIKED: IT WAS AN ATTEMPT TO REFLECT THE DISCUSSION AT THE TWO PREVIOUS MEETINGS. IT DID NOT (AND NOR DID HE) EXPRESS THE FRENCH GOVERNMENT'S VIEWS, BUT HE WAS CONFIDENT THAT THEY WERE CLOSE. TREATMENT OF THE VARIOUS ISSUES WAS SUMMARY, BUT THE COMMITTEE'S MANDATE WAS GENERAL NOT TECHNICAL. IT CONCENTRATED ON THE METHODS BY WHICH THE COMMUNITY SHOULD MAKE PROGRESS: THE EUROPEAN COUNCIL HAD REACHED IMPORTANT CONCLUSIONS ON MANY OCCASIONS BUT VERY OFTEN THEY HAD NOT BEEN IMPLEMENTED. COMMENTING ON THE OBJECTIVES SECTION HE NOTED THAT ON EMS HE HAD NOT SUGGESTED ANYTHING AS FAR-REACHING AS A COMMON CURRENCY, AND ON THE BUDGET HE HAD SOUGHT TO SHOW CONSCIOUSNESS OF THE NEED FOR DISCIPLINE. ON THE 'COMMON VALUES' SECTION HE HAD TWO PERSONAL SUGGESTIONS: THAT EVERY GRADUATE SHOULD HAVE DONE ONE YEAR OF HIS STUDIES IN ANOTHER MEMBER STATE AND THAT ALL FOREIGN (COMMUNITY) LANGUAGE TEACHERS SHOULD BE NATIVE SPEAKERS OF THAT LANGUAGE. HE AND RHFUS WOULD REVISE THE EXTERNAL SECTION IN THE LIGHT OF THE EARLIER DISCUSSION ON POLITICAL COOPERATION. THE DEFENCE/SECURITY ASPECT COULD NOT BE LEFT OUT OF THE CONCEPT OF EUROPEAN UNION, BUT NOR COULD IT BE FULLY INCORPORATED IMMEDIATELY. HE WOULD HOWEVER ENVISAGE DEFENCE MINISTERS MEETING OCCASIONALLY IN POLITICAL COOPERATION.

4. MAJORITY VOTING WAS THE CENTRAL ELEMENT ON THE INSTITUTIONAL SIDE. HE POINTED OUT THAT FOR A DECISION TO BE TAKEN BY QUALIFIED MAJORITY COMMISSION AGREEMENT WAS NEEDED AND THAT PROVIDED A GUARANTEE FOR THE MINORITY. DECISIONS OF PRINCIPLE WOULD STILL BE TAKEN BY UNANIMITY. THE CONCEPT OF VITAL INTEREST SHOULD BE INSTITUTIONALISED, BUT IT MUST BE OBJECTIVELY JUSTIFIABLE. MAJORITY VOTING SHOULD BE THE RULE FOR ALL IMPLEMENTATION DECISIONS. THE COMMISSION SHOULD BE GIVEN BACK THE POWERS IT ALWAYS SHOULD HAVE HAD UNDER THE TREATIES. THE EUROPEAN PARLIAMENT SHOULD BE GIVEN RESPONSIBILITY FOR THE REVENUE CONSEQUENCES OF INCREASED EXPENDITURE, AND THEY SHOULD HAVE MORE SUPERVISORY POWERS OVER EXECUTION OF POLICIES. A NEW TREATY WAS NECESSARY TO BRING ALL THE VARIOUS ACTIVITIES UNDER ONE ROOF. FERRI (ITALY) BEGAN A LONG SPEECH BY EXPRESSING TOTAL SUPPORT BUT LATER SAID THAT HE WOULD HAVE WISHED TO GO FURTHER ON INSTITUTIONS. HE THOUGHT THAT IT WAS WRONG TO CONFINE THE REFERENCE TO THE SPINELLI DRAFT TREATY TO THE WORDS 'SPIRIT AND METHOD'. THE EUROPEAN PARLIAMENT NEEDED A REAL EXECUTIVE AS INTERLOCUTOR. IT MUST HAVE LEGISLATIVE POWER AND A POLITICAL POSITION. THE COMMITTEE'S RECOMMENDATIONS MUST TAKE ACCOUNT OF THE FACT THAT THE SPINELLI DRAFT TREATY WAS A POLITICAL REALITY WIDELY ENDORSED.

5. DONDELINGER (LUXEMBOURG) ACCEPTED THE DRAFT AND RECALLED THE ULTIMATE GOAL OF PROGRESSIVE UNIFICATION WHICH WAS INHIBITED

BY THE WISH OF NEW MEMBER STATES NOT TO MAKE ANY CHANGES. THE COMMITTEE'S REPORT SHOULD NOT DEAL WITH DETAILS SUCH AS THE ENVIRONMENT BUT WITH ESSENTIAL REFORMS. HE AGREED THAT THE CONCLUSIONS SHOULD BE THE SUMMONING OF AN INTER-GOVERNMENTAL CONFERENCE BUT DOUBTED WHETHER THE DECEMBER EUROPEAN COUNCIL WAS THE MOMENT TO SAY SO. IN CONCLUSION HE MADE IT CLEAR THAT THE SPINELLI DRAFT WAS NOT AT ALL WHAT THE COMMUNITY NEEDED.

6. VAN EEKELEN (NETHERLANDS) ENDORSED THE GENERAL DRIFT OF FAURE'S DOCUMENT AND ASSERTED THAT IT WAS POSSIBLE TO SAY SOMETHING SUBSTANTIAL ALONG THOSE LINES BY THE TIME OF THE DUBLIN EUROPEAN COUNCIL. THE TEXT WOULD NEED A REFERENCE TO THE FREEDOM OF CAPITAL MOVEMENTS. SOME OF IT WAS TOO VAGUE. HE COULD ENDORSE THE REFERENCE TO COMMUNITY PREFERENCE IN THE SECTION ON DEFENCE SO LONG AS IT REFERRED TO COMMUNITY PRODUCTS AND NOT THE PRODUCTS OF A SINGLE MEMBER STATE (PRESUMABLY A DIG AT FRANCE). ANY INSTITUTIONALISATION OF VITAL INTEREST IN THE CONTEXT OF MAJORITY VOTING MUST ALLOW ALSO FOR THE VITAL INTEREST OF THE COMMUNITY TO BE TAKEN INTO ACCOUNT. THE FINAL SECTION ON A NEW TREATY AND AN INTER-GOVERNMENTAL CONFERENCE SHOULD BE LEFT IN ABEYANCE AT THE MOMENT. AT THE END A MIDDLE WAY MIGHT BE NEEDED, FOR INSTANCE AN INTER-GOVERNMENTAL CONFERENCE TO DISCUSS IMPROVEMENTS TO THE EXISTING TREATIES.

7. MR RIFKIND SAID HE COULD AGREE WITH MUCH OF FAURE'S PAPER BUT WOULD CONCENTRATE ON THE AREAS OF DIFFICULTY. WHILE ACKNOWLEDGING THAT DECISION-MAKING WAS MORE DIFFICULT IN A LARGER COMMUNITY HE THOUGHT IT WRONG TO SUGGEST THAT PAST ENLARGEMENTS HAD CAUSED PARALYSIS: THINGS HAD NOT BEEN ALL THAT EASY BEFORE THE FIRST ENLARGEMENT. THE REFERENCE WAS UNFORTUNATE IN THE CONTEXT OF SPANISH AND PORTUGUESE ACCESSION. HE WELCOMED THE SECTION ON THE INTERNAL MARKET BUT STRESSED THE NEED FOR A PRIORITY TIMETABLE: THE WORDS 'GRADUAL' AND 'LONG-TERM' IN THE REFERENCES TO TRANSPORT AND SERVICES HARDLY SUGGESTED A SENSE OF URGENCY. THE SECTION ON EMS WOULD NEED MORE DISCUSSION PARTICULARLY THE IDEA OF GIVING VIRTUAL CENTRAL BANK POWERS TO THE EMF. THE PRESENTATION ON NEW RESOURCES WAS ATTRACTIVE, BUT THE SUBJECT HAD NOT YET BEEN DISCUSSED, NOR HAD IDEAS FOR A SOCIAL AREA OR LEGAL AREA. HE VERY MUCH AGREED WITH THE PASSAGE ON EXTERNAL POLICY THOUGH WAS NOT YET CONVINCED THAT THE CODIFICATION OF POLITICAL COOPERATION COMMITMENTS ETC REQUIRED A TREATY. ON MAJORITY VOTING HE ASKED FOR CLARIFICATION OF THE IDEA OF OBJECTIVE JUSTIFICATION: WHO WOULD HAVE THE LAST WORD? HE ENTIRELY ACCEPTED THAT THE SPURIOUS CLAIMS OF VITAL INTEREST SHOULD NOT BE ALLOWED, BUT ONLY A NATIONAL GOVERNMENT WAS IN A POSITION TO ASSESS WHAT CONSTITUTED SUCH AN INTEREST. IT SHOULD NONETHELESS BE REQUIRED TO EXPLAIN ITS REASONS IN ORDER TO MINIMISE USE OF THE MECHANISM. THE CONCEPT OF DIFFERENTIATION WOULD BE ACCEPTABLE ONLY AS AN EXCEPTIONAL MEASURE. HE WELCOMED THE REFERENCE TO A SMALL COMMISSION AND WAS PREPARED TO LOOK AT THE SUGGESTION THAT ITS MEMBERS SHOULD BE CHOSEN BY THE PRESIDENT. THE SECTION ON THE EUROPEAN PARLIAMENT SHOULD GIVE FAR GREATER PROMINENCE TO THE NEED TO IMPROVE THE CONCILIATION PROCEDURE. HE WOULD NEED A LOT OF PERSUADING THAT SOME OF THE OTHER VERY CONTROVERSIAL SUGGESTIONS, WHICH HAD NOT EVEN BEEN DISCUSSED, WOULD BE ACCEPTABLE. AN INTER-GOVERNMENTAL CONFERENCE MIGHT IN THE END PROVE THE BEST WAY FORWARD, BUT IT WAS FAR TOO EARLY

TO REACH THAT CONCLUSION.

8. IN CONCLUSION MR RIFKIND CIRCULATED HIS OWN PAPER ON INSTITUTIONS AND SUMMARISED IT BRIEFLY (TEXT IN MIFT).

9. ANDRIESSEN AGREED THAT A SUBSTANTIAL REPORT SHOULD BE PREPARED FOR DUBLIN, BUT DETAILED COMMENTS SHOULD WAIT UNTIL THE SECOND ROUND OF DISCUSSIONS HAD BEEN COMPLETED. EMS IMPROVEMENT MUST BE A CENTRAL ELEMENT. UK PARTICIPATION IN THE EXCHANGE RATE MECHANISM WAS NECESSARY. HE AGREED TO REFLECT ON INSTITUTIONALISING THE CONCEPT OF A VITAL INTEREST, WHICH HE HAD HITHERTO OPPOSED. THE COMMISSION COULD PLAY A ROLE IN IDENTIFYING SUCH AN INTEREST. HE AGREED THAT THE NUMBER OF COMMISSIONERS SHOULD BE REDUCED ASSUMING THAT FAURE INTENDED THE NUMBER TO BE 12, IE ONE FOR EACH MEMBER STATE, AFTER ENLARGEMENT. (FAURE NODDED ASSENT.) IT WAS NOT POLITICALLY REALISTIC TO THINK THAT THE EUROPEAN PARLIAMENT WOULD BE SATISFIED BY IMPROVED CONCILIATION. THE EUROPEAN PARLIAMENT HAD BEEN PROMISED MORE POWERS: THEY SHOULD HAVE A LEGISLATIVE POWER, NOT ON DIRECTIVES (WHICH INVOLVED SUBSEQUENT NATIONAL LEGISLATION) BUT ON REGULATIONS. HE TOO THOUGHT IT MIGHT BE EARLY TO PROPOSE AN INTER-GOVERNMENTAL CONFERENCE BY THE DUBLIN EUROPEAN COUNCIL.

10. HERMAN (BELGIUM) SUPPORTED FAURE'S DRAFT AS A BASIS FOR A REPORT AND MADE A NUMBER OF DETAILED COMMENTS. ON THE INSTITUTIONAL CHAPTER HE ASSERTED THAT THE DECISION WHAT CONSTITUTED A VITAL INTEREST COULD NOT BE LEFT TO THE MEMBER STATE IN QUESTION. THE EUROPEAN PARLIAMENT HAD RECOMMENDED THAT THE COMMISSION SHOULD DECIDE. SOME SUBJECTS COULD BE EXCLUDED FROM THE PROVISION ALTOGETHER. HE AGREED THAT THE NUMBER OF COMMISSIONERS SHOULD BE REDUCED, THE PRESIDENT SHOULD CHOOSE THEM AND THEN OBTAIN EUROPEAN PARLIAMENT APPROVAL. THE PRESENT CONCILIATION PROCEDURE WAS INEFFECTIVE, BUT A LEGISLATIVE POWER RATHER THAN SOME IMPROVEMENTS WAS WHAT WAS REQUIRED.

11. MOLLER (DENMARK) COULD AGREE MUCH OF THE DETAIL IN FAURE'S DRAFT BUT DOUBTED WHETHER IT WAS WISE TO DEFINE IN DETAIL THE NOTION OF EUROPEAN UNION. IT WOULD BE BETTER TO ESTABLISH CONDITIONS FOR PROGRESS STEP BY STEP AND AVOID MEANINGLESS DISCUSSIONS OF INSTITUTIONS. DEFENCE WAS OUTSIDE THE FRAMEWORK OF THE EXERCISE. THE TREATIES PROVIDED A SUFFICIENTLY EFFICIENT FRAMEWORK FOR THE COUNCIL: NO CHANGE WAS NEEDED. LIKEWISE WITH THE EUROPEAN PARLIAMENT THOUGH HE DID NOT OPPOSE MORE INFORMAL CONTACTS SO LONG AS EVERYONE ENSURED THAT THEY DID NOT TAKE PLACE IN AN ATMOSPHERE OF CONFRONTATION. NO NEW TREATY WAS NEEDED. IT WOULD BE VERY DAMAGING IF FAURE'S DRAFT WERE LEAKED TO THE PRESS. IF ANY PROGRESS REPORT WAS TO BE MADE TO DUBLIN IT SHOULD BE ORAL.

12. RUHFUS CONGRATULATED FAURE ON THE DRAFT BUT AGREED WITH MOLLER ABOUT THE DANGER OF PREMATURE LEAKS. IN HIS DETAILED COMMENTS HE ASKED FOR A REFERENCE TO FREEDOM OF CAPITAL MOVEMENTS AND A PASSAGE ON HIGH TECHNOLOGY. HE UNDERTOOK TO REVISE THE EXTERNAL POLICY SECTION AND INCLUDE LANGUAGE ON TRADE AND AID POLICIES. HE WAS ENCOURAGED BY FAURE'S APPROACH

TO MAJORITY VOTING AND THE NEED TO STRENGTHEN THE COMMISSION (THOUGH HE INDICATED THAT REDUCING THE NUMBER WAS NOT AN IMMEDIATE PROSPECT). THE EUROPEAN PARLIAMENT SHOULD CERTAINLY BE GIVEN A LEGISLATIVE ROLE, BUT HE WAS LESS SURE ABOUT POWERS OVER REVENUE. HE COULD ACCEPT THE FINAL SECTION BUT RECOGNISED THAT OTHERS HAD DIFFERENT VIEWS.

13. PAPANTONIOU (GREECE) GAVE A LECTURE ON THE CONSEQUENCES OF FREE TRADE AREAS FOR BACKWARD REGIONS AND ASKED FOR THE INCLUSION OF PASSAGES ON AN INDUSTRIAL STRATEGY, INCLUDING RESEARCH AND TECHNOLOGY, AN EXPANDED SECTION ON THE BUDGET AFTER PROPER DISCUSSION, MORE DEVELOPED REFERENCES TO ENVIRONMENT AND SOCIAL POLICIES. HE REPEATED WHAT HE HAD SAID IN THE POLITICAL COOPERATION DISCUSSION AND ADDED THAT HE HAD BEEN TOLD THAT DEFENCE WAS NOT PART OF THE COMMITTEE'S BRIEF: HE WOULD NEED INSTRUCTIONS FROM PAPANDREOU. ON MAJORITY VOTING THE CONCEPT OF VITAL INTEREST WOULD BE UNDERMINED IF THE MEMBER STATE ITSELF WAS NOT ABLE TO MAKE THE JUDGMENT. DIFFERENTIATION WAS ACCEPTABLE IN EXTREME CASES BUT NOT AS A BACKDOOR TO A TWO OR THREE-SPEED EUROPE. HE AGREED THAT THE COMMISSION SHOULD BE SMALLER, BUT THE IDEA THAT ITS MEMBERS SHOULD BE CHOSEN BY THE PRESIDENT WOULD GIVE THE LATTER FAR-REACHING POWER. SOME FORM OF CONSULTATION MIGHT BE ACCEPTABLE. THE PRESIDENT SHOULD HAVE A FREE HAND IN THE ALLOCATION OF PORTFOLIOS. AS AN EX-MEP HE THOUGHT THAT THE UNNATURAL ALLIANCES WHICH WERE FORMED IN THE EP COULD HAVE CURIOUS RESULTS IF THE EP HAD LEGISLATIVE POWERS. IT WAS TOO EARLY TO COMMENT ON THE IDEAS OF A NEW TREATY AND AN INTER-GOVERNMENTAL CONFERENCE, AND HE AGREED WITH MOLLER THAT THE REPORT TO DUBLIN SHOULD BE ORAL.

14. DOOGE (SPEAKING FOR IRELAND) THOUGHT THAT FAURE'S PAPER MIGHT BE BETTER IF THE SECTIONS ON SPECIFIC OBJECTIVES WERE PUT INTO A SEPARATE SECOND PART. THE IDEA OF A LEGAL AREA HAD ALREADY BEEN EXHAUSTIVELY DISCUSSED AND IT WOULD BE NECESSARY TO SHOW WHY IT WAS NOW THOUGHT TO BE REALISABLE. HE RECALLED HIS SCEPTICISM ON RUFUS' POLITICAL COOPERATION PAPER. HE RECOGNISED THAT THE SECTION ON DEFENCE HAD BEEN CAREFULLY DRAFTED THOUGH WOULD PREFER TO SEE SECURITY. IRELAND WOULD NOT RENEGE ON THE RESPONSIBILITIES OF DEFENDING A POLITICAL UNION WHEN IT WAS FINALLY ACHIEVED. HE AGREED BROADLY WITH THE APPROACH ON INSTITUTIONS. BUT HE WAS NOT PREPARED TO ENDORSE THE IDEA OF AN INTER-GOVERNMENTAL CONFERENCE TO NEGOTIATE A DRAFT TREATY: MUCH MORE DETAILED DISCUSSION WOULD BE NEEDED. HE DID NOT TRY TO SUM UP AS PRESIDENT.

FCO ADVANCE TO:

FCO - PS, PS/MR RIFKIND, RENWICK, FAIRWEATHER, ROBBINS ECD(1).
CAB - WILLIAMSON, STAPLETON, LAMBERT.
NO. 10 - POWELL.

FCO PLEASE PASS SAVING TO STRASBOURG.

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ECD(1)

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[REPEATED SAVING AS REQUESTED]

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Prime Minister

This would not be at all a bad result. Agree that

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MR POWELL

negotiations should continue to try to clinch it?

CDP - 26x

COMMUNITY BUDGET DISCIPLINE

Yes no

You asked how the discussions on Community budget discipline now stand. You will recall that, following the discussions in the Finance Council on 1 October, there were two outstanding points:

(i) the need to ensure that the guideline for agricultural expenditure did not simply drift upwards by the incorporation of all supplementary budget expenditure (even if clawed back later) within the guideline for future years (the so-called base drift above the original budgets). We rejected the French proposal that the guideline should be continuously revised upwards by including all extra increases in expenditure in the base, because this would mean that the guideline followed rather than dictated expenditure. It would make a nonsense of the Fontainebleau conclusions;

(ii) the form in which the results are to be expressed.

2. On point (i) the Fontainebleau conclusion is clear and, just because it is so clear, the French have not been able to sustain their position in the recent bilateral contacts with us. The Fontainebleau text says that the net expenditure relating to agricultural markets "will increase less than the rate of growth of the own resources base". When the French began to create difficulties in the Finance Council on 1 October, the Chancellor of the Exchequer suggested that the simplest way to implement the Fontainebleau conclusion would be to establish the base figure for agricultural guarantee expenditure and then to keep the expenditure below this figure,

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adjusted each year by X per cent representing the rate of growth of the own resources base. This would avoid any argument in future years about budgets and would correspond exactly to the Fontainebleau conclusion. This idea was not taken up at the time but at our insistence other member states now seem likely to adopt it. The discussions have been difficult; the French - in particular, the Minister of Agriculture, Monsieur Rocard - do not like it but will go along with it because they are committed by the Fontainebleau conclusion. The text contains a revision clause on Fontainebleau lines ie that the method of calculation will continue as long as the 1.4 per cent VAT ceiling is not reached and that a decision will then be taken on the future operation of the guideline in accordance with the conclusions of the Fontainebleau European Council. As expected, there remains a disagreement on the base figure: we argue for the three year average of expenditure in 1983-85, the French want the 1985 figure and the Presidency propose the average of 1984 and 1985. We had foreseen this and believe that, if and when the French are finally hooked on the future method of calculation and provided that the Dutch and Germans are content, we could accept the 1984-85 base. We calculate that on the two year base the maximum increase in agricultural guarantee expenditure in 1986 would be 5-6 per cent - not brilliant but markedly better than the 27.5 per cent increase in 1983 and the 16.2 per cent increase in 1984.

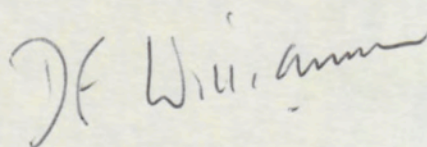
3. On point (ii) we have been pressing for a decision of the Council while probably the majority of member states maintain that the results must be expressed in a resolution. We particularly do not want a resolution because it does not have any binding force. We think that we have now at last shifted the Danes from their strong attachment to a resolution. It seems likely that we could get a text formally described

/as

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as measures to guarantee the effective application of budgetary discipline and formally included in the conclusions of the Council. They will be discussed with the Commission and the European Parliament and will carry the Council's authority. Subject to the view of the Court on their relevance to a particular case, they could be cited in the European Court.

I am sending a copy to Sir Robert Armstrong.



D F WILLIAMSON

26 October 1984

CONFIDENTIAL

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FCO

RESIDENT CLERK

PLUS FCO

^{ps}
PS/MR HINKIND
~~MR G TICKELL~~
MR ~~RENSWICK~~
~~MR JEREMY CHAMBERS~~
Mr Derek Thomas

ED/EDD (I) (3)
ED/NEWS
ED/
ED/
ED/

MR BRANTON (CDL)

CABINET OFFICE

DOT

PLUS OGDs

MR D WILLIAMSON
MR G STAPLETON
MISS S J LAMBERT
~~MR D P HUNTER~~
~~MR J V PEARSON~~
MATT BURR

Mr Powell ✓
No 10 DS

H Y TREASURY

M A F F

MR J G LITTLER
~~MISS [unclear]~~
MR. GW. HOPKINSON

PERMANENT SECRETARY

RR WASHINGTON

GR1900

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FM UKREP BRUSSELS 251920Z OCT 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 3469 OF 25 OCTOBER

INFO ROUTINE COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN, LUXEMBOURG, ATHENS, LISBON, MADRID, UKMIS NEW YORK, WASHINGTON
INFO SAVING BRUSSELS STRASBOURG UKDEL NATO

AD HOC COMMITTEE ON INSTITUTIONS (DOOGE COMMITTEE),
24/25 OCTOBER : POLITICAL COOPERATION

SUMMARY

1. PRELIMINARY DISCUSSION OF RUHFUS' IDEAS ON MODIFICATION OF POLITICAL COOPERATION INCLUDING INTRODUCTION OF FORMAL COMMITMENT TO CONSULT AND LIMITED MAJORITY VOTING, ESTABLISHMENT OF A PERMANENT SECRETARIAT HEADED BY A SECRETARY-GENERAL, AND IMPROVED LINKS WITH THE EUROPEAN PARLIAMENT. UK GAVE GENERAL SUPPORT. IRELAND AND DENMARK GENERALLY NEGATIVE. WIDESPREAD QUESTIONING OF IDEA OF MAJORITY VOTING. OTHER IDEAS RECEIVED WITH VARYING DEGREES OF ENTHUSIASM. RUHFUS TO REVISE PAPER.

- not do more major work

DETAIL

2. RUHFUS (FRG) INTRODUCED HIS PAPER. HE HAD DELIBERATELY CONFINED IT TO POLITICAL COOPERATION, SAYING LITTLE ABOUT SECURITY OR ABOUT COMMUNITY EXTERNAL POLICIES, IMPORTANT THOUGH BOTH OF THESE WERE. THE TEN MUST NOW MOVE FROM COOPERATION ON EXTERNAL AFFAIRS MATTERS TOWARDS A COMMON FOREIGN POLICY. THIS WAS PARTICULARLY NECESSARY IN VIEW OF THE CENTRIFUGAL TENDANCIES LIKELY TO BE REINFORCED BY

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summary at
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We seem to
be going rather
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THE TEN MUST NOW MOVE FROM COOPERATION ON EXTERNAL AFFAIRS MATTERS TOWARDS A COMMON FOREIGN POLICY. THIS WAS PARTICULARLY NECESSARY IN VIEW OF THE CENTRIFUGAL TENDANCIES LIKELY TO BE REINFORCED BY ENLARGEMENT. HE THEN RAN THROUGH HIS MAIN PROPOSALS INCLUDING THE APPOINTMENT OF A SECRETARY-GENERAL, THE CREATION OF A BRUSSELS BASED SECRETARIAT, THE TRANSFER OF WORKING LEVEL MEETINGS TO BRUSSELS, THE INTRODUCTION OF MAJORITY VOTING IN CERTAIN RESTRICTED AREAS SUCH AS HUMAN RIGHTS, THE ESTABLISHMENT OF JOINT REPRESENTATIONS IN CERTAIN REMOTE AND SMALL THIRD COUNTRIES, THE ESTABLISHMENT OF A COMMON APPROACH AND A POLITICAL COOPERATION OUTPOST AT THE UN, AND IMPROVED LINKS BETWEEN POLITICAL COOPERATION AND THE EUROPEAN PARLIAMENT.

3. DOOGE UNEXPECTEDLY OPENED THE DISCUSSION BY SPEAKING FOR IRELAND. HE SAW DANGERS IN THE IDEA OF A SECRETARY-GENERAL. A POLITICIAN OF STATURE, AS RUFUS PROPOSED, MIGHT BECOME AN 11TH MEMBER OF EPC, A DEVELOPMENT WHICH WOULD UNDOUBTEDLY BE UNACCEPTABLE TO THE PRESIDENCY, THE PROBLEM OF CONTINUITY WAS EXAGGERATED AND HAD BEEN LARGELY SOLVED BY THE INTRODUCTION OF THE TROIKA INTO THE PRESIDENCY FOREIGN MINISTRY. HE SAW LITTLE ROLE FOR RUFUS' SUGGESTED "LEGAL ADVISER". THE IDEA OF A SECRETARIAT WAS NOT NEW AND HAD ALREADY BEEN REJECTED BY HEADS OF STATE AND GOVERNMENT. HE SAW NO CASE FOR REMOVING MEETINGS FROM THE PRESIDENCY CAPITAL. NOR DID HE SEE ANY ROLE FOR MAJORITY VOTING: THE SUCCESS OF POLITICAL COOPERATION REFLECTED THE FACT THAT WHEN EUROPE SPOKE WITH ONE VOICE THE TEN REALLY WERE UNANIMOUS. HE WOULD NOT WISH TO SEE ANY FORMALISATION OF THE COMMITMENT TO CONSULT ON POLITICAL MATTERS UNTIL EUROPE WAS CONSIDERABLY FURTHER DOWN THE ROAD TO ECONOMIC UNITY. ON JOINT ACTION IN THE UN HE NOTED THAT THE SCOPE FOR THIS WAS LIMITED, GIVEN IN PARTICULAR THE INDEPENDENT STATUS THAT FRANCE AND THE UK INSISTED ON MAINTAINING FOR THEIR ACTIONS IN THE SECURITY COUNCIL. HE WAS AGNOSTIC ON THE IDEA OF JOINT REPRESENTATIONS AND LINKS WITH THE EUROPEAN PARLIAMENT.

4. DONDELINGER (LUXEMBOURG) NOTED THAT THE GREAT WEAKNESS OF POLITICAL COOPERATION LAY IN THE LACK OF OBLIGATION TO ACHIEVE COMMON POSITIONS. ANY STEP WHICH COMPELLED THE TEN TO FOCUS ON ACHIEVING COMMON EXTERNAL POLICIES, AND STRENGTHENED LINKS WITH COMMUNITY ACTIVITIES WAS DESIRABLE. HE SHARED DOOGE'S DOUBTS ABOUT THE VALUE OF APPOINTING A SECRETARY-GENERAL OF STATURE. A SECRETARIAT HOWEVER MIGHT HAVE MORE VALUE. IT WOULD PROVIDE POLITICAL COOPERATION WITH AN INSTITUTIONAL MEMORY AND KEEP ITS ARCHIVES. IT SHOULD BE NOTED HOWEVER THAT IF THIS SECRETARIAT WAS AUTONOMOUS THE COUNCIL SECRETARIAT WOULD NO DOUBT FEEL FRUSTRATED AT HAVING TO PROVIDE FACILITIES FOR A SMALL BODY WHICH WAS NOT PART OF IT. ON MAJORITY VOTING, A BETTER APPROACH MIGHT BE THAT ON OCCASIONS WHEN A LARGE MAJORITY OF THE TEN HAD A JOINT VIEW, THEY SHOULD PRESENT IT ON THEIR OWN BEHALF RATHER THAN TRYING TO VOTE DOWN THE MINORITY.

5. FERRI (ITALY) SUPPORTED THE APPROACH AND INSPIRATION OF THE RUFUS PAPER. IT TOUCHED ON QUESTIONS WHICH WERE COVERED IN THE DRAFT TREATY ON EUROPEAN UNION AND IN FAVRE'S PAPER ON MAJOR POLITICAL OBJECTIVES. THE IDEAS SHOULD BE CONSIDERED FURTHER IN THAT CONTEXT.

DRAFT TREATY ON EUROPEAN UNION AND IN FAVRE'S PAPER ON MAJOR POLITICAL OBJECTIVES. THE IDEAS SHOULD BE CONSIDERED FURTHER IN THAT CONTEXT.

6. PAPANTONIOU (GREECE) WELCOMED THE RUFUS PAPER AS POSITIVE AND STIMULATING. GREECE'S BASIC APPROACH WAS TO FAVOUR IMPROVING THE EFFICIENCY OF THE POLITICAL COOPERATION MACHINERY BUT NOT TO CHANGE ITS POLITICAL NATURE. HE COULD NOT SUPPORT THE IDEA OF MAJORITY VOTING. EVEN IN THE AREAS SUGGESTED FOR THIS, EG HUMAN RIGHTS, THERE WERE MAJOR DIFFICULTIES AMONG THE TEN, EG ON TURKEY. IT FOLLOWED THAT HE EQUALLY SAW NO NEED FOR A TREATY. HE SHARED THE DOUBTS OF OTHERS ON THE ROLE OF A SECRETARY-GENERAL. ON THE OTHER HAND THERE WAS SOME NEED FOR A PERMANENT STRUCTURE SUCH AS A SECRETARIAT. COOPERATION IN THE UN SHOULD BE PRESSED AHEAD AS FAST AS AGREEMENT ON POLICY IN THE TEN WAS MADE POSSIBLE. HE COULD SUPPORT THE IDEA FOR CLOSER LINKS WITH THE EUROPEAN PARLIAMENT.

7. HERMAN (BELGIUM) WELCOMED RUFUS' IDEAS. THE QUESTION OF STRENGTHENED LINKS BETWEEN POLITICAL COOPERATION AND THE COMMUNITY SHOULD BE ADDED TO THEM. MAJORITY VOTING WOULD FACILITATE DECISION-TAKING BUT SHOULD BE CONFINED TO CLEARLY DEFINED SUBJECTS. A PERMANENT STRUCTURE FOR POLITICAL COOPERATION SHOULD CERTAINLY BE INSTALLED AS SHOULD LINKS WITH THE EUROPEAN PARLIAMENT. RUFUS' PAPER DID NOT ADDRESS ONE GREAT WEKNESS OF POLITICAL COOPERATION, THE EXCLUSION OF SECURITY MATTERS.

8. MOLLER (DENMARK) SAID THAT POLITICAL COOPERATION HAD DEVELOPED REMARKABLY AND CONTINUED TO MAKE PROGRESS. THE COMMITTEE SHOULD BE CAREFUL NOT TO TAMPER UNNECESSARILY WITH ESTABLISHED AND PROVEN PROCEDURES. WAS THE PRESIDENCY REALLY OVER-BURDENED? WOULD THE TEN NOT BE WISER TO AVOID UNNECESSARY BUREAUCRACY? MIGHT IT NOT BE BETTER TO CONCENTRATE ON THE PRESENT FUNCTIONING AND POTENTIAL IMPROVEMENT OF THE TROIKA? THERE WERE OBVIOUS CONSITUTIONAL PROBLEMS IN MAJORITY VOTING. DENMARK DID HOWEVER SEE SOME USE FOR GIVING POLITICAL COOPERATION AN ANTENNA, PERHAPS ON A TROIKA BASIS, IN NEW YORK.

9. VAN EEKELN (NETHERLANDS) SAID THAT POLITICAL COOPERATION HAD SATISFIED SOME, BUT BY NO MEANS ALL, OF THE HOPES ORIGINALLY PLACED IN IT. THE QUESTION WAS THE EXTENT TO WHICH THE TEN WERE WILLING AND ABLE TO PROCEED TO CONSTRUCT A COMMON FOREIGN POLICY. THIS PROCESS HAD BEEN VERY SUCCESSFUL IN SOME AREAS SUCH AS THE CSCE PROCESS, AND LESS SUCCESSFUL IN OTHERS SUCH AS THE MIDDLE EAST. ANY CHANGES RECOMMENDED BY THIS COMMITTEE SHOULD MAINTAIN AND REINFORCE THE BASIC ELEMENTS OF POLITICAL COOPERATION:

- (A) AN UNDERSTANDING THAT THE TEN WOULD NOT CAUSE EACH OTHER SURPRISES IN THE FOREIGN POLICY FIELD.
- (B) CONTINUED DIRECT CONTACT BETWEEN FOREIGN MINISTRIES, AND
- (C) LINKS BETWEEN POLITICAL COOPERATION AND THE COMMUNITY.

HE COULD SUPPORT THE IDEA OF A FORMAL OBLIGATION TO CONSULT, ALTHOUGH THIS WOULD HAVE TO BE FORMULATED IN A WAY WHICH WOULD NOT AFFECT THE ULTIMATE SOVEREIGNTY OF MEMBER STATES. HE COULD CAUTIOUSLY SUPPORT THE IDEA OF A SECRETARIAT BASED IN BRUSSELS, BUT THIS SHOULD BE KEPT SMALL AND MIGHT CONSTITUTE SIMPLY AN

NOT AFFECT THE ULTIMATE SOVEREIGNTY OF MEMBER STATES. HE COULD CAUTIOUSLY SUPPORT THE IDEA OF A SECRETARIAT BASED IN BRUSSELS, BUT THIS SHOULD BE KEPT SMALL AND MIGHT CONSTITUTE SIMPLY AN EXTENSION OF THE TROIKA SYSTEM. IT SHOULD MAINTAIN REGULAR CONTACT WITH THE PRESIDENCY FOREIGN MINISTRY BY MODERN MEANS OF COMMUNICATION. HE COULD ALSO SUPPORT THE IDEA OF AN OUTPOST IN NEW YORK. IT SEEMED UNLIKELY THAT POLITICAL COOPERATION WAS AN APPROPRIATE AREA FOR MAJORITY VOTING.

10. MR RIFKIND (UK) SAID THAT HE COULD ENDORSE MUCH OF RUFUS' EXCELLENT PAPER. POLITICAL COOPERATION HAD MADE EXCELLENT PROGRESS FOR THE PAST 15 YEARS. THE OUTSIDE WORLD INCREASINGLY SAW EUROPE AS ONE. THE OBVIOUS DANGER THAT ENLARGEMENT WOULD MAKE DECISION-MAKING MORE DIFFICULT WAS TO SOME EXTENT OFF SET BY THE FACT THAT IT WOULD ALSO ADD TO EUROPE'S WEIGHT. THE MAJOR DEFECT OF POLITICAL COOPERATION WAS THAT THE TEN HAD TENDED TO BE REACTIVE RATHER THAN ACTIVE ON FOREIGN POLICY MATTERS. THE TEN SHOULD NOW WORK TOWARDS A COMMON EXTERNAL POLICY. GIVEN THE EFFORTS WE WERE MAKING TO INTEGRATE OUR DOMESTIC POLICIES ON A WIDE RANGE OF SUBJECTS, THIS SHOULD NOT BE AS DIFFICULT AS SOME AROUND THE TABLE HAD SUGGESTED. HE SUPPORTED THE IDEA OF FORMALISING THE OBLIGATION TO CONSULT. THE QUESTION OF A SECRETARY-GENERAL AND A SECRETARIAT SHOULD BE EXAMINED ON THE BASIS OF HOW USEFUL THESE INSTITUTIONS WERE LIKELY TO BE. WE HAD AN OPEN MIND ON THIS, BUT NOTED THAT POLITICAL COOPERATION HAD PROGRESSED HITHERTO WITH AN ABSOLUTE MINIMUM OF BUREAUCRACY. THE IDEA OF MAJORITY VOTING RAISED DEEP CONSTITUTIONAL QUESTIONS. IT MIGHT BE POSSIBLE, HOWEVER, TO ENTER INTO A POLITICAL COMMITMENT WHEREBY MEMBER STATES AGREED TO TRY TO ABIDE BY THE VIEW OF THE MAJORITY, PERHAPS WITH A SAFEGUARD FOR IMPORTANT NATIONAL INTERESTS. WE COULD SUPPORT THE IDEA OF STRENGTHENED LINKS WITH THE EUROPEAN PARLIAMENT.

11. ANDRIESEN (COMMISSION) SUPPORTED THE MAJORITY OF THE IDEAS IN RUFUS' PAPER. HE EMPHASISED THE NEED TO DRAW POLITICAL COOPERATION AND THE COMMUNITY CLOSER TOGETHER. WHEN POLITICAL COOPERATION NEEDED INSTRUMENTS IT OFTEN HAD TO TURN TO THE COMMUNITY. IT WAS NECESSARY TO BUILD A BRIDGE BETWEEN THE TWO SYSTEMS.

12. FAURE (FRANCE) SUPPORTED THE IDEA OF A VERY SMALL SECRETARIAT WITH A HIGH LEVEL SECRETARY-GENERAL. THE LATTER COULD NOT POSSIBLY BE INDEPENDENT BUT COULD PLAY A MAJOR ROLE IN ORGANISATION, IMPLEMENTATION AND MAINTENANCE OF CONTINUITY. THE IDEA OF MAJORITY VOTING SHOULD BE APPROACHED PRAGMATICALLY. IT WAS WORTH NOTING THAT THERE WERE ALREADY SOME BRIDGES BETWEEN POLITICAL COOPERATION AND THE COMMUNITY, EG THE EUROPEAN PARLIAMENT AND EUROPEAN COUNCIL.

13. DONDELINGER INTERVENED AGAIN ON THE QUESTION OF LINKS BETWEEN POLITICAL COOPERATION AND THE COMMUNITY: THE TWO FRAMEWORKS WERE ALREADY COMING TOGETHER IN AN INCREASING NUMBER OF CASES, EG RELATIONS WITH ASEAN AND CENTRAL AMERICA. THE SAME APPROACH MIGHT USEFULLY BE APPLIED TO RELATIONS WITH THE MEDITERRANEAN COUNTRIES.

14. RUFUS RESPONDED BY NOTING THAT THE PROPOSED SECRETARY-GENERAL WOULD PROBABLY NOT HAVE THE SAME STATUS AS THE SECRETARY-GENERAL OF NATO. BUT SHOULD BE OF SUFFICIENT STATUS

14. RUHFUS RESPONDED BY NOTING THAT THE PROPOSED SECRETARY-GENERAL WOULD PROBABLY NOT HAVE THE SAME STATUS AS THE SECRETARY-GENERAL OF NATO, BUT SHOULD BE OF SUFFICIENT STANDING TO BE ABLE TO CONTRIBUTE AT A HIGH LEVEL TO THE WORK OF THE PRESIDENCY. HE COULD RELIEVE THE PRESIDENCY OF CERTAIN BURDENS SUCH AS BRIEFING THIRD COUNTRIES. HE WOULD HAVE TO MAINTAIN REGULAR CONTACT WITH THE PRESIDENCY, BY FREQUENT (EG WEEKLY) TRIPS, BY TELEPHONE AND ONE DAY BY DIRECT VIDEO CONFERENCING. THE SECRETARIAT SHOULD BE SMALL AND SHOULD MAINTAIN ITS LINKS WITH NATIONAL FOREIGN MINISTRIES, EG BY BEING STAFFED BY SECONDED NATIONAL OFFICIALS. ON THE QUESTION OF COMMON EC REPRESENTATIONS OVERSEAS, THE TEN MUST CLEARLY BEGIN MODESTLY IN REMOTE AND FAR-AWAY PLACES WHERE PERHAPS NONE OF THEM CURRENTLY HAD EMBASSIES. THERE WAS THE POSSIBILITY OF VIENNA CONVENTION DIFFICULTIES WITH THIS IDEA, BUT IT SEEMED UNLIKELY THAT THE SMALL HOST COUNTRIES CONCERNED WOULD PRESS THOSE DIFFICULTIES. THE REVISED VERSION OF THE PAPER WOULD CONSIDER CLOSER LINKS BETWEEN POLITICAL COOPERATION AND THE COMMUNITY.

15. DOOGE, SUMMING UP AS CHAIRMAN, ASKED RUHFUS TO PRODUCE A SECOND MORE DETAILED VERSION OF HIS PAPER. MOLLER EMPHASISED THAT ACCEPTANCE OF THIS CONCLUSION DID NOT IMPLY ACCEPTANCE OF ANY OF THE IDEAS IN THE PAPER, IN PARTICULAR THAT FOR MAJORITY VOTING. HERMAN SUGGESTED THAT IN EXPANDING THE PASSAGE ON MAJORITY VOTING RUHFUS MIGHT TAKE INTO ACCOUNT THE POSSIBILITY OF "INDICATIVE VOTES" AND OF AN UNDERSTANDING WHEREBY ISOLATED MEMBER STATES WOULD NOT STAND IN THE WAY OF A JOINT VIEW.

FCO ADVANCE TO:

FCO - PS, PS/MR RIFKIND, DEREK THOMAS, RENWICK, FAIRWEATHER,
BRENTON ECD(E)

CAB - WILLIAMSON, STAPLETON, LAMBERT

NO.10- POWELL

FCO PASS SAVING - STRASBOURG,

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DESKBY 251300Z
FM UKREP BRUSSELS 251220Z OCT 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 3450 OF 25 OCTOBER 1984
INFO IMMEDIATE STRASBOURG (FOR MARSDEN), ROUTINE BRUSSELS,
COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN, LUXEMBOURG,
ATHENS.

1983 REFUNDS

COMMISSION OFFICIALS HAVE TOLD US THAT THEY EXPECT TO PAY THE
BULK OF OUR 1983 REFUNDS IN THE COURSE OF TODAY.

FCO ADVANCE TO:-
FCO - WALL
CAB - LAMBERT
TSY - MORTIMER, WILKINSON
D/EN - HINDMARCH
D/EM - SIRRETT
D/TP - WORSKETT

BUTLER

FRAME ECONOMIC
ECD(e)

(ADVANCED AS REQUESTED)



FCS/84/282

ECONOMIC SECRETARY TO THE TREASURY

1984 Supplementary Budget, Implications of Inter-Governmental Agreement

1. Thank you for your letter of 19 October.
2. I agree that, for the reasons set out in your letter and its annex, an Order under Section 1(3) of the European Communities Act 1972 would be the appropriate course to follow in seeking Parliament's approval for the inter-governmental agreement. I understand that the advice of the Law Officers is that a Section 1(3) Order would be appropriate in the circumstances.
3. In paragraph 4 of the annex to your minute, you raise the question whether the Order under Section 1(3) should be laid in advance of our two conditions being met or only after they have been agreed. I recognise that laying the Order in advance would speed up Parliamentary procedures, and that this would be desirable given the urgency with which the money is likely to be required. However, once the Order was laid it would have to go to the European Legislation Committee of the House as well as to the Joint Committee on Statutory Instruments. We would not want the Scrutiny Committee to report, and almost certainly recommend a debate, before we ourselves were ready to move the Order and to hold the debate which will anyway be required under the Section 1(3) procedure. I therefore favour laying the Order only when our conditions have been met. However, if



it looks as if the timetable requires it, I would be prepared to review the position.

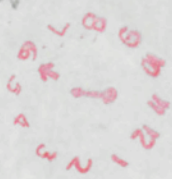
4. I agree that, given the importance of the subject, debate on the draft Order would probably have to take place on the floor of the House. I assume you would agree that it would be appropriate for the Treasury, as the lead Department, to open, perhaps with an FCO Minister winding up.

5. I am copying this minute to the Prime Minister, members of OD(E), the Leaders of both Houses, the Chief Whip, the Solicitor General and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
25 October 1984

01/10 pa: budget



25 OCT 1994

MR. POWELL

A Mr. Taylor from the European Parliament in Strasbourg telephoned with the following message about the 1984 Supplementary Budget:

"The Plenary Session of the Parliament has just voted to reinstate two amendments on the revenue side of the 1984 Supplementary Budget, one of which alters the heading of Article 302 to call it an estimated surplus from the current financial year. The other amendment which they have voted adds 260 million ecu to the estimated receipts in the current year from customs duties and reduces the estimated surplus by 234 million ecu. Neither of these amendments affects the amount which needs to be provided under the inter-governmental agreement."

Debbie
25.10.84



SECRETARY OF THE CABINET

New European Commission

As you know, I paid a visit to Dublin yesterday for discussions with the Irish Attorney-General, Mr. Peter Sutherland. The primary purpose of the visit was to discuss the handling of a number of cases of persons wanted for terrorist offences either in Great Britain or in Northern Ireland. The discussions were very successful and my officials will be reporting on them to their colleagues in the various Departments concerned.

The Cabinet Office asked a little while ago whether I would be willing to take advantage of my talk with Mr. Sutherland to sound him out on the portfolio which he is seeking for himself when he takes up office as the new Irish Commissioner at the beginning of next year. Mr. Sutherland's ambitions in this respect could apparently be relevant to the way in which Lord Cockfield presents his own preferences. My personal relationship with Mr. Sutherland is such that I saw no difficulty in raising the matter with him - though not in the presence of his officials - and he felt able to speak frankly to me. He said that his first preference would be for Agriculture and he very much hoped that he would be able to obtain it. If that proved not to be possible, there were two or three other portfolios which would interest him: he mentioned, as examples, the Internal Market and Development. But he went on to say that this question of the allocation of portfolios was something that he very much

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[Prime Minister]

We shall have to
lead him off Internal
Market: and I doubt
that we want an
Irish ~~as~~ Agriculture
Commissioner. Development
is needed for Natali.

SECRET



wanted to discuss personally and as soon as possible with Lord Cockfield (and also perhaps with Mr. Clinton Davis). He hoped that they would be able to co-operate and work in harmony on this matter and indeed on all other matters. He therefore asked whether I could take steps to set up a very early meeting.

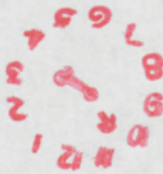
May I now pass this matter back to you. I am sure that Mr. Sutherland would be willing to slip across to London for discussions whenever it was convenient for us and without any formality. I need only add that I have found him very easy to deal with and genuinely anxious to be helpful and I have no doubt that, if tactfully handled and so far as he properly can, he will continue to be a good friend to this country in his new capacity.

I am copying this minute to the Prime Minister and the Foreign and Commonwealth Secretary.

M.A.

24 October, 1984

SECRET



25 OCT 1984

Ref. A084/2820

PRIME MINISTER

Cabinet: Community Affairs

You may wish to mention to Cabinet your discussions with the Italian Prime Minister on 18-19 October and with President Mitterrand during his current State Visit.

2. The Foreign and Commonwealth Secretary will report on the Foreign Affairs Council on 22-23 October. This was largely devoted to settling the outstanding points on the Community's position for the enlargement negotiations with Spain and Portugal. The Council made substantial progress, reaching satisfactory agreements on industrial tariffs, olive oil and social affairs. On Spanish tariffs the Community proposes a six year transition, with special measures for high tariffs exceeding 20 per cent. This includes provisions of particular importance to the British car industry. In addition to the normal reduction of the Spanish tariff on cars, there will be a progressive increase in the volume of the present reduced duty quota with a substantial reduction in tariffs. This should make possible the opening up of the Spanish car market to our exporters. The agreement on olive oil provides for discussions after the accession of Spain and Portugal to adjust the regime; if there is a surplus - or a real risk of one - guarantee thresholds will be introduced, with the transition of Spanish and Portuguese olive oil intervention prices beginning only thereafter. On social affairs it was agreed, in line with the United Kingdom's own bilateral arrangements with Spain, to continue the existing arrangements for the payment of family benefits. The Council also agreed on a joint declaration with Portugal reaffirming the Community's determination to complete the negotiations in time for enlargement to take place as intended on 1 January 1986; this meets the Portuguese Prime Minister's long-standing wish for some formal recognition of the good progress made in the enlargement negotiations with his country.



3. The Community's position on the various elements of the enlargement negotiations with Spain and Portugal is now almost complete. The only major outstanding points are fish (on which we expect our view, supported by the other major fishing member states, to prevail), wine (on which the Agriculture Ministers are making heavy weather) and some further French demands on fruit and vegetables linked with counter-demands by Spain on some other agricultural products. There will no doubt be some further difficulties in the actual negotiations, at least with Spain, but the completion of the negotiations within the next few months does now seem possible.

4. The Foreign Affairs Council agreed to accelerate the Tokyo Round tariff cuts on 1 January 1985 rather than January 1986 for products of interest to developing countries. It did not agree, however, to accelerate the tariff cuts for other products unless the United States were prepared to make a similar move: at present it does not appear that the United States are willing to do so.

5. On budget discipline the United Kingdom had intensive bilateral discussions with the French, at which the French finally accepted a revised text on the lines circulated by the Chancellor of the Exchequer in the Finance Council. Discussions with other member states were also satisfactory. As prudent negotiators we reserved our position for the present both on the form and on the substance, but the way is probably now open for early agreement on the text. It is expected that the Presidency will circulate the outcome as a Presidency compromise on the understanding that it is generally acceptable. The text would be an agreement of the Council on measures necessary to implement the principles of budgetary discipline and would be formally included in the conclusions of the Council. We calculate that the effect of the agricultural guideline would be to limit the increase in agricultural guarantee expenditure in 1986 to about 5-6 per cent; this compares with the actual



increase in 1983 of 27.5 per cent and the estimated increase in 1984 of 16.2 per cent. The Finance Council may be in a position to endorse an agreement on budgetary discipline on 5 November. If these measures on budgetary discipline can be achieved, it will be a vindication of the package approach on budgetary issues which we have adopted.

6. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 22-23 October. This rolled forward the existing agricultural structures measures to the end of the year. The United Kingdom pressed again its proposals to take account of environmental considerations in formulating structural policy, and this time we attracted French support. Mr Jopling again stressed that there must be effective application of the milk quotas in all member states and that there must be no weakening in the collection of the levy. He also joined with the Danes and others in criticising the new low Dutch gas price contracts for horticulture, which in our view break the Dutch/Commission agreement of 1982. The Commission has recently decided to provide a substantial quantity of cheap "Christmas butter" on the internal market (we do not consider this to be very cost-effective but it will be popular with consumers). They linked this decision, however, with a price reduction on old butter for export. The United Kingdom attacked the export decision. We consider that the price is contrary to the Community's obligations under the GATT International Dairy Arrangement. The Commission argued that the matter was wholly within their competence but, as we expected, the Community was subsequently isolated in the GATT.

7. The Chancellor of the Exchequer may refer briefly to the Budget Council on 24 October, at which the Economic Secretary is representing the United Kingdom. This will consider - and is likely to reject - the European Parliament's amendments to the 1984 draft supplementary budget.

24 October 1984

R
Approved by
ROBERT ARMSTRONG
and signed in his absence.

TO BE CHECKED
AGAINST DELIVERY

cc Press
ADP
Duty Clerk

STATEMENT ON THE FOREIGN AFFAIRS COUNCIL 22-23 OCTOBER TO BE MADE IN THE HOUSE OF COMMONS BY SIR GEOFFREY HOWE QC MP, SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS ON WEDNESDAY 24 OCTOBER

With permission, Mr Speaker, I should like to make a statement about the Foreign Affairs Council which I attended in Luxembourg on 22/23 October, as well as on the main developments in the Community during the Recess.

I am arranging for a note on the other issues discussed at this, and other, Councils during the Recess to be published in the Official Report.

Considerable progress was made in the negotiations on the accession of Spain and Portugal. Community positions were agreed and communicated to the Spanish and Portuguese Foreign Ministers on a number of matters including olive oil, where a position designed to prevent the development of a surplus was adopted; and to the Spanish Foreign Minister on industrial tariffs, where the Community's position provides for the more rapid reduction of high Spanish tariffs and an extended reduced duty quota for cars. Progress was also made towards a common position on fisheries. The Council adopted a declaration noting that agreement had been reached on most of the main issues in the negotiations with Portugal and looking forward to the accession of both countries to the Community on 1 January 1986.

In addition to the Ministerial meetings held with Spain and Portugal there was also a meeting of the EC/Jordan Co-operation Council.

In the Council, I made clear our concern at the Commission's latest scheme for sales of intervention butter. I stressed that there should be proper consideration of the trade policy and budgetary implications before any steps were taken to implement the scheme.

More generally, considerable progress has been made in the Council towards implementing the Fontainebleau agreement and resolving the outstanding budget issues. The Foreign Affairs Council on 2/3 October adopted the 1985 provisional draft budget within the one per cent VAT ceiling and sent it forward to the European Parliament. Agreement was also reached to provide 1000 mecu of supplementary finance through an inter-governmental agreement to cover the Community's inescapable financial obligations for 1984. The Council noted that our willingness to participate in that agreement would depend on release by the European Parliament of the United Kingdom's refunds for 1983 and agreement on the measures necessary to guarantee the effective implementation of the principles of budget discipline agreed at the European Council. The Council reaffirmed the commitment of the European Council that the 1000 mecus abatement of our contribution in respect of 1984 will be made on the revenue side of the budget in 1985.

Substantial agreement on a satisfactory text on budget discipline was reached at the ECOFIN Council on 1 October. The Irish Presidency is now conducting further consultations with a view to reaching final agreement at an early meeting of the Council.

On 10 October the European Parliament voted to release the United Kingdom's refunds, amounting to about £440 million net. 90 per cent of gross refund, ie £528 million, is due to be paid to the UK in the course of the next few days.



10 DOWNING STREET

From the Private Secretary

22 October 1984

NET PAYMENTS TO EUROPEAN COMMUNITY INSTITUTIONS

The Prime Minister has noted the Chancellor's minute of 15 October in which he proposes publishing the latest forecast of the net payments to EC institutions as part of the Autumn Statement. She has also noted the Foreign Secretary's comments on the presentation of these in his minute of 21 October which seem to her helpful.

The Prime Minister agrees that it would be right to publish the forecast rather than continue to use a stylised assumption.

I am sending copies of this letter to Colin Budd (FCO), Ivor Llewelyn (MAFF), and Richard Hatfield (Cabinet Office).

(C.D. POWELL)

David Peretz, Esq.,
HM Treasury.



CCMO
CCSI

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

AS

[Handwritten signature]

Prime Minister
This will be the first time that the post-Fontainebleau projections of our net payments have been published. There is bound to be interest in the House.

PRIME MINISTER

NET PAYMENTS TO EUROPEAN COMMUNITY INSTITUTIONS

Geoffrey Howe's minutes (attached) has some useful ideas on presentation

We have now completed our latest forecast of the net payments to EC institutions, which I propose should be published as part of the Autumn Statement.

Agree to publication, taking account of CH's comments?

2. The forecast takes account of the decisions at Fontainebleau and the recent Foreign Affairs Council agreements on the 1984 Draft Supplementary and Amending Budget and the 1985 Draft Budget. It assumes receipt of our 1983 refunds this year. The figures are as follows:

CDP 22/K

	1984-85	1985-86	1986-87	£million 1987-88
Latest forecast	725	750	640	830
PEWP 1984 (Cmnd 9143)	375	550	600	(615)*
Addition to Public Expenditure	+350	+200	+40	+215

*Baseline Projection

3. In this forecast, the net payments figure is lower than the one made in June since later information leads us to believe that our share of receipts will be higher (particularly in Agriculture).



4. On the other hand, measured against the figures in Cmnd 9143, the latest forecast shows increases in public expenditure. But the last White Paper simply took the stylised assumption that the "UK refunds" would be two-thirds of our net contribution to the Allocated Budget. That is the main reason for the apparent increase. There are three other significant ones:

(a) Timing: Cmnd 9143 assumed that the bulk of our refunds would be received in the first quarter of the year after that in which they relate to. However the agreed abatements will be made by adjustment to our monthly VAT payments and will therefore be spread evenly across each year.

(b) VAT adjustment: we expect to make a significant VAT adjustment in August 1985 - around £140 million - due partly to exchange rate movements, and partly to changed accounting arrangements for VAT on imports. (We shall recover a large proportion of this, in due course, through the abatement arrangements).

(c) the earlier figure assumed that the 1 per cent Own Resources ceiling would hold for 1984 and 1985.

5. We have taken account of the 1984 budgetary agreement but the 1985 budgetary issues are still unresolved. The figures assume that the Own Resources ceiling will be increased in that year to allow only 1 billion ecu extra for agriculture, and for our 1984 abatement of 1 billion ecu.

6. We have not hitherto disclosed figures showing the effects of the European Council agreement. I have carefully considered whether we could continue to use a stylised assumption. I conclude that we should not. Such an agreement would become increasingly difficult to defend. In particular the House will be looking for a considered estimate when we present the new Own Resources Decision. The TCSC is holding an enquiry into



our membership of the Community. And there must be a general presumption in favour of using the best assessment which we can make for the Autumn Forecast.

7. In presenting the figures we can point out that:

(a) we are substantially better off than we should have been without an agreement;

(b) the Cmnd 9143 refund figures were purely a stylised assumption: some changes were inevitable when we moved to actual figures;

(c) we have a good and enduring system for our abatements - far better than anything the Opposition were able to achieve;

(d) the new system gives us automatic abatement - in future there will be no waiting for the release of refunds by the European Council, or the Parliament;

(e) the European Council agreed important guidelines on Budget Discipline - which we shall ensure are made effective;

(f) once we have finally resolved the budget contentions we will be able to concentrate on making the Community work - and in particular on opening up the market.

8. Copies of this minute go the Foreign Secretary, the Minister of Agriculture and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'N.L.' with a flourish.

N.L.

15 October 1984



14 7 OCT 1984

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9 8 7 6 5 4

CONFIDENTIAL



FCS/84/278

CHANCELLOR OF THE EXCHEQUER

Net Payments to EC Institutions

1. Thank you for sending ^{with CDP?} me a copy of your minute to the Prime Minister of 15 October about the latest forecast of our net payments to EC Institutions.

2. I agree that we cannot continue to use a stylised assumption and that the House will be looking for precise estimates. I am content with the figures which you propose to publish in the Autumn Statement. I understand that the figures for the UK share of customs duties will be looked at again in the next forecasting round.

3. We can expect considerable parliamentary interest when these cash figures are published in the Autumn Statement since this will be the first occasion on which the full effects of Fontainebleau will be shown. We therefore need to pay careful attention to the public presentation of the figures. The Government will certainly be asked to explain the discrepancy between the latest forecast and the figures in the last Public Expenditure White Paper (Cmnd 9143). In particular, we can expect the Opposition to claim that our anticipated net contribution has risen as a result of the agreement to increase own resources.

/4.



4. I broadly agree with the way in which you propose to present the figures in the Autumn Statement but I have one or two further suggestions on the public presentation of our case. In paragraph 7(a) of your minute, you say that we will be substantially better off than we should have been without an agreement. It should also be brought out that our net payments to Community Institutions by 1987/88 would have been approximately double the projected level of £830 million if the 1% ceiling had remained in place and there had been no Fontainebleau agreement.

5. In paragraph 7(b) of your minute, you refer to the fact that the figures in the last White Paper were based on a purely stylised assumption. Obviously we do not want to alert other Member States to the large VAT adjustment we expect to receive in 1985. Nevertheless, I think it would be helpful to give a rather fuller explanation of the difference between the two sets of figures than is suggested in your paragraph 7. The last White Paper was based on a stylised assumption which was clearly stated to be neither a forecast nor a negotiating objective. In particular we could point out that the differences arise partly because refunds were previously expressed gross whereas now they are net. To make the two sets of figures approximately comparable, the gross refunds in Cmnd 9143 should be reduced by about 20%.

6. I think it would also be helpful to show our latest forecasts alongside the actual figures for net payments in 1983/84 (894 mecu). This would help to illustrate that the increase in our net payments in 1984/85 is not as dramatic as the stylised assumptions imply. It may be worth drawing attention to the fact that the projections illustrate that, while our net contribution had been on a rising trend as ad hoc refunds declined, the effect of the Fontainebleau system, as can be seen from the figures for 1986 onwards, is to

/reduce



reduce the rate of increase to a level consistent with meeting our inescapable obligations as members of the Community.

7. I am copying this minute to the Prime Minister, the Minister of Agriculture and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Secretary
21 October 1984



to vsc
etc

10 DOWNING STREET

From the Private Secretary

20 October 1984

Dear David,

Own Resources Advance

The Chancellor minuted the Prime Minister on 17 October about the Commission's request to all Member States to advance their November payment of own resources to 22 October.

This matter was raised by the Chancellor in Cabinet on 18 October and no objection was made.

I am copying this letter to Colin Budd (Foreign and Commonwealth Office), Ivor Llewelyn (MAFF) and Richard Hatfield (Cabinet Office).

Yours sincerely

(C.D. POWELL)

David Peretz, Esq.,
HM Treasury.

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs
FCO
Downing Street
LONDON
SW1

*What reaction
of Mr. [unclear]
[unclear]*

19 October 1984

Dear Secretary of State

1984 SUPPLEMENTARY BUDGET, IMPLICATIONS OF INTER-GOVERNMENT AGREEMENT

Following the agreement in the Foreign Affairs Council on 2 October to establish the Draft 1984 Supplementary Budget, and to provide under an Inter-Government Agreement 1003.4 million ecus, I have been considering the Parliamentary implications of the agreement.

As you noted in your minute of 4 October to the Prime Minister, we shall not seek Parliamentary approval of the Inter-Government Agreement until the two conditions we laid down have been met ie until we have been paid our refund (which in practice means 90 per cent of it) and until the future budgetary discipline arrangements have been agreed. We should receive the bulk of our refunds within the next fortnight but the budget discipline arrangements may take longer to conclude. Procedures for seeking Parliament's approval for the extra financing required under the Inter-Government Agreement will therefore presumably have to be in the new session beginning 6 November.

The options for seeking Parliament's approval are:

- i) a section 1(3) Order under the European Communities Act;
- ii) a Contingencies Fund payment with a subsequent Supplementary Estimate;
- iii) a special Consolidated Fund bill;
- iv) using the Winter Supplementaries.

... The pros and cons of each are set out in the attached annex. In practice, I think the choice of procedure lies between using a Section 1(3) Order or taking a special Supplementary Estimate in the new session of Parliament. The former would require a debate, the second could involve a Treasury Minister's appearance before the TCSC as well as a debate. I understand that the Law Officers are being consulted about the legal aspects. Subject to their views, my own preference is for the Section 1(3) Order which is the route we will probably use later when we seek Parliament's approval of the New Own Resources Decision.

I would be grateful if you could also confirm your agreement to the use of this procedure.

I am copying this to the Prime Minister, members of OD(E), the Leaders of both Houses, the Chief Whip, Solicitor General and Sir Robert Armstrong.

*Yours Sincerely
T.M. Stubbington*

PP IAN STEWART

(Approved by the Economic Secretary & signed in his absence.)

INTER-GOVERNMENT AGREEMENT: OPTIONS FOR SEEKING PARLIAMENT'S APPROVAL

This note considers the options for seeking Parliament's approval for the extra financing required under the Inter-Government Agreement

Procedure under Section 1(3) Order

2. It would be possible to pay the supplementary finance from the Consolidated Fund under the European Communities Act 1972 as we do with our normal revenue payments. To do so, the payment would have to be regarded as "required to meet a Community obligation to make payments" under the terms of the Act. To meet this requirement, the Inter-Government Agreement would have to be designated as a Community Treaty "ancillary" to the Treaty of Rome and other Community treaties by Order in Council under Section 1(3) of the European Communities Act 1972.

3. Such a draft Order would have to be laid in both Houses and the Joint Committee on Statutory Instruments would be required to report on it. The order requires approval by resolution of each House. This would involve debates which, given the importance of the subject, would in the case of the Commons probably have to take place on the floor of the House.

4. The order could either be laid in advance of our two conditions being met or after they had been agreed. If the former, it would be possible for the Joint Committee to report on them but for the moving of the resolutions to be delayed until the conditions had been met. The Joint Committee could take a week or so to report and this time-saving is the advantage of the first course over the second. There is a possibility that officials but probably not Ministers, would have to appear before the Joint Committee. Once the order had been debated, it could go to the Privy Council for approval. Their next meeting is scheduled for 15 November.

5. The disadvantages of this course are:

- (i) the need for debate;

(ii) Ministers might run into some criticism in the House of Commons for adopting a procedure which has the effect of converting into an inescapable obligation under the Communities Act an Inter-Government Agreement by the Member States which the UK deliberately entered into outside the Treaties. (Ministers may also be criticised for entering a commitment before the House has had a chance to express a view, as is normal with international agreements. But this possible criticism would be common to all the Parliamentary procedures discussed in this note.) A further criticism in adopting the Section 1(3) procedure may be that effect should be given to the agreement by primary legislation on the grounds that the agreement is not "ancillary". During the passage of the European Communities Act the then Solicitor General acknowledged that primary legislation might be more appropriate in significant or substantial cases. Although Treasury Solicitor's view is that the Section 1(3) procedure is appropriate in this case, they consider it would be desirable to obtain the Law Officers' confirmation of this view.

Contingencies Fund/Vote Procedure

6. A second possibility would be to arrange for a Ministerial statement shortly after the House of Commons reconvenes on 22 October announcing the Government's intention to contribute to the supplementary budget as part of a wider settlement of Community budget issues. If our two conditions have been met and budget discipline is agreed at the Foreign Affairs Council on 22-23 October, then it might be possible for the Foreign Secretary to report orally to the House on 24 October and cover the matter then. But if, as is more likely, Finance Ministers have to consider budget discipline at the end of October or early in November, then the statement would probably have to be made in the new Parliamentary session which starts on 6 November. Depending on the reaction of the House, the necessary funds could in theory be made by a repayable advance from the Contingencies Fund with formal Parliamentary approval of the supporting supplementary estimate following at a later stage. But if there was a strong adverse

reaction in the House there would have to be a debate. The statement would have to say explicitly that an advance from the Contingencies Fund was contemplated

7. This second course of action has the advantage that it could, all being well, avoid a full scale debate on the supplementary budget before the money is made available. Debate would eventually be necessary when Parliament was asked to approve the supporting supplementary estimate but that estimate would probably cover other items as well as the Inter-Government Agreement, and criticism could therefore be diffused.

8. There are, however, several significant snags to this procedure:

- (i) while the TCSC have approved the use of the Contingencies Fund for payments of advances of own resources to the Community, they strongly criticised its use for payments towards supplementary budgets (Annex B);
- (ii) the Treasury Accounting Officer for the Contingencies Fund would only be able to authorise the use of the Fund if he felt sure the subsequent supplementary estimate would be approved by the House (but see (iv) below);
- (iii) the House of Commons might feel that the Government was trying to slip through a major and controversial item of Community business. This could provoke a serious row in which those opposing the Inter-Government Agreement on substantive grounds could expect to get the support of MPs objecting to the procedure adopted by the Government;
- (iv) the Government could have difficulty justifying the urgency criterion which payments from the Contingencies Fund must meet if some other Member States have not yet paid their share of the supplementary finance.

Special Consolidated Fund Bill

9. A third option would be to take a special supplementary estimate to obtain Parliamentary authority for payment without recourse to the Contingencies Fund. This was the route recommended by the TCSC in the earlier case. It has the advantage of meeting the

TCSC's concerns, being possible to complete in just over a week and unlikely to require a debate because of standing orders if taken in the present session of Parliament. Standing orders are that there shall be three estimates days a year but that they should take place before 6 August. Although the Opposition could ask for a debate in their own time, standing orders say that no debate on special Consolidated Fund Bills is allowed. But the TCSC would have to be involved since they receive supplementaries before they are presented. In addition, the convention is that a Consolidated Fund Bill is usually followed by a day-long adjournment debate on private members' business. This would eat into the limited time available for other Parliamentary business and would not therefore be welcome to the Whips or Leader of the House. It might be possible to avoid this but the opposition would no doubt cause a fuss.

10. A variant on the third option is to present a special Supplementary in the new session of Parliament if Winter Supplementaries (see paragraph 11) would take too long. In this case there is scope for an Estimates day debate.

Winter Supplementary

11. A fourth option would be to include the payment in the Winter Supplementaries. This might be the simplest solution but it will probably not be possible to present the Winter Supplementaries before 19 November. It might nevertheless be possible to complete all the stages including the adoption of the Consolidated Fund Bill early in December. But again this might mean imposing constraints on other Parliamentary business. Our judgement is that this course of action would take too long.



22 OCT 1984

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file to

10 DOWNING STREET

From the Private Secretary

CONFIDENTIAL

18 October 1984

EUROPEAN COMMUNITY: CHAIRMANSHIP OF THE AD HOC COMMITTEE ON A
PEOPLE'S EUROPE

Thank you for your letter of 17 October on this subject. While the Prime Minister agrees that we should prefer Adonnino over Thuysbaert, she thinks that we should first discover whether Germany wants the Chair, given their disappointment over the failure to appoint Professor Carstens as Chairman of the Ad Hoc Committee on Institutions. Even if the answer is no, we might gain some credit from having gone through the motions of establishing that the Germans were not seeking the Chairmanship of this Committee.

I am sending a copy of this letter to David Williamson in the Cabinet Office.

CHARLES POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

OWN RESOURCES ADVANCE

The Commission have requested that all Member States advance their November payment of own resources to 22 October. This will enable the Commission to pay us the bulk of our 1983 refunds this month.

2. You will recall that we made several similar monthly advances last year. As all the other Member States are likely to make the advance this month, and as we are anxious to receive the refunds due to us of about £500 m, I do not believe it would be sensible for us to refuse to make an advance payment of some £150 m. I therefore propose to agree to the request.

3. Since we do not consider the advance a legal obligation, it cannot be charged directly to the Consolidated Fund. It will therefore have to be made by a repayable advance from the Contingencies Fund. We shall subsequently have to present a Supplementary Estimate to Parliament to repay the Fund. Meanwhile I would propose to make an announcement by Written Answer as soon as the House returns.

4. This request is nothing to do with the Intergovernmental Agreement to provide extra finance for the 1984 Supplementary Budget. That will have to be the subject of a separate Parliamentary procedure when our conditions for contributing towards it are met.

5. Copies of this minute go to the Foreign Secretary, the Minister of Agriculture and to Sir R Armstrong.

N.L.

17 October 1984

Prime Minister
This was raised
by the
Chancellor in
cabinet & gave
rise to no
objection.

C.D.P. 1/14

19 OCT 1984

1 2 3 4 5 6 7 8 9 10 11 12

CONFIDENTIAL



Ref. A084/2764

PRIME MINISTER

Cabinet: Community Affairs

You may wish to mention to Cabinet your meeting with Monsieur Delors, President-designate of the Commission, on 15 October.

2. The Foreign and Commonwealth Secretary will report that the European Parliament voted by a substantial majority during its session on 8-12 October to release the United Kingdom's 1983 refund (750 million ecu or about £440 million net). The money will be received in the United Kingdom very shortly (we shall, of course, receive the gross amount, and we expect that about £530 million will be paid before the end of this month and about a further £60 million in November/December). The obligation is now on all member states, as decided at Fontainebleau, to complete the discussion of the revised Decision on Own Resources (on which, in substance, there is only a German difficulty on bringing in some new resources during 1985) and to implement the measures necessary to guarantee the principles of budgetary discipline also agreed at Fontainebleau. Although there will be discussion of budget discipline at the Foreign Affairs Council on 22-23 October, we consider that any further discussion of the implementing text which has been substantially agreed should take place in the Finance Council; we are urging that this be brought forward to 29 October, so that the Chancellor will be able to attend. On the 1984 draft supplementary budget and the 1985 draft budget there may still be difficulties between the European Parliament and the Council but the United Kingdom is unlikely to be adversely affected by such disagreements or delay.



3. The Foreign and Commonwealth Secretary will report on the Fifth Ministerial Negotiating Conference on Lome Convention III on 9-12 October, at which the Minister for Overseas Development represented the United Kingdom. The Council decided that the Community should set the level of the European Development Fund to accompany the 5-year Convention at 7 billion ecu. This figure was acceptable to the United Kingdom. It was considerably lower than the Commission's original proposal or the Irish Presidency's compromise and was only arrived at after long and difficult discussions within the Community. Its impact was, however, substantially weakened by inept presentation from the Presidency to the effect that it did not cover the French overseas territories and by a last minute statement by the French that 7 billion ecus was insufficient. There are only minor differences between the community and the African, Caribbean and Pacific (ACP) countries on non-financial points and there will be considerable pressure on ACP countries to settle the size of the European Development Fund at the agreed level before the planned signature of the Convention on 7 December.

4. In the absence in hospital of the Secretary of State for Trade and Industry, there will be no formal report on the Internal Market Council on 9 October, when the Minister of Trade represented the United Kingdom, or the Industry Council on 15 October, when the United Kingdom was represented by our Deputy Permanent Representative. Both, however, made some useful advances. The Internal Market Council made further progress towards agreement on the single administrative document. We have indicated in "Europe - the Future" that we attach importance to this. The Germans made a statement about their recent measures to control vehicle emissions, which aroused concern from other member states about the implication of such unilateral measures for the internal market. The Industry Council reached agreement on recommendations intended to encourage technical harmonisation and to open up public procurement in the field of telecommunications. The United Kingdom made a statement for the minutes to reflect the fact that,



after privatisation, United Kingdom operators will not be subject to formal Government direction. The Council also agreed on the extension of part 1 of the multi-annual programme on data processing. There seem likely to be difficult discussions on aids for the steel and shipbuilding industries at the next Council on 20 November.

5. The Foreign Affairs Council and the Agriculture Council meet on 22-23 October. The principal business of the Foreign Affairs Council will be the attempt to complete the Community's negotiating position on the enlargement of the Community. There is some chance that this will be achieved.

RTA

ROBERT ARMSTRONG

17 October 1984

note ①



Foreign and Commonwealth Office

Prime Minister

London SW1A 2AH

17 October, 1984

Thuytsbaert is a snake
and anti-British. The Foreign
Secretary is right to prefer
Adonnino; in which case we
might just as well
get credit from the
Italians by telling them so.

Surely we should
ask first if Germany
wants the
chair.
Agree? CDP mb
17/10

European Community: Chairmanship of the Ad Hoc Committee on
a People's Europe

Four months after the Fontainebleau European Council the Chairmanship of the Ad Hoc Committee on A People's Europe, set up by Heads of Government, has still not been decided. The Committee has not yet met.

The Irish Presidency have been trying to find an acceptable candidate to chair the Committee. Dr Fitzgerald wrote on the subject to the Prime Minister in July. In her reply, the Prime Minister said:

"You suggest that the Chairman of the second Committee (the Ad Hoc Committee on A People's Europe) should be a person of European standing who could keep in direct contact with the Presidency in office. Since you envisage that the Committee will report to the European Council in December I think it would be very appropriate if your Government would take on the Chairmanship of this Committee, as well as that of the Committee on Institutional Affairs. This would mean that both Committees would get down to work with the minimum delay".

The Irish have decided that they are too thinly stretched by their own Presidency to take on the Chairmanship themselves. They have now proposed that the Belgian member of the Committee, Mr Prosper Thuytsbaert, a diplomat, should take on the chair. He is ready to do so. He is not, however, the only candidate. The Italians intend to put forward their Committee member, Pietro Adonnino, a Christian Democrat MEP. We have been told by the Italians that Signor Craxi will raise the matter with the Prime Minister during the Anglo-Italian Summit later this week; or that Signor Andreotti will do so with the Secretary of State.

The Foreign Secretary does not believe that we should seek the Chairmanship of the Committee ourselves. We shall wish to be free to promote our own interests on the internal market and to head off unrealistic proposals.



I enclose a copy of a brief we have prepared for the Prime Minister's use with Signor Craxi. It suggests that she might say that we see advantage in a connection between the Presidency and the Chairmanship of the group - a broad hint that we could accept Adonnino - but that the Irish have also been in touch to suggest a Belgian Chairman. This seems to us a matter for consultation between the Irish and Italians.

In practice, we think that Signor Adonnino would make an acceptable Chairman. Our representative on the Committee, David Williamson, knows him well from his own time in the Commission. He has also been moderately helpful to us over budget issues. We see no particular reason for the Belgian, M. Thuysbaert, to take on the chairmanship. The Foreign Secretary concludes that, though we might prefer Adonnino, we should be willing to go along with whichever of the candidates can command general support.

I am copying this letter to the Private Secretary to Sir Robert Armstrong.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT
GMV(84)3a Addendum
16 October 1984

BRIEF NO

ANGLO/ITALIAN SUMMIT
18-19 OCTOBER 1984

EUROPEAN COMMUNITY TOPICS


COMMUNITY GENERAL BRIEF
AD HOC COMMITTEE ON A PEOPLE'S EUROPE
Brief by Foreign and Commonwealth Office

OBJECTIVES

1. The Italians have told us that they will raise either with the Prime Minister or the Secretary of State, the Chairmanship of the Ad Hoc Committee on a "People's Europe" one of the two Committees set up at Fontainebleau. The Italians will propose that their nominated representative, Pietro Adonnino (personality note attached), should become chairman of the Group, on the ground that most of the Committee's work will take place during the Italian Presidency. Dr Fitzgerald has meanwhile proposed that the Belgian representative (Prosper Thuysbaert) should chair the Committee. We think that Adonnino would make a better chairman from our point of view but should not commit ourselves to him; there is more than one candidate; the Irish Presidency will have to try to resolve their various claims.

POINTS TO MAKE

2. Interested to learn of Italian candidate. The Irish have suggested that the Belgian representative should take the chair. We shall not be seeking the chairmanship ourselves. When Dr Fitzgerald first asked us about chairmanship of the Committee in July, I suggested that the Irish should take it on in their Presidency role. I continue to see advantage in a connection between the Presidency and the Chairmanship of the group. No



doubt you will be consulting further with Dr Fitzgerald. Our concern is that there should be a chairman who commands general support.

/BACKGROUND

BACKGROUND

1. All Member States have now appointed representatives on this committee which was established at the Fontainebleau European Council but which has yet to meet. The Irish can make no headway for lack of agreement on a chairman. They are not now seeking the chairmanship themselves but have proposed that the Belgian representative (Prosper Thuisbaert) should be chairman. Signor Adonnino, as an MEP, has been fairly sympathetic to us over the budget problem. He is also well known to Mr Williamson, our representative on the Committee, who thinks we could work constructively with him. We do not wish to take on the chairmanship ourselves. It would inhibit our ability to press our case as we would wish.

2. In the letter of 20 July to Dr Fitzgerald about the two Ad Hoc Committees, the Prime Minister wrote:

"You suggest that the chairman of the second Committee (on a "People's Europe") should be a person of European standing who could keep in direct contact with the Presidency in Office. Since you envisage that the Committee will report to the European Council in December, I think it would be very appropriate if your Government were to take on the chairmanship of this Committee, as well as that of the Committee on institutional affairs."

3. It is now clear that the Ad Hoc Committee on a People's Europe will not get down to work before November and that the bulk of the work will fall during the Italian Presidency next year.

Foreign and Commonwealth Office
16 October 1984

THUYSBAERT, PROSPER (BELGIAN)

Diplomat.

Born Lokeren 1931.

BA in philosophy and a doctorate in law. Began his diplomatic career in 1958. He has served in Luxembourg, Paris and Tel Aviv. Assistant chef de Cabinet to Van Elslande in the Ministry of Foreign Affairs in 1977. Then served as Foreign Affairs adviser in Mr Martens' Cabinet. Became Chef de Cabinet to Mr Tindemans when he was appointed Foreign Minister in December 1981, until 1983, since when he has been Political Director at the MFA, responsible for bilateral affairs.

One of the small group of Belgian officials who have played a consistently major role in determining European Community policy. He has not shown much sympathy for British interests. He has also written a number of articles on the EEC and linked subjects such as energy and economics.

Has a rather abrasive manner, but an elegant wife. Speaks good English.

ADONNINO, PIETRO (ITALIAN)

Christian Democrat MEP. Prominent Member of the Budget Committee and Budget Spokesman for the Christian Democrats. A lawyer and university lecturer in fiscal law and a Director of the Italian State Broadcasting Corporation.

Born 1929.

Budget expert. Flowery but rather obscure speaker and thinker. Moderately sympathetic to UK budget problem.

Speaks French and a little English.

JWR 114



be PC

cc HMT
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DTI
DTI

10 DOWNING STREET

From the Private Secretary

17 October 1984

EUROPEAN COMMUNITY: STANDARDS AND INDUSTRIAL COLLABORATION

The Prime Minister has read with interest and satisfaction the Foreign Secretary's minute of 16 October recording the various initiatives being taken by the United Kingdom in the Community on standards for industrial and other products and on industrial collaboration. She would indeed wish to circulate a paper, on the lines of the Foreign Secretary's minute, at the European Council in Dublin. You will wish to consider the mechanics of this. For instance, it might go round in advance under cover of a letter from the Prime Minister to her Community colleagues.

The Prime Minister has particularly asked that Lord Cockfield should be shown a copy of the Foreign Secretary's minute. I should be grateful if this could be arranged.

I am copying this letter to the Private Secretaries to members of OD(E), to Michael Reidy (Department of Energy), Neil McMillan (Office of the Minister for Information Technology) and to David Williamson (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.



CONFIDENTIAL

cc PC ②

Can hard body
Please see this
minutes
Prime Minister

After a slow start, this exercise is now moving ahead rather well. But vigilance will be needed to make sure we don't just replace one bureaucracy with another.

PM/84/160

PRIME MINISTER

Yes not

Agree to have a paper prepared for circulation at Dublin European Council?

European Community: Standards and Industrial Collaboration

1. In my minute of 31 August I undertook to report to you again when OD(E) had considered the results of further work by officials on possible initiatives by the United Kingdom in the Community on standards for industrial and other products and on industrial collaboration. OD(E) met under my chairmanship on 8 October to consider this further work and reached conclusions.

CDP
16/x.

2. On standards, work in the Community has now begun to move forward more favourably. This reflects to a considerable extent recent United Kingdom action and pressure. We have now to carry the following initiatives forward:

- (i) on common Community standards for routine products, a major problem so far has been the form of the harmonising directives adopted under Article 100. At present they are both time-consuming to negotiate and difficult to amend to take account of technical progress. It is now proposed that a new sort of Article 100 directive should be used in future. Instead of laying down precise technical requirements, it would specify a general safety duty for the product in question, which could be met either by agreed standards or by national standards recognised by other member states as meeting the safety duty. Since this should lead to a significant improvement in the standards-making procedure for the more routine products, OD(E) agreed that the United Kingdom's efforts should be directed towards supporting and pressing ahead rapidly with the adoption of this

/improved

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improved model directive. The Department of Trade and Industry, in consultation with industry and trade bodies, is drawing up a list of particular products which will be our priorities for use of the new style directive.

- (ii) Much of the work on developing common standards takes place in the European Committee for Standardisation (CEN). At the moment CEN is largely ineffective because member states are not obliged to accept CEN standards which their national representatives have not supported. The need for reform is clear. The Commission has recently brought forward proposals which could considerably improve the operation of CEN. It was therefore agreed that we should put our full weight behind them but that, if progress is too slow, we might need to consider other ways forward.
- (iii) On mutual recognition of national standards in cases where harmonisation has not been agreed, Paul Channon has already taken an initiative, described in his letter of 2 August. OD(E) agreed that the United Kingdom's aim should be to build on Paul Channon's initiative and to give continued political impetus to the development of a Community-wide arrangement for mutual recognition of standards. This is a subject which might appropriately be brought to the attention of the Dublin European Council as a priority.
- (iv) On national standards for new products, it would make good sense if Community-wide standards could be set from the beginning, so that incompatible standards do not emerge. A new Council directive will now require member states to notify the Commission (who will notify other member states) three months before they introduce new standards for most new

/manufactured



manufactured products. The introduction of a standard can be suspended until a Community standard had been agreed. It is too soon to assess the effectiveness of the directive. But it was agreed that our first objective must be to concentrate on making it work.

- (v) On high technology products we have set several important moves under way. Following an initiative by the then Minister of Information Technology in May, a high level group of officials has been set up to harmonise the implementation of standards across Europe to facilitate inter-connection of computer and communications products ("open systems inter-connection"). In the field of telecommunications a senior officials group has been set up in the Community to seek, inter alia, harmonised standards in the telecommunications terminal equipment market. Progress has been good, and it is envisaged that the results of their work will lead to a mechanism for creating and publicising harmonised telecommunications standards. We concluded that the primary requirement in these two areas is to sustain the momentum that has been built up. The Dublin European Council might underline the importance of bringing these activities to full and early fruition.
- (vi) Advanced manufacturing technologies (AMT) - ie robotics and flexible manufacturing systems - is a high technology sector in which there has been no Community work on standards. Although the Community is mainly a user, rather than a producer, in this field, an effective use of standards would have the advantage both of enabling users to link individual items of equipment supplied by different manufacturers,

/and



and of making it easier for European producers, initially selling only a limited range of equipment, to break into the market. We therefore agreed that the United Kingdom should present to an early Industry Council a paper outlining an action programme on AMT standards. Here also the European Council might confirm this as a priority area for Community action.

3. On the promotion of industrial collaboration, we had already agreed at our previous meeting that it would be wrong to support moves to give Community subsidies to firms to collaborate when they would not otherwise do so. At the same time, however, we have had to recognise that measures to stimulate collaboration within the Community are unlikely to prove attractive either to Community enterprises or to some other member states unless they contain a significant financial element. For this reason, after rejecting direct financial support for manufacturing collaboration, we concentrated on the removal of barriers to such collaboration and on the earlier stage of research and development.

4. The Community is already engaged in supporting some pre-competitive research, for example through the ESPRIT and fusion programmes. We are considering within the Community various other Community programmes including those for biotechnology and basic industrial research which Norman Tebbit discussed in his letter of 24 September. But we are having to oppose some of the Commission's more grandiose ideas, and our general wish to keep down Community expenditure precludes any major initiatives by the United Kingdom. Geoffrey Pattie also made clear at our meeting that - as indicated in Norman Tebbit's letter of 24 September - he would not wish to sacrifice worthwhile domestic programmes to finance

/Community



Community ones, which are often of a different and complementary nature. However, we agreed that Departments should continue to seek to identify on a continuing basis those high technology sectors in which cooperation at the pre-competitive stage across Community frontiers would be productive, with a view to putting proposals to Ministers for Community initiatives whenever these seemed likely to be fruitful.

5. We also considered the possibility of action to remove barriers to industrial collaboration. Our conclusion was that the principal barriers come from the fragmentation of the Community's internal market as a result of barriers to trade such as incompatible standards; restrictive public purchasing policies; national exchange control restrictions; and the lack of a free market in services. A major thrust of our Community policy is already aimed at completion of the internal market, including - as outlined above - the development of common or mutually recognised standards, and we concluded that this should continue to be our main priority.

✓ 6. You may like to consider the possibility of having available at Dublin for circulation to your European Council colleagues a paper bringing out most of the points in this minute.

7. I am copying this minute to members of OD(E), the Secretary of State for Energy, the Minister for Information Technology and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

16 October 1984

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10 DOWNING STREET

From the Private Secretary

16 October 1984

A PEOPLE'S EUROPE

The Prime Minister has noted your Secretary of State's minute of 15 October with its enclosed paper on a proposed UK initiative on frontier facilitation.

CHARLES POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.



FM/84/158

PRIME MINISTER

A People's Europe

1. In view of your interest in the line to be taken in the post-Fontainebleau Committees you may like to see the enclosed note on a proposed UK initiative on frontier facilitation.
-
2. The background to this is that it was agreed at OD(E) on 12 September that officials should pursue work on a possible initiative in this field. This note may be suitable for tabling in the Committee on a People's Europe. Some of the proposals may also be suitable for discussion in the Committee on Institutions; this will doubtless become clearer as work in the two Committees gets under way.
3. I am copying this minute to OD(E) colleagues.

GH

GEOFFREY HOWE

Foreign and Commonwealth Office
15 October, 1984

Prime Minister (2)

CDP
15/10

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PROPOSED UNITED KINGDOM INITIATIVE ON FRONTIER FACILITATION

1. It is proposed that the United Kingdom should put forward a paper in the Committee on People's Europe proposing that the following should be endorsed by the Committee as matters which should be pursued within the appropriate specialist Council and groups, with a view to simplifying frontier procedures and easing the movement of both goods and people across Community frontiers. Some of the measures proposed are already the subject of Community discussion but this need not prevent the United Kingdom raising them again in the context of the ad hoc Committee.

1. Taxes, Customs and Excise duties and other charges levied at the frontier

i. Tax-free allowances for personal travellers can be a significant practical demonstration to the individual citizen of the benefits of the Community, since there are higher allowances for goods bought tax-paid in a member state than for goods bought in other circumstances (ie in a third country or a duty-free shop). Consideration should therefore be given to a substantial increase - eg doubling - in the value of the allowances on goods not subject to limits of quantity, which are bought tax-paid in the Community.

ii. Duty on fuel in vehicles. The imposition of such duties on fuel in the tanks of heavy vehicles crossing frontiers is an irritant and a cause of delay. There should be no restrictions on the amount of fuel in standard vehicle tanks allowed in without extra charges.

iii. Eurocheque Payments Insofar as customs and other charges have to be paid at frontiers, the means of their payment should be as simple as possible. It is proposed that all such charges should be payable by Eurocheque in the currency of the country in which they are payable.

2. Documentation and Checks

The Single Administrative Document (SAD) should make a major contribution to the simplification of frontier procedures. To do so, it must represent a real improvement from the traders' point of view on the documentation currently required. There should be wide consultation of the industry and the form should be tried out in practice before it is finalised.

i. Supplementary documents. The permissible supplementary documents required by member states should be kept to a minimum. Member states should be required to notify the Commission with justification of any extra documents they require.

ii. The collection of statistics adds to the administrative problems of goods traffic across Community frontiers. A group should be set up with the express task of ensuring how current duplication in member states' requirements - eg statistics required both by the exporting and the importing states - could be eliminated.

iii. Computerisation could be an important contribution to simplifying frontier procedures. Some pilot programmes have already been mounted. It should be considered whether further pilot programmes could be initiated, for instance under the European Strategic Programme for Information Technology (ESPRIT).

iv. Differing standards and labelling requirements cause endless problems at frontiers. Work on the harmonisation and mutual recognition of standards is already a Community priority. Consideration should also be given to moving the enforcement of standards and labelling requirements for imported Community goods from the frontier to the market place wherever possible.

3. Easing transport restrictions

The Frontier Facilitation Directive already provides for a number of improvements. But other measures should now be examined. Road haulage is in particular subject to delays and problems.

i. Permits It makes a nonsense of the common market to maintain a system of restrictive permits for lorry traffic, and such permits should be phased out as a matter of urgency.

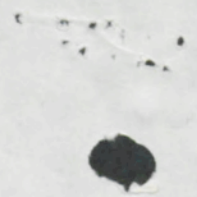
ii. Frontier facilitation should be further improved for lorries. In particular, arrangements should be made so that lorries not selected for full checks are not held up while waiting for the inspection of lorries in front.

4. Easier circulation of people

The recent Community resolution on easing frontier formalities is to be welcomed. Consideration should, however, be given not just to facilitating passage across frontiers, but also to making it easier for Community travellers to benefit, for instance from health insurance arrangements, wherever they may be. The present reciprocal system of health care is cumbersome, and should be simplified. There may also be other areas where there should be similar simplification.

Cabinet Office

1 October 1984



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10 DOWNING STREET

From the Private Secretary

15 October 1984

EUROPEAN COMMUNITY INDUSTRIAL POLICY:
PRIME MINISTER'S MEETING WITH MR. GRIERSON

Mr. Grierson called on the Prime Minister this morning to discuss the report he had prepared for Vice-President Davignon on European Community Industrial Policy.

The Prime Minister said that she thought that Mr. Grierson's report hit the right note. The main priority must be to complete the Internal Market. It was also important to combat the Pavlovian tendency of the Commission to proliferate directives. They must be told very firmly not to interfere in industry. The busybody atmosphere must be changed, or the mess which the Commission had made of agriculture would be repeated with industry. The Prime Minister continued that she had some misgivings about Mr. Grierson's suggestion that the Commission should give more attention to non-high technology industries. Although some industrialists might welcome this, it would be a great mistake to encourage them to expect hand-outs. It must never be forgotten that the Commission's funds were all taxpayers' money, not manna from heaven.

Mr. Grierson said that he had recently seen Delors who was delighted by the appointment of Lord Cockfield as one of the British Commissioners. In Mr. Grierson's opinion, Lord Cockfield would be well qualified for the Industry portfolio in the new Commission. Whatever post he held, he should be able to contribute to the better management of the Commission and to restraining its interventionist excesses.

Mr. Grierson concluded by saying that he was ready to undertake any tasks in relation to the Community which would be of service to the Government.

I am copying this letter to Colin Budd (FCO) and to David Williamson (Cabinet Office).

Callum McCarthy, Esq.,
Department of Trade and Industry.

(C.D. POWELL)



10 DOWNING STREET

THE PRIME MINISTER

15 October 1984

Dear Henry.

Now that the European Assembly has finally voted through our 1983 refunds, I send you and your colleagues in the EDG my warm thanks and appreciation for all your efforts on Britain's behalf.

I am most grateful

Yours ever

Raymond

Sir Henry Plumb, DL, MEP.

file DSG
cc FCO UKrep Brussels

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10 DOWNING STREET

From the Private Secretary

MR. WILLIAMSON
Cabinet Office

European Community: State of the Budget
Discussions

The Prime Minister has read your minute to me of 10 October on this subject with interest.

C. D. POWELL

15 October, 1984

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MR POWELL

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Prime Minister ②
Re implication of this is that we are sitting pretty. A bit complacent: it is still important to get Budget Discipline agreed a.s.a.p. or there could be problems in the House.
CDP 11/1

EUROPEAN COMMUNITY: STATE OF THE BUDGET DISCUSSIONS

I have no doubt that in the long-running Community budget battle it is the British army which is now rolling forward. It is for this reason that we have recommended that the Prime Minister does not need to stress to Monsieur Delors on 15 October specific British budgetary problems but rather to seek to "co-opt" him to the view that he must stand firm in implementing agreed Community policies on own resources and on budget discipline. Following today's favourable decision of the European Parliament on the 1983 refund, the state of the budget discussions is:-

(1) 1983 refund (750 million ecu or about £440 million). Settled and payment being made to the United Kingdom;

(2) the revised Own Resources Decision. This will implement the Fontainebleau agreement on the 1.4 per cent value added tax ceiling and on the mechanism to correct the budget inequity. The text of the revised Own Resources Decision formally proposed by the Commission is in all substantive respects very satisfactory for the United Kingdom, eg it correctly includes the Fontainebleau mechanism on a lasting basis (no time limit and United Kingdom agreement necessary for any change) and the ad hoc 1000 million ecu in respect of 1984 by reduction of our VAT payments in 1985. The only important point in dispute in the Council is the date of implementation. Nine member states can accept some new own resources during 1985. Germany is isolated in insisting (because of the links with enlargement) on 1 January 1986 and will have to reconsider its position.

CONFIDENTIAL

It is, of course, possible that the German position will cause some delay or, if the enlargement negotiations become even more bogged down, more serious difficulties. But, if so, it would be wrong to see this as a problem particularly for the United Kingdom. For specific reasons (avoiding an inter-governmental agreement in 1985 and certainty on the 1000 million ecu) we have taken the same view on timing as the rest of the nine. Fundamentally, however, we are in no hurry to bring in the 1.4 per cent VAT ceiling. We shall get what was agreed at Fontainebleau. It is the spendthrift member states which will be under most pressure from a delay in starting the ratification procedures.

It is almost certain that the European Parliament will propose wholesale amendments to the revised Own Resources Decision, which would have the effect of overturning the Fontainebleau agreement. Some member states will become jittery. The European Parliament, however, has no power to change a comma in the text. They have only to give an Opinion. If they delay their Opinion, we shall be under less pressure than other member states;

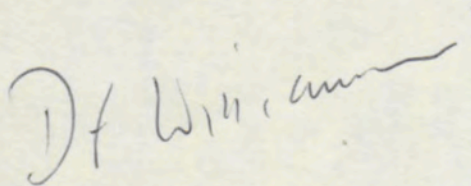
(3) budget discipline. The Chairman of the Council of Ministers (Finance) on 1 October ruled that the implementing text on budget discipline was agreed except in three respects: a general Danish reserve; a French reserve on one very important word in Article 4 (eight member states have accepted the text of this article); and a disagreement on the juridical or other form. Subsequently the French have discovered some more difficulties. These are important matters for us, both in substance and in relation to the United Kingdom Parliament, but they are not insoluble.

/(4)

CONFIDENTIAL

(4) the 1984 draft supplementary and 1985 draft preliminary budget. These are now before the European Parliament - the 1984 draft supplementary budget at the much reduced level negotiated by the Economic Secretary, Treasury and the 1985 draft preliminary budget within the 1 per cent value added tax ceiling. If the European Parliament tries to significantly change these budgets, this will be the normal dispute between the Council and the European Parliament. It is unlikely to be a specifically British issue. If the European Parliament were to throw out the 1984 supplementary budget, the result would be the British proposal of last July, ie national funding reimbursed in 1985. If the European Parliament were to throw out the 1985 draft budget, the result laid down in the budgetary procedures is a budget on a month by month basis not exceeding the lower level of the last budget or the 1985 proposal. This would be quite satisfactory for us. We can watch the shenanigans calmly.

I am sending a copy to Sir Robert Armstrong.



D F WILLIAMSON

10 October 1984



Foreign and Commonwealth Office

London SW1A 2AH

10 October, 1984

CCP
CJP
10/10

Dear Charles,

Ad Hoc Committee on Institutions

Thank you for your letter of 3 October recording the Prime Minister's comments on UKREP Brussels telegram number 3115 about the work of the Ad Hoc Committee on Institutions.

Mr Rifkind was, in fact, quoting almost verbatim from "Europe - The Future". It was agreed in the first meeting of the committee that he should contribute a paper on the internal market, and this is now in preparation, in consultation with the DTI. On external policy there is no question of going beyond "Europe - The Future". But it remains our aim to bring political cooperation and Community activity to work more closely together.

Yours ever,

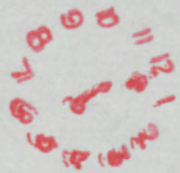
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

Euro 127 pt 27

London and Community Office
London W1A 1AA
Budget



10 OCT 1984



10 DOWNING STREET

From the Private Secretary

Prime Minister

The European Assembly

Budget Committee voted 27 to
4 this afternoon to release an
1983 refunds. It now goes to
plenary.

CDP
a/x.

mt



Foreign and Commonwealth Office

London SW1A 2AH

9 October 1984

Dear Charles,

CCPC
NBPM
CDP
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Ad Hoc Committee on Institutions (Dooge Committee):
Participation of Spain and Portugal

You will have seen from the telegram reporting the outcome of the first meeting of the Ad Hoc Committee on Institutions on 28 September that there was some discussion about the participation of Spain and Portugal in the work of the Committee. I attach a copy of UKRep telno 3117 on this point.

Mr Rifkind argued in the Committee that Spain and Portugal should not be allowed to participate in the Committee prior to their membership of the Community. But others (mainly Italy but with support by Denmark and Greece) took the opposite view. We think that the compromise worked out ad referendum - observer status once the accession negotiations have been completed - is sensible. Mr Rifkind will therefore not object to this arrangement at the next meeting scheduled for 10/11 October.

If the accession negotiations have not been completed by the date of the Dublin European Council and Spain and Portugal are therefore still excluded from the work of the Committee, the question of their participation will be put to Heads of Government.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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FRAME INSTITUTIONS

FM UKREP BRUSSELS 011015Z OCT 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 3117 OF 1 OCTOBER,

INFO IMMEDIATE LUXEMBOURG,

ROUTINE COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
ATHENS LISBON MADRID,

INFO SAVING BRUSSELS STRASBOURG.

Handwritten: 1985
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COPY

MY TELNO.3115: AD HOC COMMITTEE ON INSTITUTIONS, 28 SEPTEMBER.
PROCEDURE AND WORKING METHODS.

1. DISCUSSION OF MINOR PROCEDURAL QUESTIONS WAS BRISK (AND CONDUCTED MAINLY OVER LUNCH). CONCLUSIONS WERE AS FOLLOWS:

(A) ATTENDANCE: PERSONAL REPRESENTATIVE PLUS ADVISER PLUS NOTE-TAKER. IF, EXCEPTIONALLY, PERSONAL REPRESENTATIVE WAS UNABLE TO ATTEND ALL OR PART OF A MEETING, THE ADVISER WOULD BE ALLOWED TO SPEAK IN HIS NAME, BUT THE PERSONAL REPRESENTATIVE WOULD NOT BE COMMITTED BY WHAT HE SAID.

(B) FREQUENCY AND TIMING: EVERY TWO WEEKS, MEETING ON WEDNESDAY EVENINGS FROM 1800 TO 2200 PLUS THURSDAYS FROM 0900 TO 1700. DATES THEREFORE 10/11 OCTOBER, 24/25 OCTOBER, 7/8 NOVEMBER AND 21/22 NOVEMBER.

(C) PLACE OF MEETING: SMALL ROOM (SALLE ORANGE) IN PALAIS D'EGMONT, BRUSSELS, MADE AVAILABLE BY BELGIAN MFA.

(D) SECRETARIAT: COUNCIL SECRETARIAT TO BE RESPONSIBLE FOR MATERIAL ARRANGEMENTS INCLUDING INTERPRETATION (7/4) AND TRANSLATION. WORKING PAPERS INITIALLY IN ENGLISH AND FRENCH AND IF POSSIBLE ALSO GERMAN AND ITALIAN - LATER ON PERHAPS IN ALL LANGUAGES, SUBJECT TO REVIEW IN LIGHT OF EXPERIENCE. "POLITICAL" SECRETARIAT SERVICES - SEE PARA.4.

(E) EXPENSES: DOOGE SUGGESTED EACH MEMBER STATE PAY THE EXPENSES OF ITS REPRESENTATIVE(S), BUT OTHERS WANTED THE COUNCIL SECRETARIAT TO PAY. MR RIFKIND SUGGESTED FOLLOWING EUROPEAN COUNCIL PRACTICE. DOOGE WILL CONSULT BILATERALLY.

(F) PRESS: AGREEMENT ON TOTAL CONFIDENTIALITY. CHAIRMAN WILL SEEK AUTHORITY AT END OF EACH MEETING FOR LINE HE MAY TAKE IN RESPONSE TO PRESS ENQUIRIES. ON THIS OCCASION HE WOULD ONLY NOTE BROAD CONSENSUS ON NATURE OF COMMITTEE'S TASK AND WORKING METHODS AND ANNOUNCE DATE AND PLACE OF NEXT MEETING.

2. SPAIN AND PORTUGAL. DOOGE SAID THAT GONZALES HAD ASKED FITZGERALD WHETHER SPAIN COULD BE REPRESENTED. FERRI (ITALY)

RESTRICTED

Handwritten: 1 ARGUED

ARGUED REPEATEDLY AND AT LENGTH FOR PARTICIPATION OR OBSERVER STATUS. HE WAS SUPPORTED BY MOLLER (DENMARK) AND VARFIS (GREECE). DOOGE THOUGHT IT SUFFICIENT THAT HE SHOULD BRIEF THEM REGULARLY AND HEAR WHAT THEY HAD TO SAY. FOLLOWING A LEAD FROM DONDELINGER (LUXEMBOURG), IT WAS EVENTUALLY AGREED AD REFERENDUM THAT SPAIN AND PORTUGAL SHOULD HAVE OBSERVER STATUS ONCE THE TERMS OF ACCESSION HAD BEEN AGREED. IN THE INTERIM DOOGE WOULD BRIEF THEM. IF ACCESSION NEGOTIATIONS WERE NOT COMPLETED BY THE DUBLIN EUROPEAN COUNCIL THE QUESTION WOULD BE PUT THERE. IF ANY HEAD OF GOVERNMENT DISAGREED NOW WITH THIS PROCEDURE THE MATTER COULD BE RAISED AT THE NEXT MEETING.

3. EUROPEAN PARLIAMENT. PFLIMLIN (PRESIDENT OF E.P) HAD ASKED THAT THE E.P BE INVOLVED IN THE WORK OF THE COMMITTEE. DOOGE HAD AGREED TO MEET HIM NEXT WEEK TO INFORM HIM ABOUT THE FIRST MEETING. (HERMAN (BELGIUM) MENTIONED A SIMILAR APPROACH FROM THE ECONOMIC AND SOCIAL COMMITTEE, BUT THE POINT WAS NOT PURSUED.) MOLLER, MR RIFKIND, DONDELINGER, FAURE (FRANCE, WHO WAS PARTICULARLY KEEN TO PRESERVE CONFIDENTIALITY AND THE ABILITY OF COMMITTEE MEMBERS NOT TO FEEL BOUND BY POSITIONS TAKEN), RUHFUS (FRG) AND ANDRIESEN (COMMISSION) ALL ARGUED AGAINST AN E.P PRESENCE, WHICH HAD NOT BEEN ALLOWED FOR BY FONTAINEBLEAU. FERRI, VARFIS AND HERMAN ARGUED FOR VARYING DEGREES OF CONTACT BEYOND BRIEFING. AFTER FURTHER DISCUSSION AT LUNCH, DOOGE CONCLUDED THAT HE WOULD SEE PFLIMLIN AS PLANNED AND INVITE THE E.P TO AN EARLY MEETING (I.E ON THE AFTERNOON OF 11 OCTOBER) SO THAT THEY COULD GIVE THEIR VIEWS, LEAVING IT TO THE E.P BUREAU TO DECIDE WHO WOULD PARTICIPATE FOR THE E.P. THEREAFTER DOOGE HIMSELF WOULD BE RESPONSIBLE FOR INFORMING THE E.P OF THE WORK OF THE COMMITTEE, WITH DUE REGARD FOR CONFIDENTIALITY AND HEARING THEIR VIEWS.

4. SECRETARIAT AND RAPPOREUR. THIS DISCUSSION GENERATED MUCH UNNECESSARY HEAT (REFLECTING CONSIDERABLE PRIOR DISCUSSION BETWEEN THE FRENCH, BELGIANS AND IRISH). SOME ARGUED FOR A FULL-TIME TEAM OF THREE OR FOUR - TO BE HOUSED IN NEARBY OFFICES MADE AVAILABLE BY THE BELGIAN MFA. THE COMMISSION OFFERED TO SUPPLY SUCH A TEAM FREE OF CHARGE, BUT THAT WAS VETOED BY MOLLER. SOME WANTED TO APPOINT A RAPPOREUR FROM OUTSIDE THE COMMITTEE'S MEMBERSHIP. RUHFUS SUGGESTED THAT IT SHOULD BE UP TO THE CHAIR TO MAKE ANY NECESSARY ARRANGEMENTS. MOLLER AND MR RIFKIND SUPPORTED HIM. FAURE ARGUED THAT THOSE WHO PRODUCED PAPERS SHOULD FIND HELP WHERE THEY COULD. (HE IS ASSISTED BY A MEMBER OF DUMAS' CABINET.) DOOGE CONCLUDED THAT HE WOULD CONSULT

2.
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Council

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COUNCIL SECRETARIAT, COMMITTEE AND COMMITTEE MEMBERS AND MAKE
A PROPOSAL TO THE NEXT MEETING.

FCO ADVANCE TO:-

FCO - P.S, PS/MR RIFKIND, RENWICK, FAIRWEATHER.

CAB - WILLIAMSON, STAPLETON, LAMBERT.

NO.10- POWELL.

FCO PASS SAVING STRASBOURG.

BUTLER

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MR. POWELL 22010 3 ST.

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EURO POZ: Budapest
A 27



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fo vsc
c p...

10 DOWNING STREET

From the Private Secretary

MR. WILLIAMSON

CABINET OFFICE

Community Budget

The Prime Minister has noted without comment your minute of 3 October on the state of play on Community budget issues following the ECOFIN Council on 1 October and the Foreign Affairs Council on 2 October.

(C.D. POWELL)

5 October 1984

CONFIDENTIAL

✓

CC NO



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 October 1984

C D Powell Esq
10 Downing Street
LONDON
SW1

Dear Charles,

NBPN
C&D
5/11.
(FW agree his
approach).

BUDGETARY DISCIPLINE

Further to the Chancellor's minute to the Prime Minister of 2 October, you may like to have the enclosed copy of the text on budgetary discipline that emerged from the ECOFIN Council on Monday evening.

As the Chancellor's minute explained, the ECOFIN Council did not reach agreement on the status of the text; nor was this subsequently resolved at the Foreign Affairs Council. The text itself, however, retains the key United Kingdom amendments on, for example, the starting date of the arrangements (Article 11) and the provision against building base-drift automatically into calculation of the guideline (Article 4), albeit with a continuing French reservation (expressed more strongly at the Foreign Affairs Council) on the latter.

The Chancellor considers that any further discussion of the text should take place in the ECOFIN Council. We have the tactical advantage there of being able to start from the attached text, which the President of ECOFIN put forward, and there seems less likelihood of the text being unpicked at ECOFIN than in the Foreign Affairs Council. The Chancellor sees no immediate urgency, however, to renew discussion on the text; indeed, he thinks there would be tactical advantage in seeking to defer further discussion at least until we see whether the European Parliament releases our outstanding 1983 refunds next week - though it would not be sensible to make that a condition for resuming discussion. In the meantime we shall consider how best to pursue the outstanding issues bilaterally, particularly with the French.

I am copying this letter and enclosure to the Private Secretaries to the Foreign and Commonwealth Secretary and the Minister of Agriculture, and to Sir Robert Armstrong.

Yours sincerely,

Philip Wynn Owen.

P WYNN OWEN
Private Secretary

Blumwin

Luxembourg, 1 October 1984

*My Recd
This is the
amended text*

*cc M. Kinnin
M. Bortol
M. Kieffer
M. Kinnin*

COUNCIL DECISION (*) (1) on
ON BUDGETARY DISCIPLINE

*substantially unchanged
as it emerged from ECOFIN
3/0*

THE COUNCIL,

Having regard to the Treaties establishing the European Communities,

Whereas at its meetings on 19 and 20 March and 25 and 26 June 1984 the European Council reached agreement on a series of decisions and guidelines to ensure the relaunch of the Community and establish a solid basis for its further development during the present decade

Whereas principles on budgetary and financial discipline are specifically included;

Whereas the European Council considered it essential that the rigorous rules which at present govern budgetary policy in each Member State shall also apply to the budget of the Communities, and stated that the level of Community expenditure will be fixed as a function of available revenue, and that Budgetary Discipline will apply to all budgetary expenditure;

Whereas the European Council invited the Council of Ministers to adopt the measures necessary to guarantee the effective application of the principles set out in its conclusions,

HAS DECIDED AS FOLLOWS:

.../...

(*) Decision sui generis
(1) The form of the act is not yet agreed.

Article 1

1. At the beginning of the budgetary procedure each year, the Council shall fix a reference framework, i.e. the maximum level of expenditure which it considers it must adopt to finance Community policies during the following financial year consistently with the provisions of Articles 2 to 5 inclusive and 9.

2. In fixing the reference framework, the Council shall act by the qualified majority defined in Article 148(2), second indent of the EEC Treaty.

3. The relevant provisions of the financial guidelines concerning the Common Agricultural Policy, set out in the Annex to the Commission communication of 6 March 1984, will be implemented ; these provisions are annexed to this Decision.

.../...

Article 2

The Council shall so proceed that the net expenditure relating to agricultural markets calculated on a three-yearly basis, in accordance with Article 4 below, will increase less than the rate of growth of the own resources base. This development will be assessed on comparable bases from one year to the next.

Account shall be taken of exceptional circumstances, in particular in connection with enlargement.

.../...

Article 3

The amounts to be taken into account for the application of Article 2 are :

(a) as regards expenditure :

that chargeable to Section III, Part B, Titles 1 and 2 (EAGGF Guarantee) of the Budget. The calculation of agricultural expenditure for the purposes of the guideline provided for in Article 2 shall be this expenditure, reduced by the sum of amounts corresponding to the marketing of ACP sugar and refunds in connection with food aid, the payments by producers in respect of the sugar and isoglucose levies as well as the revenues from any future internal agricultural charges;

(b) as regards the own-resources base :

the potential revenues upon which Titles 1 and 2 of the revenue side of the Budget are determined. The calculation of the Community's own resources base for the purposes of the guideline provided for in Article 2 shall be the total VAT base upon which the VAT rate of the year in question is calculated, the amount of financial contributions (if any) included in the Budget of the year together with the own resources, other than those derived from VAT, set out in Revenue Title 1 less the sugar and isoglucose levies as well as the revenues from any future internal agricultural charges.

When the potential revenues from VAT are changed by a change in the VAT ceiling, the guideline provided for in Article 2 shall thereafter be calculated as if the new maximum VAT rate had been applied in all the years relevant to the calculation of the guideline.

.../...

Article 4 (1)

1. The net expenditure relating to agricultural markets shall be calculated, on the basis of the figures corresponding to the expenditure defined in Article 3(a), as follows :
 - (a) the average level of expenditure, as defined in Article 3(a), shall be the average expenditure for the current financial year and the two preceding financial years ;
 - (b) the own-resources factor shall be established by dividing the forecast level of the own-resources base for the following year, as defined in Article 3(b), by the average of the own resources base in the current financial year and the two preceding financial years ;
 - (c) the net expenditure for the following financial year shall be established by multiplying the amounts obtained by the application of paragraphs (a) and (b).

2. For the purposes of paragraph 1, the figures corresponding to the expenditure defined in Article 3(a) shall, subject to the transitional provisions of Article 10, be those entered in the original budgets of the years in question, unless the Council acting by the majority mentioned in Article 1(2) decides otherwise.

.../...

(1) Reserves / - DK
/ - F on par. 2

Article 5

In the event of failure to respect the qualitative guideline provided for in Article 2, the Council shall during the following two financial years ensure that, barring abnormal developments, agricultural expenditure is brought back within the limits imposed by this guideline. In so doing, the Council shall concentrate primarily on the production sectors responsible for the failure to adhere to the guideline.

Article 6

1. The Council shall, when exercising its powers as legislative authority or branch of the budgetary authority, so proceed that the reference framework is respected.

2. At the request of a member of the Council or the Commission, the Council, acting by the majority referred to in article 1(2), may amend the reference framework.

Article 7

1. Except in the case of decisions mentioned in paragraph 4 below, when the Council is on the point of adopting an act which appears likely to increase expenditure for a financial year beyond the reference framework applicable to that year, the adoption of that act shall, at the request of a member of the Council or the Commission, be suspended.
2. Within a period not exceeding one month, the Council, acting by the majority referred to in Article 1(2), shall determine whether the proposed act would, if adopted, lead to the reference framework being exceeded.
3. If the Council concludes that the proposed act would, if adopted, lead to the reference framework being exceeded, it shall reconsider the proposed act with a view to taking appropriate measures.
4. In the case of decisions affecting net expenditure relating to agricultural markets, if, in the opinion of a member of the Council or the Commission, the Council seems likely to take a decision whose cost would exceed that of the original proposals of the Commission, the adoption of the decision shall be suspended. The matter shall be immediately referred to a special session of the Council for a final decision, which shall be taken as soon as possible.

.../...

Article 8

When the Council is on the point of adopting an act which has considerable financial implications for several years, the Council shall, before taking the final decision, formulate an opinion on whether the financial implications of the proposed act are compatible with the principles and guidelines governing the Community's budgetary policy.

Article 9

1. The Council shall comply with the maximum rate provided for in paragraph 9 of art.203 of the EEC Treaty throughout the budgetary procedure.
2. In order to achieve this :
 - when establishing the Draft Budget, the Council shall keep the increase in expenditure other than that necessarily resulting from the Treaties or from acts adopted in accordance therewith to a level no higher than half the maximum rate provided for in paragraph 9 of Article 203 ;
 - at the second reading, the Council shall adopt a position such that the maximum rate is not exceeded.
3. The preceding paragraphs of this Article are without prejudice to the provisions of Article 203 of the EEC Treaty, particularly those of the last subparagraph of paragraph 9.

.../...

Article 10 (1)

For the purpose of calculating the guidelines for net expenditure relating to agricultural markets, applicable to the years shown in Column A below, the figures for the years shown in Column B below shall be those which result from the outturn for those years, including in the case of the guideline applicable to 1986, the best estimate of the outturn for 1985.

<u>A</u>	<u>B</u>
1986	1985, 1984, 1983
1987	1985, 1984
1988	1985

Article 11

On the assumption that the 1986 budget will be prepared on the basis of own resources being increased in that year, the provisions of this decision will first apply to the exercise of the Council's powers in 1985 concerning expenditure in the financial year 1986.

Extract from the Commission Communication of 6 March 1984
referred to in Article 1 par. 3

" 5. As regards the decisions which have a determinant effect on the volume of agricultural expenditure, that is the decision on agricultural prices which the Council of Agriculture Ministers must take each year on a proposal from the Commission, the Commission proposes the following rules:

- (a) When submitting its agricultural proposals the Commission will supply a quantified estimate of their budget impact in relation to the movement in the growth of the Community's own resource base calculated according to a common and constant formula, namely the sliding average of the growth rates for the current year, the year immediately preceding and the year ahead. These figures will allow a judgement to be made of the compatibility of the proposals with the guideline referred to in §2.
- (b) The Commission will draw up its proposals on prices (and related measures) in the light of the guideline referred to in §2. To this end the Commission confirms that it intends in the coming years to pursue a restrictive price policy for sectors in surplus and for those where a rapid growth in expenditure is coupled with limited outlets for disposal.
- (c) On this basis the Commission suggests that the European Council request the Council to adopt the following rule: if in the Commission's opinion the Council of Agriculture Ministers seems likely to take decisions whose cost would exceed that of the original proposals of the Commission, the final decision must be referred to a special Council session attended by both Finance and Agriculture Ministers and can be taken only by that special session.

6. As regards the preparation and implementation of the budget the Commission proposes the following rules:

- (a) In submitting its budget proposals in the context of its preliminary draft budget the Commission will take account of all foreseeable expenditure in the budget year concerned, including that stemming from its price proposals.

The aim of the Commission and the Council will thus be to keep EAGGF Guarantee expenditure within the appropriations for the year.

- (b) The Commission will institute an early-warning procedure enabling it to detect promptly any risk during the year of budgetary over-runs and report to the Council and Parliament forthwith(4).

It will in any event report to the Council and Parliament each month on the trend of agricultural expenditure.

After making use of all the opportunities afforded by the routine management of the CAP it will if need be propose to the Council and Parliament measures designed, without detriment to the principles of the CAP, to restrict increases in agricultural expenditure. It will be incumbent on those institutions to take the necessary decisions as speedily as possible so that these measures can achieve their purpose. Where appropriate the Council's decisions could be taken at a special session of the kind referred to in §5(c).

The Commission will not introduce a supplementary budget until it has exhausted all the opportunities for savings afforded by the routine management of the CAP and by any additional Council decisions.

- (c) In the event of failure to respect the qualitative guideline referred to in §2 (by reason either of a special Council decision (§5(c)) or of a supplementary budget), adherence thereto will mean both the Council and the Commission must during the following two financial years ensure that, barring aberrant developments, agricultural expenditure is brought back within the limits imposed by the qualitative guideline. In so doing they must concentrate primarily on the production sectors responsible for the failure to adhere to the guideline."

(4) Apart from a Council decision on prices in excess of the Commission's proposals (when the special decision-making procedure in §5(c) would apply), such "over-runs" could only occur as a result of compelling economic developments which could not have been foreseen when the budget was adopted.

- 1 -

STATEMENTS

to be entered in the Council Minutes

1. Re. Article 1 paragraph 1

"The Council states that the reference to expenditure to finance Council policies includes compulsory expenditure not relating to agricultural markets."

2. Re. Article 2

"The Irish delegation considers that the phrase "exceptional circumstances" used in Article 2 should, as well as enlargement, include the disposal of the present high level of agricultural stocks since this is a requirement which has arisen from previous Council decisions, and can clearly be foreseen at this stage."

3. Re. Articles 2 and 9

"Le Conseil déclare qu'en appliquant la discipline budgétaire il tiendra compte des décisions préalables et autres engagements du Conseil européen y compris ceux qui se réfèrent aux besoins des pays les moins développés de la Communauté."

4. Re Article 3

"The UK Delegation states that it has agreed to the definition of expenditure referred to in Article 3(a) solely for the purposes of the agricultural guideline and on the basis that its use in this context has not implications for the budgetary treatment of FEOGA Guarantee or for other purposes."

.../...

5. Re. Article 3(a) first sentence

"The Council notes that this expenditure is currently presented in the Budget in a manner which includes "negative expenditure", i.e. is already reduced by the incidence of the financial contribution by milk producers (co-responsability levy, super levy milk)."

6. Re. Article 7(4)

"The Council considers that the special session mentioned in Article 7 paragraph 4 should be attended by Ministers for Finance and Economic Affairs and Ministers for Agriculture."

7. Re. Articles 1(1), 4(2), 6(2), 7(2), 8

"The Council considers that the functions conferred on it by Article 1(1), Article 4(2), Article 6(2), Article 7(2) and Article 8 (second point of the sentence) should be exercised by the Council composed so as to include Ministers for Finance and Economic Affairs, each Government remaining free to designate other Ministers to participate at the meetings in question."

8. Commission statement

The Commission confirms the undertakings it made in the Annex to its communication of 6 March 1984 on "Common Agricultural Policy : Financial Guidelines". As regards the method of measuring the growth rates of agricultural expenditure and the Community's own resources base, the Commission will use the definitions set out in Articles 3, 4 and 10 of the Council's decision.

The Commission will implement these undertakings so that they may apply in respect of the budgetary exercise of 1986 and subsequent budgetary exercises.

The Commission will also draw up at the beginning of each year the figures necessary for the establishment of a reference framework of the kind set out in Article 1 of the Council's decision. These figures will be made available to both branches of the Budget Authority.

9. The Governments of the Member States undertake to provide the necessary data in sufficient time to enable the Commission to present the above-mentioned figures.
 10. The Council will invite both the Commission and the Parliament to examine with it ways of securing the co-operation necessary for a budgetary discipline common to all three Institutions.
-

Euro PN Pt 27

Budget

15 OCT 1984





CENP

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 October 1984

The Rt. Hon. Norman Tebbit MP
Secretary of State for Trade and Industry

A handwritten signature in cursive script, appearing to read 'Norman Tebbit'.

INDUSTRIAL COLLABORATION AND COMMUNITY R & D

I have seen a copy of your letter of 24 September to Geoffrey Howe. As you say, we will shortly be discussing Community R&D and industrial collaboration at OD(E). There are substantial UK public expenditure issues involved in all this.

Your proposals for the Industrial Technologies (BRITE) and Biotechnology programmes represent a bid for the UK to spend at least a further £24 million over the next few years, in addition to around £50 million a year which we already contribute to Community R&D Programmes. This is, of course, on top of the substantial sums spent on industrial research and other subsidies to private sector industry under your domestic programmes.

I do not need to remind you that these proposals come at a time when we already face very difficult decisions on public expenditure. Moreover they depart from the arrangements for controlling expenditure on Community R&D which you and I proposed to colleagues and which were agreed in February.

The Euro-PES arrangements provided a 'baseline' for total UK expenditure in this area and established procedures for dealing with additional bids in respect of new proposals. There is scope within the existing baseline for modest expenditure on Biotechnology and BRITE. But if you wish to support more ambitious programmes, then the arrangements would require you to look for appropriate offsetting savings from within your own programmes. The priorities are for you to judge. But from what you say in your letter the Community proposals would not appear to have high priority, and this would imply that the UK should argue in Brussels for lower levels of provision, compatible with our overall total.

There is also the important question of funding for Community R&D generally. Not all the Commission's proposals can be accommodated within the available resources and decisions will have to be taken about priorities; which programmes can go forward, when and at what level of expenditure. I would hope the proposals described in your letter would be tested as part of that process.

I am sending copies of this letter to the Prime Minister, to the other members of OD(E) and to Sir Robert Armstrong.

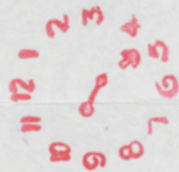
A handwritten signature in cursive script, appearing to read 'Nigel Lawson'.

NIGEL LAWSON

Europa A27 Budget



- 5 OCT 1984



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DESKBY 041330Z

FM UKREP BRUSSELS 041220Z OCT 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 3153 OF 4 OCTOBER

INFO PRIORITY BRUSSELS, COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS,
BONN, LUXEMBOURG, ATHENS.

BUDGETARY QUESTIONS: EUROPEAN PARLIAMENT PRESS CONFERENCE.

SUMMARY

1. THIS MORNING PFLIMLIN, THE PRESIDENT OF THE EUROPEAN PARLIAMENT, AND COT, THE CHAIRMAN OF THE BUDGET COMMITTEE, COMMENTED ON THE FAC BUDGETARY DECISIONS AT A PRESS CONFERENCE. THEIR PREPARED STATEMENTS CONTAINED NO MENTION OF OUR 1983 REFUNDS BUT IN ANSWER TO QUESTIONS THEY BOTH SAID THAT THE REFUNDS SHOULD NOW BE RELEASED BY THE PARLIAMENT THOUGH PERHAPS NOT NEXT WEEK BUT AT THE SECOND PARLIAMENTARY SESSION IN OCTOBER (22-25 OCTOBER).

DETAIL

2. PFLIMLIN BEGAN BY SAYING THAT THE RESULT OF THE FAC WAS A THOROUGHLY UNSATISFACTORY MEDIOCRE COMPROMISE. ISSUES HAD NOT BEEN RESOLVED THEY HAD MERELY BEEN PUT OFF FOR A YEAR WHEN THE SITUATION WOULD DOUBTLESS BE EVEN WORSE.

3. COT SAID THAT HE WAS GLAD THAT THE DRAFT BUDGET FOR 1985 AND THE SUPPLEMENTARY BUDGET FOR 1984 HAD FINALLY BEEN RELEASED BY THE COUNCIL, ALBEIT AT THE LAST POSSIBLE LEGAL MOMENT BUT HE WAS DISAPPOINTED THAT THE REVENUE FOR THE 1984 SUPPLEMENTARY WAS NOT ASSURED AND WAS NOT "COMMUNAUTAIRE". THE SEVERE UNDER-ESTIMATE OF THE EXPENDITURE NECESSARY FOR THE REMAINDER OF 1984 COULD ONLY MEAN THAT EXPENDITURE WOULD HAVE TO BE CARRIED FORWARD ONTO THE 1985 BUDGET WHICH WAS ITSELF ADMITTED TO BE INSUFFICIENT TO MEET EXPENDITURE ESTIMATED NECESSARY IN THAT YEAR. FURTHERMORE IT WAS DEEPLY TO BE REGRETTED THAT THE COUNCIL HAD SEEN FIT TO MAKE SEVERE CUTS IN THE MOST INNOVATIVE ELEMENTS OF THE 1985 BUDGET : ENERGY, INFORMATION TECHNOLOGY, INDUSTRY ETC.

4. COT ALSO MADE CLEAR HIS DISLIKE OF WHAT HE CALLED THE "THREAT OF AN UNACCEPTABLE DECISION ON BUDGET DISCIPLINE". THE PARLIAMENT SUPPORTED THE REMARKS OF PRESIDENT THORN ON THIS SUBJECT. (SUBSEQUENTLY PFLIMLIN, IN ONE OF A SERIES OF RAMBLING, SOMEWHAT EMOTIONAL OBSERVATIONS, CRITICISED THE ASPHYXIATION OF THE COMMUNITY BY ACCOUNTANTS WHOSE IDEAS OF BUDGETARY DISCIPLINE WERE INTENDED TO PREVENT THE DEVELOPMENT OF NEW POLICIES).

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5. QUESTIONED ON THE PARLIAMENT'S ATTITUDE TO THE RELEASE OF THE 1983 UK REFUNDS COT AND PFLIMLIN IN A SERIES OF SOMEWHAT AMBIGUOUS REPLIES SUGGESTED THAT THE UK REFUNDS FOR 1983 WERE LINKED WITH THE SUPPLEMENTARY BUDGET FOR 1984 BY THE DECISIONS OF FONTAINEBLEAU AND THAT ACCORDINGLY NOW THAT THE SUPPLEMENTARY BUDGET HAD BEEN SENT TO THE PARLIAMENT IT SHOULD BE POSSIBLE TO RELEASE THE UK REFUNDS FOR 1983. THERE WAS A PROBLEM OVER THE SEQUENCE OF EVENTS AND IT WAS THEREFORE NOT CERTAIN THAT THE REFUNDS WOULD BE RELEASED NEXT WEEK.

FCO ADVANCE TO:

FCO - RENWICK, FAIRWEATHER, WALL, MARSDEN.

CAB - WILLIAMSON, LAMBERT.

TSY - UNWIN, FITCHEW, MORTIMER, PEET.

BUTLER

(ADVANCED AS REQUESTED)

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FM UKDEL STRASBOURG 041600Z OCT 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 119 OF 04 OCTOBER

AND TO IMMEDIATE ALL EC POSTS AND UKREP BRUSSELS

YOUR TELEGRAM NUMBER 248 TO DUBLIN AND BONN TELEGRAM NUMBER
929 TO YOU : EC BUDGET 1983 REFUNDS

1. I SPOKE ON THE LINES OF PARAGRAPH 4 (1) AND (II) OF YOUR
TUR TO PFLIMLIN ON 4 OCTOBER.
2. HE SAID THAT HE HAD NOT YET RECEIVED THE OFFICIAL REQUEST FOR
THE REFUND FROM THE COMMISSION. HE HAD HOWEVER LUNCHED WITH ANDRIESSE
ON THAT DAY AND HAD ASKED HIM TO ACCELERATE IT. IT WAS PROMISED
WITHIN A DAY OR TWO.
3. PFLIMLIN SAID THAT HE PERSONALLY WOULD DO EVERYTHING POSSIBLE
TO ACCELERATE THE DECISION. THE BUDGET COMMITTEE OF THE PARLIAMENT
WOULD BE MEETING ON TUESDAY 9 OCTOBER IN STRASBOURG, PROBABLY
AT NOON. HE WAS HOWEVER SURE THAT WE UNDERSTOOD THAT THIS
WAS A DELICATE QUESTION AND THAT IT MEGHT NOT BE EASY TO
PERSUADE PARLIAMENTARIANS TO TAKE A DECISION BEFORE 12 OCTOBER.
IT WAS FOR THIS REASON THAT HE INTENDED TO MAINTAIN THE NEXT
PLENARY SESSION OF THE PARLIAMENT FOR THE WEEK OF 22-26 OCTOBER
IN ORDER TO RETAIN THE POSSIBILITY OF A SECOND CHANCE TO GET A
POSITIVE VOTE. HE WAS DETERMINED TO GET THIS WELL BEFORE THE
SIX WEEKS PERIOD ALLOWED.
4. THE FEDERAL GERMAN AMBASSADOR HERE TELLS ME HE IS NOT
RESPONSIBLE FOR BRIEFING GERMAN MEPS, WHO WILL IN ANY CASE
NOT BE IN STRASBOURG BEFORE 8 OCTOBER. THE OFFICIAL RESPONSIBLE
FOR LIASON WITH MEPS IS DR. JUNKER OF THE MFA IN BONN.

LUSH

FRAME ECONOMIC

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CCPC



Sir G. Howe
Reported orally to
the PM on these
lines. NBPM
CDP
4/x.

PM/84/154

PRIME MINISTER

EC Budget Negotiations

1. In the Foreign Affairs Council on 2 October prolonged efforts were made to reach agreement on the text of the new own resources decision on a basis which would permit an intermediate VAT rate to be established next year. Genscher however remained adamant that the Germans would not agree to an increased VAT rate until enlargement, and as a result agreement on that point proved impossible.

2. Discussion then turned to the 1984 supplementary budget and the normal budget for 1985. Under the budgetary timetable the 1985 budget had to be sent to the European Parliament immediately following this Council. I said that it must be sent forward to the Parliament as established within the one per cent ceiling; and that I could not agree to any declaration at this stage on the means of financing any irreducible budget over-run next year. It was agreed that the 1985 budget should be sent forward to the Parliament on that basis. That budget is accompanied by a declaration of the Council stating that funds will be provided for the irreducible over-run and reaffirming that our 1,000 mecus abatement will be made on the revenue side next year.

3. With time running out there was great pressure also to establish the 1984 supplementary budget. Other member states had not previously been prepared to establish the supplementary budget on a conditional basis. I made clear that I would not agree to establish the budget unless it was stated in the inter-governmental agreement approved by all
/member

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member states that we should not be prepared to put any proposal for supplementary finance to the House of Commons until the European Parliament released our 750 mecus and final agreement was reached on the text on budget discipline. This was agreed and the supplementary budget was established conditionally on that basis.

4. On budget discipline, following the progress made by the Chancellor in discussion with this colleagues in the ECOFIN Council on 1 October and the subsequent row within the French Government (with M. Rocard trying to go back on the text as a whole), there was a further brief discussion in the Foreign Affairs Council. The two main outstanding difficulties concern the form of the document (with the French and some others opposing a Council decision); and the arrangements for basing the agricultural guideline from 1986 on original budgets.

5. After difficult discussions, therefore, the Council did finally reach a conclusion which protects our position on supplementary finance until other matters are resolved. It has been reaffirmed in a clear fashion that we are entitled to receive our 1,000 mecus abatement next year on the revenue side; and the supplementary budget this year has been adopted conditionally with very substantial economies in that budget. No proposal for supplementary finance nor any proposal to increase own resources will be put to Parliament until we have reached satisfactory agreement on budget discipline and received the 1983 refunds.

6. If it is wise, the European Parliament will now authorise release of these refunds. But it has not been showing much wisdom of late. It is very agitated that the agreement in Council could affect its budgetary powers and could seek to make difficulties on that account. The Economic

/Secretary

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Secretary will be seeing the EDG spokesman on the Budget Committee (Lord Douro) later this week and we shall be briefing the EDG members of the European Parliament generally before its plenary session next week. We are asking other member governments to take action with their MEPs and will need to review the position in the light of the Parliament's actions.

7. I am sending copies of this minute to the Chancellor of the Exchequer and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

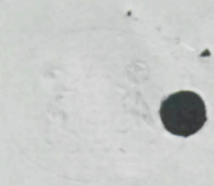
Foreign and Commonwealth Office

4 October 1984

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4 OCT 1984

0 1 2 3 4
5 6 7 8 9



2



10 DOWNING STREET

Prime Minister


This does not
add significantly to what
you know. But you
might like to glance
at the line on
pages 3 & 4.

CDP

4/11.

MS

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Qz.03946

MR POWELL

This has been covered in oral briefing. CDP

COMMUNITY BUDGET

It may be helpful to let you have these comments on where we stand after the meetings of the ECOFIN Council on 1 October and the Foreign Affairs Council on 2 October.

2. As a result of the ECOFIN Council, at which the Chancellor of the Exchequer made substantial progress, we now have a text on budget discipline which is subject to only two points of dispute:-

(i) 8 member states, including the United Kingdom, can accept that the budgetary discipline should be based on "original budgets". France and Denmark are trying to torpedo the system by basing it permanently on outturn;

(ii) the ECOFIN Council is ready to take a real commitment on this text but the exact form of this commitment is still open to dispute. As you know, I personally attach great importance to this point and I think that we need to continue to make the most of any leverage we can find in order to achieve a form which is binding on the Council.

3. The Foreign Affairs Council was a much more depressing affair. The Council was largely conducted in meetings of Ministers alone and Herr Genscher was consistently unhelpful, not to say anti-British. The present situation is:-

(i) the 1985 budget has been established and will be sent to the European Parliament within the 1 per cent ceiling. Whether there will be any significant overrun

will not be apparent until the middle of next year. 9 member states have made clear that, if there is any overrun, it must be financed through the proper procedures of the Treaty and the own resources system. The Federal Republic of Germany remains opposed to any increase in own resources before 1 January 1986. The Foreign Affairs Council reiterated in even more explicit terms that the United Kingdom's 1000 million ecu reduction in VAT will be implemented;

(ii) the 1984 supplementary budget is being sent to the European Parliament at the reduced level of 1000 million ecu. This would be financed by an inter-Governmental agreement and the United Kingdom has included in the inter-Governmental agreement the terms that we shall not contribute until the European Parliament has agreed to release our 1983 refunds and we are satisfied on budget discipline.

4. In the earlier discussions we have been anxious to press ahead to finalise texts on the own resources decision. In the new circumstances I share the view of the Chancellor of the Exchequer that our best leverage on budget discipline is the revised Decision on Own Resources. Most member states are anxious to start the procedures because they want the 1.4 per cent ratified before the end of 1985; in particular, they want it ratified so that the 1986 budget can be established during 1985 at a rate higher than 1 per cent. My own view is, therefore, that, without making any formal linkage, we should maintain the pressure on the two outstanding points on budget discipline and not hurry to settle the Own Resources Decision now.

5. The results of the two Councils have received a rather favourable press in Britain. I would recommend that we should continue to present the issues publicly on the following lines:-

/(i)

(i) the long term correction of the budget inequity. This was settled at Fontainebleau on a lasting basis and in a way which will provide an automatic reduction in the United Kingdom's VAT contribution from 1986. No member state has challenged the decisions taken at Fontainebleau. On the contrary, the Foreign Affairs Council in its discussion on the 1985 budget on 2 October reaffirmed in even more specific terms the relevant part of the commitment undertaken at Fontainebleau. The text of the revised Own Resources Decision incorporating the budget correction mechanism will be presented to Parliament in due course. The United Kingdom has no problems with it. Nine member states are of the opinion that it should come into effect on completion of ratification, which will probably be in the latter part of 1985: the Federal Republic of Germany would prefer to set the specific date of 1 January 1986;

(ii) the short term transitional issues (1984 and 1985 budgets). The Council has now taken a position on the short term transitional problems of the 1984 and 1985 budgets and has sent the texts to the European Parliament. The Council has established the 1985 draft budget within the 1 per cent ceiling. If at the end of next year this were to prove insufficient, it would then be necessary to see whether any new own resources had become available by ratification of the revised Own Resources Decision. In any event the 1000 million ecu correction of the United Kingdom's VAT contribution is decided.

On the 1984 supplementary budget the Commission asked for an additional 2.3 billion ecu. At the insistence of the United Kingdom very substantial savings and deferrals have been agreed by the Council. The draft supplementary budget is now of 1 billion ecu (about £580 million) of which the United Kingdom's net share

/would

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would be about £60 million. Member states have agreed to finance this budget. We have made clear - and included in the text of the agreement itself - that we shall not put this to our Parliament unless the European Parliament has agreed to release the United Kingdom's 1983 refund and unless we are satisfied on the text on future budget discipline;

(iii) the 1983 refund (750 million ecu or about £440 million). This was decided at Stuttgart. There is no dispute among member states. In July this year the European Parliament made the ill-judged decision to hold back, until the 1984 supplementary budget was submitted by the Council, the transfer of the funds from the reserve chapter of the budget on to the effective budget lines. The 1984 draft supplementary budget is now being submitted by the Council. It is up to the European Parliament now to release our 1983 refund;

(iv) budget discipline. The text on budget discipline necessary to guarantee the implementation of the principles agreed at Fontainebleau has itself now been very largely agreed. There is one point on which two member states have a reserve, although the other eight member states (including the United Kingdom) can accept the text. The Council has also to decide the exact form in which it implements the remit from the European Council. Our position that the arrangements must be properly incorporated in the budgetary procedures of the Community remains unchanged, except that we have now made real progress on the substance of the measures.

6. I am sending a copy to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

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3 October 1984

Ref. A084/2644

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary and the Chancellor of the Exchequer will report on the discussions on the Community's draft supplementary budget for 1984 and draft budget for 1985 and on budget discipline in the Finance Council on 1 October and in the Foreign Affairs Council on 2 October. The Finance Council reached agreement on a greatly improved text on budget discipline, subject to a general Danish reserve and a French reserve on whether the guideline should be based on original budget or outturn expenditure figures (the remaining eight member states can accept "original budgets" and we attach a lot of importance to it). The form in which the conclusions should be incorporated in the budgetary procedures - we want a binding Council decision - was not resolved. This also is an important point for us and we ought to keep pressing for it.

2. In the Foreign Affairs Council the 1985 draft budget was established within the 1 per cent VAT limit and was sent forward to the European Parliament. Although we and eight other member states could have accepted a Presidency compromise for a transitional VAT rate in 1985, which would have enabled any supplementary expenditure late in 1985 to be financed by the proper procedures through the own resources system, the Germans would not do so. The Foreign and Commonwealth Secretary told the Council that the United Kingdom would not agree to finance any overrun later in 1985 other than by own resources. The 1985 draft budget was accompanied by a declaration which endorsed the Fontainebleau conclusion on the 1,000 million ecu (about £580 million) which is to be deducted from our VAT contribution.

3. The 1984 draft supplementary budget of 1,003 million ecu was sent forward to the European Parliament on the basis that finance would be provided by an intergovernmental agreement. The agreement itself makes clear that the United Kingdom will not provide its share of the finance until the European Parliament has released

our refund for 1983 and there is satisfactory agreement on budget discipline. It is now up to the European Parliament to release the 1983 refund.

4. The Foreign and Commonwealth Secretary will report on the remaining points discussed in the Foreign Affairs Council. The main subject was the enlargement negotiations in preparation for Ministerial meetings with Spain and Portugal on 3 October. The Council also agreed a declaration against the protectionist provisions in the Trade Bill currently before the United States Congress.

5. The Foreign and Commonwealth Secretary may also report on the first meeting on 28 September of the Committee on Institutions set up by the Fontainebleau European Council, on which your representative is the Minister of State (Mr Rifkind). The United Kingdom's paper "Europe - The Future" was circulated to the Committee. Individual members will prepare working papers on the principal subjects, Mr Rifkind offering to present that on the internal market. The Committee aims to submit an interim report to the Dublin European Council in December.

6. The Minister of Agriculture, Fisheries and Food may report that the Agriculture Council on 1-2 October was prevented from making progress with measures to deal with the wine surplus by Italy's refusal to accept a compromise by the Irish Presidency as a basis for discussion. The Council will return to the subject on 22 October.

7. The Internal Market Council will meet on 9 October and there will be an EC/ACP Ministerial Negotiating Conference on the 3rd Lome Convention on 9-10 October.



ROBERT ARMSTRONG

3 October 1984

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10 DOWNING STREET

file MFJAH
cc dir / Crank

From the Private Secretary

3 October 1984

European Community Negotiations: Budget
Discipline

The Prime Minister has noted the Chancellor's minute of 2 October recording the outcome of the discussion on budgetary discipline at the ECOFIN Council on 1 October.

I am copying this letter to Mr. Budd (Foreign and Commonwealth Office), Mr. Llewellyn (Ministry of Agriculture, Fisheries and Food) and Mr. Hatfield (Cabinet Office).

CHARLES POWELL

David Peretz, Esq.,
HM Treasury.

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DS



10 DOWNING STREET

file NFJAF1

to Sir P Cadogan

From the Private Secretary

3 October 1984

X ref

Ad Hoc Committee on Institutions

The Prime Minister has read with interest UKREP Brussels telegram no. 3115 summarising the first meeting of the Ad Hoc Committee on Institutions. The Prime Minister was a little surprised to see that we were giving such high priority to proposing a common approach in external affairs (see paragraph 8(ii) of the telegram). I assume that in fact you have no more in mind than what appeared in the Prime Minister's paper "Europe-The Future". It would be helpful if you could confirm this.

I see that the same subject appeared in the German list of priorities and that they are to do a paper on the subject. So it will come up anyway. But you will want to note the Prime Minister's view that we should not be too assiduous in promoting discussion of this.

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office

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FROM LUXEMBOURG 022315Z OCT 84
 TO IMMEDIATE FCO

TELEGRAM NUMBER 271 OF 2 OCTOBER
 AND TO IMMEDIATE UKREP BRUSSELS
 INFO IMMEDIATE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
 BONN ATHENS PRIORITY LISBON MADRID

FROM UKREP BRUSSELS

FOREIGN AFFAIRS COUNCIL, 2 OCTOBER

BUDGET ISSUES

SUMMARY

1. 1984 SUPPLEMENTARY BUDGET ESTABLISHED ON THE BASIS OF AN INTER-GOVERNMENTAL AGREEMENT SPECIFICALLY PROVIDING THAT THE UK WILL NOT CONTRIBUTE UNTIL THE 1983 REFUNDS ARE RELEASED AND THERE IS AGREEMENT ON BUDGET DISCIPLINE. 1985 BUDGET ESTABLISHED WITHIN ONE PER CENT LIMIT WITH ACCOMPANYING DECLARATION ON SUPPLEMENTARY FINANCING STRONGLY ENDORSING FONTAINEBLEAU CONCLUSIONS ON THE 1984 REFUND. NO AGREEMENT ON THE NEW OWN RESOURCES DECISION OR ON THE METHOD OF FINANCING THE 1985 OVERRUN. BRIEF DISCUSSION OF BUDGET DISCIPLINE WITHOUT CONCLUSION.

DETAIL

2. IN OPEN SESSION IN THE MORNING THE PRESIDENCY INTRODUCED THEIR COMPROMISE PROPOSAL FOR A 1.2 PERCENT TRANSITIONAL VAT RATE IN 1985. ALL BUT THE GERMANS COULD ACCEPT THIS. GENSCHER SAID THAT THE OWN RESOURCES DECISION WAS NOT URGENT AND A DECISION SHOULD BE POSTPONED. THE 1984 SUPPLEMENTARY BUDGET AND THE 1985 BUDGETS SHOULD BE ESTABLISHED STRAIGHT AWAY. THE PRESIDENCY ASKED IF YOU COULD AGREE TO THIS. YOU SAID THAT THE 1985 BUDGET COULD GO FORWARD STRAIGHT AWAY, BUT WITHOUT A DECLARATION PREJUDICING THE MEANS OF FINANCING THE OVERRUN. THE 1984 SUPPLEMENTARY BUDGET WAS LINKED TO THE OTHER ISSUES.

3. BARRY (PRESIDENCY) THEN CALLED A RESTRICTED SESSION (MINISTERS ONLY) WHICH LASTED, ON AND OFF, FROM 11.30 IN THE MORNING UNTIL 8.30 IN THE EVENING. IN THE COURSE OF THIS A NUMBER OF SOLUTIONS WERE CANVASSED. TYGESEN (DENMARK) SUGGESTED THAT THOSE MEMBER STATES WHO COULD AGREE SHOULD COVER THE OVERRUN BY BRINGING FORWARD OWN RESOURCES. THOSE WHO COULD NOT WOULD CONTRIBUTE BY AN INTER-GOVERNMENTAL AGREEMENT. THORN SAID THIS SMACKED OF A TWO-SPEED EUROPE AND OTHERS THOUGHT IT WAS ILLEGAL. BARRY PUT FORWARD A SCHEME FOR A SINGLE INTER-GOVERNMENTAL AGREEMENT TO COVER THE SHORTFALLS IN BOTH 1984 AND 1985. THE UK WOULD NOT

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/ CONTRIBUTE

CONTRIBUTE TO THESE, AND WOULD THEREFORE RECEIVE A CORRECTION OF 465 MECU IN 1984 AND 1985. THE REMAINING 535 MECU WOULD BE DEDUCTED FROM THE UK'S VAT IN 1986 ONCE THE OWN RESOURCES DECISION WAS IN PLACE. YOU SAID THAT AN INTER-GOVERNMENTAL AGREEMENT MIGHT WORK IF IT PROVIDED FOR THE WHOLE 1000 MECU IN 1985. THE ITALIANS AND OTHERS VETOED THAT ON GROUNDS OF THEIR INABILITY TO RATIFY AN INTER-GOVERNMENTAL AGREEMENT WHICH BENEFITTED THE UK IN THIS WAY. LATER IN THE MEETING, THE ITALIANS VETOED THE PRESIDENCY'S PROPOSAL AS WELL WHEN YOU INDICATED THAT YOU MIGHT ON CERTAIN CONDITIONS CONSIDER IT.

4. DUNAS ASKED US IF WE COULD AGREE TO SEND FORWARD THE 1985 BUDGET IF IT WAS ACCOMPANIED BY A STRENGTHENED DECLARATION REITERATING THE UK ENTITLEMENT IN 1985 TO 1000 MECU. VAN EEKELEN COMMENTED THAT SUCH A DECLARATION WOULD ENTITLE THE UK TO WITHHOLD THE MONEY IF IT WAS NOT PROVIDED IN TIME. THIS FOUND SOME SUPPORT, INCLUDING FROM THE COMMISSION, AND NO-ONE DISSENTED. HOWEVER YOU EXPLAINED THAT THERE WOULD BE NO LEGAL BASE FOR SUCH ACTION.

5. AFTER THIS, THE SITUATION DETERIORATED RAPIDLY AND YOU CAME UNDER INCREASING PRESSURE TO ESTABLISH BOTH THE 1984 SUPPLEMENTARY BUDGET AND THE 1985 BUDGET. SEVERAL MEMBER STATES SAID THAT THE 1984 SUPPLEMENTARY BUDGET COULD BE VOTED THROUGH WITHOUT THE UK. THE INTER-GOVERNMENTAL AGREEMENT COULD BE MADE AMONG THE NINE ONLY. IF WE WISHED TO CONTRIBUTE WE COULD DO SO. OTHERWISE THE NINE WOULD GO AHEAD WITHOUT US, WITH THE IMPLICATION THAT THE EUROPEAN PARLIAMENT WOULD NOT THEN RELEASE OUR 1983 REFUNDS.

6. YOU SAID THAT YOU COULD AGREE TO ESTABLISH THE 1985 BUDGET PROVIDED IT WAS ACCEPTED THAT THE UK WOULD NOT AGREE TO FINANCE THE 1985 OVERRUN OTHER THAN BY OWN RESOURCES AND PROVIDED DECLARATION NO.5 WAS EXPANDED BY THE WORDS QUOTE... INCLUDING THE OBLIGATIONS ENTERED INTO VIS-A-VIS THE UK AS PRESCRIBED IN THE FONTAINEBLEAU AGREEMENT. UNQUOTE. THIS WAS AGREED AND THE 1985 BUDGET WAS ESTABLISHED UNANIMOUSLY. YOU THEN ASKED FOR A PAUSE BEFORE THE 1984 BUDGET WAS DISCUSSED.

7. ON RESUMPTION YOU SAID THAT WE COULD NOT JOIN A MAJORITY OR AGREE TO THE INTER-GOVERNMENTAL AGREEMENT UNLESS THE AGREEMENT SPECIFICALLY RECOGNISED THAT THE UK WOULD NOT CONTRIBUTE UNTIL THE EUROPEAN PARLIAMENT RELEASED OUR 1983 REFUNDS AND UNTIL THERE WAS AGREEMENT ON BUDGET DISCIPLINE.

8. THE FOLLOWING ADDITIONAL WORDING WAS THEN AGREED QUOTE. THEY TAKE NOTE HOWEVER THAT THE BRITISH GOVERNMENT WILL BE IN A POSITION TO COMPLETE ITS NATIONAL PROCEDURES ONLY WHEN THE UK HAS RECEIVED ITS REFUNDS FOR 1983 AND THE COUNCIL HAS REACHED AGREEMENT ON THE MEASURES NECESSARY TO GUARANTEE THE PRINCIPLES OF BUDGET DISCIPLINE APPROVED BY THE EUROPEAN COUNCIL. UNQUOTE. ON THAT BASIS, THE 1984 SUPPLEMENTARY BUDGET WAS ESTABLISHED.

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9. WHEN DISCUSSION RESUMED ON BUDGET DISCIPLINE, SEVEN MEMBER STATES ARGUED IN FAVOUR OF A SIMPLE QUOTE. RESOLUTION UNQUOTE. YOU, VAN EEKELLEN AND GENSCHER (THE LATTER HALF-HEARTEDLY) PRESSED FOR A DECISION. NO CONCLUSION WAS REACHED ON THIS POINT. DUMAS SAID THAT THE BASIS FOR ESTABLISHING THE AGRICULTURAL GUIDELINE MUST BE REAL OUT-TURN EXPENDITURE, NOT ORIGINAL BUDGETS. HE BEGAN ATTEMPTING TO UNPICK OTHER ASPECTS OF THE ECOFIN AGREEMENT (DETAILS TOMORROW). GENSCHER SAID HE WAS NOT SATISFIED WITH THE BUDGET DISCIPLINE ACHIEVED. THERE MUST BE FURTHER DISCUSSION. THE PRESIDENT SAID THAT THIS QUESTION WOULD HAVE TO BE TAKEN UP AT A LATER DATE.

FCO ADVANCE TO:

FCO - PS/SOS PS/MR RIFKIND TICKELL WALL MARSDEN
CAB - STAPLETON LAMBERT
TSY - PS/CHANCELLOR PS/EST UNWIN FITCHEW BOSTOCK
T/SOL - PRESTON
NO.10 - PS/NO 10

UKREP DIST: BUTT/BROUCHER - FULL

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PRIME MINISTER

The situation tonight is that the 1984 Supplementary Budget has been adopted. But the decision incorporates our two conditions viz that we shall not ask Parliament for any money until:

- (a) the Assembly hands over our 1983 refund of 750 m écu
- (b) there is a satisfactory text on budget discipline.

We are taking the line publicly that we have maintained our basic position, that the others have recognised its validity by incorporating our conditions in the text, and that its now up to the Assembly to come up with the 750 m écu.

There will be further discussion of budget discipline tomorrow. Geoffrey Howe will hold out for the point to which the Chancellor attaches importance, as well as for a decision.

CDD.

MS

2 October 1984



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

A handwritten signature in blue ink, appearing to be 'M. G.' or similar, located to the right of the 'PRIME MINISTER' text.

EUROPEAN COMMUNITY NEGOTIATIONS: BUDGET DISCIPLINE

You may like to have the following summary account of the discussions yesterday at the ECOFIN Council on Budgetary Discipline.

2. After nearly 12 hours of discussion the Council reached agreement on substance, subject to a general Danish reserve and a French reserve on one point; and agreed that the question of legal form, on which there was no agreement, should be referred to the Foreign Affairs Council for consideration in the context of the overall budgetary settlement.

3. I believe that the text largely agreed last night, if confirmed, will represent a satisfactory and defensible outcome for the UK. Although it necessarily, and realistically, contains provisions for flexibility in the implementation of the system, the system itself is largely based on the methodology and principles we have been pressing. I was, moreover, able to secure explicit agreement, enshrined in the text, that the provisions would apply next year so that they govern the preparation of the 1986 Budget. I had to accept that the overall reference framework might not be fixed until the start of the formal annual budgetary procedure, which is somewhat later than we had earlier hoped to achieve. But on my proposal the text now formally endorses the tighter timetable for the agricultural guideline which the Commission have undertaken to implement, in accordance with the methodology accepted by the Council, at the beginning of the year in advance of the agricultural price fixing.

4. The most difficult issue of substance related to the safeguard against building base drift automatically into the calculation of the guideline. The Irish Presidency had helpfully incorporated in the text the formula, referring to "original budgets" as the basis of calculating the guideline in future years, which we had pressed in the official high level group. Although the Danes continued to



oppose this, the French Finance Minister, after firm initial opposition, finally agreed to its inclusion in the ECOFIN text, subject to the reserve that budgetary discipline must be part of a satisfactory wider agreement on the post-Fontainebleau package - a condition that we, of course, subscribe to.

5. As I have indicated to Geoffrey Howe separately, I think that this safeguard against building base drift automatically into the guideline is a vital part of the agreement. I have no doubt that the French will seek at the Foreign Affairs Council to reverse M Beregovoy's agreement to the present text last night, but my strong view is that we should resist any attempt to delete or weaken the reference to "original budgets" that the text contains. Indeed, the present contents of the text, which were settled by ECOFIN subject only to the reserves mentioned above, should not be open for any further discussion or unpicking at the Foreign Affairs Council.

6. So far as the form of the agreement is concerned, the Irish Presidency had again helpfully drafted it as a Council Decision. A majority of ECOFIN were in fact initially prepared to accept this, but at a late stage several Ministers took fright following a statement by the Council Legal Services emphasising the legal aspects of a Decision, and the issue remained unresolved. It was therefore agreed that this issue would be reported to the Foreign Affairs Council for further discussion there.

7. This is regrettable, since a Council Decision in the terms proposed would, while not having the legal force we had originally aimed for, have had presentational advantages. But I regard the substance of the agreement as more important than the form, and I would be prepared to accept a formal Council Conclusion if by so doing this could secure final agreement on the contents, including the provision against base drift. Geoffrey Howe will want to judge whether such a compromise would serve to clinch the agreement in discussion of the wider package at the Foreign Affairs Council, but I should not want to be driven to a Resolution, which several other Member States favour.

8. If we can secure the ECOFIN text, whether as a Council Decision or Conclusion, we shall have achieved as satisfactory an outcome to this chapter of



the post-Fontainebleau package as we could realistically have expected in the circumstances. I believe we could justify it to Parliament and our supporters as an acceptable discharge of the European Council's invitation to the Council to adopt the measures necessary to guarantee the effective application of the budgetary discipline principles to which they agreed at Fontainebleau.

9. I am copying this minute to Geoffrey Howe, Michael Jopling and to Sir Robert Armstrong.

N.L.

2 October 1984

Eino Budegill



COMPTROLLER

IN

D.R.
C.B.D.
PRIME MINISTER

EC Budget

David Williamson telephoned from Luxembourg. The situation is as follows.

2. The Chancellor got a satisfactory text on budget discipline at ECOFIN yesterday, subject to some French and Danish reserves. But its status is undecided, whether a Council decision or just a conclusion. The text has not yet been considered by the Foreign Affairs Council.

3. The other budget issues have been discussed all day in the Foreign Affairs Council.

4. There is agreement to establish the 1985 budget within the 1% ceiling with a declaration that says we will get our 1000m écu refund come what may. But the Germans have remained unyielding on the date of introduction of new own resources, so there is no agreement on what will happen if there is a further over-spend in 1985. It is left open.

5. On the 1984 Supplementary Budget, on the other hand, the others are being very difficult and have reached the point of saying that they will vote it through this evening à neuf if necessary. (This is possible because it is an intergovernmental agreement.) They are refusing an adjournment.

6. If we let that happen, we would not contribute to the Supplementary Budget (saving ourselves 200 m écu). But equally there would be no prospect of getting our 1983 refund (750 m écu) released by the Assembly.

7. Geoffrey Howe is therefore, in the absence of any better way to protect our interests, going to agree to the

1984 Supplementary Budget but make an explicit rider that we shall not go to Parliament for our contribution to the Supplementary Budget until:

- (i) the Assembly have released our 1983 refunds;
- (ii) there is satisfactory agreement on budget discipline.

i.e. we shan't pay anything until we get satisfaction on these points.

8. This is far from ideal, since it means that we do not actually have agreement on budget discipline at the moment when we agree in principle to the Supplementary Budget. But we do still have leverage to get it; and Geoffrey Howe is reasonably optimistic that the text on budget discipline virtually agreed yesterday can be pushed through the Foreign Affairs Council.

2 October 1984

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TO FLASH LUXEMBOURG

TELEGRAM NUMBER 64 OF 2 OCTOBER

FOLLOWING PERSONAL FOR PRIVATE SECRETARY FROM PRIVATE OFFICE
BUDGETARY DISCIPLINE

1. THE CHANCELLOR HAS ASKED THAT THE FOLLOWING PERSONAL MESSAGE
SHOULD BE PASSED URGENTLY TO THE SECRETARY OF STATE.

BEGINS: I HAVE REFLECTED FURTHER OVERNIGHT ON AGREEMENT ON
BUDGETARY DISCIPLINE TEXT REACHED AT ECOFIN LAST NIGHT.

I BELIEVE IT IS MOST IMPORTANT TO STICK FAST TO ECOFIN TEXT
AND TO RESIST ANY DISCUSSION OR UNPICKING OF IT AT ALL BY FOREIGN
AFFAIRS COUNCIL. CLEAR AGREEMENT AT ECOFIN WAS THAT TEXT SHOULD
BE REPORTED TO FOREIGN MINISTERS AS IT STANDS AS CONCLUSION OF
ECOFIN AND SHOULD NOT BE OPEN FOR FURTHER DISCUSSION OR AMENDMENT.
I BELIEVE IT IS STRONGLY IN OUR INTEREST TO KEEP TO THIS AND IN
PARTICULARLY ABSOLUTELY TO RESIST ANY ATTEMPT TO DELETE OR WEAKEN
REFERENCE TO QUOTE ORIGINAL BUDGETS UNQUOTE IN ARTICLE 4.
RETENTION OF PRESENT WORDING IS CRUCIAL FOR PREVENTION OF
BASE-DRIFT IN SETTING AGRICULTURAL GUIDELINE AND WAS ACCEPTED BY
ALL EXCEPT DANES AND FRENCH. ALTHOUGH LATTER MAY TAKE HARDER
LINE AT FAC, UNDER INFLUENCE OF ROCARD, BEREGOVY'S RESERVE
AT ECOFIN WAS LINKED TO BUDGET PACKAGE AS A WHOLE AND NOT TO
SUBSTANCE OF ISSUE.

I RECOGNISE THAT SOME MOVE MIGHT BE UNAVOIDABLE AT FAC
TO SECURE ENDORSEMENT OF ECOFIN TEXT. I WOULD STRONGLY PREFER TO
STICK TO PRESENT PRESIDENCY PROPOSAL THAT ECOFIN TEXT SHOULD BE
A COUNCIL DECISION, BUT IF YOU THOUGHT A COMPROMISE ON STATUS
OF TEXT WOULD SECURE AGREEMENT TO CONTENTS, I SHOULD BE PREPARED
TO ACCEPT CALLING IT A COUNCIL CONCLUSION. THIS SHOULD, HOWEVER,
BE ACCOMPANIED BY SUITABLE LONG TITLE SPECIFICALLY RELATING IT TO
IMPLEMENTATION OF BUDGETARY DISCIPLINE, AND ALSO BE BLESSED BY
EUROPEAN COUNCIL IN DECEMBER. I DO NOT (REPEAT NOT) THINK WE
SHOULD ACCEPT A RESOLUTION. ENDS

HOWE

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FRAME INSTITUTIONS

FM UKREP BRUSSELS 011005Z OCT 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 3115 OF 1 OCTOBER,

INFO IMMEDIATE LUXEMBOURG,

ROUTINE COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN

ATHENS LISBON MADRID,

INFO SAVING BRUSSELS STRASBOURG. mt

AD HOC COMMITTEE ON INSTITUTIONS (DOOGE COMMITTEE).
FIRST MEETING, BRUSSELS, 28 SEPTEMBER.

SUMMARY.

1. MR RIFKIND, AS THE PRIME MINISTER'S PERSONAL REPRESENTATIVE, ATTENDED THE FIRST MEETING OF THE COMMITTEE SET UP BY THE FONTAINEBLEAU EUROPEAN COUNCIL. DISCUSSION WAS CONFINED TO GENERAL OBJECTIVES, WORKING METHODS AND SUBJECTS TO BE COVERED. DOOGE CHAIRED ABLY AND FIRMLY, AND THE OUTCOME WAS BROADLY SATISFACTORY. THE MAIN SUBJECTS OF DISCUSSION, AT LEAST IN THE EARLY STAGES, PROMISE TO BE SPECIFIC, PRACTICAL AND VERY MUCH IN LINE WITH THE GROUND COVERED BY THE PRIME MINISTER'S PAPER 'EUROPE - THE FUTURE', WHICH DOOGE HELPFULLY ASKED TO BE CIRCULATED TO THE COMMITTEE.

2. THE COMMITTEE WILL MEET AT TWO WEEK INTERVALS AND WILL AIM TO SUBMIT AN INTERIM REPORT TO THE DECEMBER EUROPEAN COUNCIL. NEITHER THE EUROPEAN PARLIAMENT NOR, INITIALLY, SPAIN AND PORTUGAL WILL BE ADMITTED AS OBSERVERS. NO DECISIONS ON FORM OF SECRETARIAT OR NATURE OF FINAL REPORT. INDIVIDUAL MEMBERS OF THE COMMITTEE TO PREPARE WORKING PAPERS ON PRINCIPAL SUBJECTS. MR RIFKIND VOLUNTEERED TO PRESENT PAPER ON INTERNAL MARKET.

DETAIL

A. OBJECTIVES.

3. OPENING THE PROCEEDINGS DOOGE STRESSED THE NEED FOR THE COMMITTEE TO OPERATE AS A UNIT, TO CAST OFF DEPENDENCE ON NATIONAL POSITIONS. ITS MEMBERS DID NOT REPRESENT THEIR GOVERNMENTS. THE COMMITTEE WAS INDEPENDENT. IT SHOULD DRAW ON REPORTS, PAPERS AND SPEECHES ALREADY AVAILABLE. IT SHOULD AIM TO SUBMIT A SUBSTANTIAL INTERIM REPORT TO THE DUBLIN EUROPEAN COUNCIL. HE HOPED THE COMMITTEE WOULD AGREE AS A UNIT ON THE NATURE OF ITS TASK AND INVITED VIEWS.

4. A LONG TOUR DE TABLE FOLLOWED, REPORTED IN MIFT. IN IT MR RIFKIND ARGUED THAT:

(1) THE MAIN OBJECTIVE SHOULD BE TO MAKE RECOMMENDATIONS THAT WOULD BE ACCEPTED:

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(11)

(II) MEMBERS OF THE COMMITTEE WERE PERSONAL REPRESENTATIVES AND FREE TO EXPRESS THEIR OWN VIEWS AND ADVANCE THEIR OWN PROPOSALS, BUT THE OBJECTIVE OF OBTAINING ENDORSEMENT FROM HEADS OF GOVERNMENT SHOULD BE BORNE IN MIND:

(III) AS DOODGE HAD SAID IN HIS INTRODUCTION, IT SHOULD BE THE OBJECTIVE TO PUT FORWARD VIEWS AS A UNIT, AND ONLY IF THAT PROVED IMPOSSIBLE TO DISCUSS WHETHER TO PUT FORWARD ALTERNATIVES:

(IV) UNIMPLEMENTED RECOMMENDATIONS FROM PREVIOUS REPORTS SHOULD BE EXAMINED AFRESH ALONG WITH IDEAS RECENTLY PUT FORWARD BY E.G MITTERRAND AND THE PRIME MINISTER.

5. DOODGE SUMMED UP THAT THERE WAS A HIGH DEGREE OF AGREEMENT ON

(A) THE INDEPENDENT NATURE OF THE COMMITTEE: ITS MEMBERS WERE PERSONAL REPRESENTATIVES OF HEADS OF GOVERNMENT, WHO ENJOYED THE LATTERS' CONFIDENCE AND WOULD NO DOUBT REPORT BACK TO OR DISCUSS WITH THEM THE OUTCOME OF EACH MEETING. THIS PROCESS OF DIALOGUE WOULD BE GOOD PREPARATION FOR THE EVENTUAL DISCUSSION BY HEADS OF GOVERNMENT OF THE COMMITTEE'S REPORT:

(B) THE NEED TO RANGE WIDELY BUT AT THE SAME TIME TO CONCENTRATE ON SPECIFIC SUBJECTS, SINCE THE COMMITTEE COULD NOT COVER THE WHOLE FIELD. THE COMMITTEE'S APPROACH TO THESE SUBJECTS SHOULD BE PRACTICAL AND POLITICAL:

(C) AVOIDING SPENDING TOO MUCH TIME ON DIAGNOSIS, BUT PRESENT DIFFICULTIES MUST BE EXAMINED:

(D) THE HOPE THAT THE REPORT COULD BE UNANIMOUS, BUT SOME WERE DETERMINED NOT TO DILUTE THE RECOMMENDATIONS IN FAVOUR OF UNANIMITY. IF UNANIMITY WAS UNATTAINABLE THE COMMITTEE WOULD NEED TO PRESENT OPTIONS: IT WOULD AIM AT UNANIMITY BUT NOT FOR ITS OWN SAKE.

(E) THE COMMITTEE'S REPORT WOULD BE DRAFTED IN TERMS OF GUIDELINES, NOT SOME LEGALLY BINDING DOCUMENT.

B. SUBJECTS FOR DISCUSSION AND WORKING PAPERS.

6. DURING THE OPENING DISCUSSION, VAN EEKELN (NETHERLANDS) HAD SUGGESTED THAT EACH COMMITTEE MEMBER BE RESPONSIBLE FOR PRODUCING A WORKING PAPER ON ONE OF THE SUBJECTS FOR DISCUSSION IN ORDER TO SPEED UP WORK. WHEN DOODGE SOUGHT SUGGESTIONS, RUHFUS (FRG) JUMPED IN WITH THE FOLLOWING LIST: COMMON ACTION IN EXTERNAL POLICY, BUILDING ON THE POCO ACQUIS, SECURITY POLICY: ECONOMIC AND MONETARY UNION: THE MEDIA AND TELECOMMUNICATIONS: INNOVATIVE TECHNOLOGY: CULTURE: AND HOW TO TRANSLATE THESE INSTITUTIONALLY INTO ACTION, I.E COUNCIL WORKING METHODS, INCREASED POWERS FOR THE COMMISSION, POWERS OF THE EUROPEAN PARLIAMENT.

7. VAN EEKELLEN, PICKING UP AN EARLIER CONTRIBUTION FROM MOLLER (DENMARK), THOUGHT IT IMPORTANT TO DISTINGUISH THREE GROUPS OF ISSUES:

- (I) IMPROVEMENT OF THE EXISTING COMMUNITIES (E.G. INTERNAL MARKET, SERVICES ETC):
- (II) NEW ACTIVITIES BOTH WITHIN AND BEYOND THE SCOPE OF THE TREATIES, (IN WHICH, CURIOUSLY, HE INCLUDED THE ENVIRONMENT, ECONOMIC AND MONETARY POLICIES AND CONVERGENCE),
- (III) FUNCTIONING OF THE INSTITUTIONS, INCLUDING THE QUESTION OF VARIABLE GEOMETRY.

HE OFFERED TO DO A PAPER ON THE INSTITUTIONS.

8. MR RIFKIND SUGGESTED THREE BROAD SUBJECTS:

- (I) WAYS IN WHICH THE COMMUNITY COULD RESPOND TO U.S AND JAPANESE COMPETITION (INTERNAL MARKET/INDUSTRIAL AND TECHNOLOGICAL COLLABORATION):
- (II) A COMMON APPROACH IN EXTERNAL AFFAIRS:
- (III) EXAMINING WAYS OF MAKING THE INSTITUTIONS MORE EFFICIENT AND STREAMLINED.

DOOGE HELPFULLY ASKED AT THIS POINT FOR THE PRIME MINISTER'S PAPER TO BE MADE AVAILABLE, WHICH WE DID.

9. ANDRIESSEN (COMMISSION) ADDED UNEMPLOYMENT AND VARIABLE GEOMETRY. VARFIS (GREECE) STRESSED CONVERGENCE. FAURE (FRANCE) READ VARFIS A LECTURE ABOUT THE DIFFERENCE BETWEEN THOSE WHO COULD NOT AND THOSE WHO WOULD NOT ACT AS PART OF THE COMMUNITY, THEN LISTED STANDARDS, THE UNDEVELOPED COMMON POLICIES OF THE TREATIES (TRANSPORT, SOCIAL AND REGIONAL, MONETARY AFFAIRS, HIGH TECHNOLOGIES, SECURITY, AND - TO BE TAKEN AT THE END - INSTITUTIONAL QUESTIONS. HE SPOKE OF THE NEED TO REINFORCE THE DECISION-MAKING PROCESS AND OF THE DELICATE BALANCE IN THE TREATIES BETWEEN FEDERAL AND CONFEDERAL FORMS. HERMAN (BELGIUM) SUGGESTED THAT FAURE DO A PAPER ON SECURITY (BUT FAURE THOUGHT THAT PREMATURE), THE COMMISSION ON THE SUBJECTS ANDRIESSEN MENTIONED, AND RUHFUS ON INTERNAL MARKET, WHILE HE WOULD OFFER THE COMMITTEE PAPERS HE HAD ALREADY WRITTEN FOR THE E.P ON MONETARY MATTERS AND COMPETITIVITY. TAKEN ABACK BY THIS TAKE-OVER BID, DOOGE SAID THE CHAIR WOULD LIST AND GROUP SUBJECTS.

10. RUHFUS VOLUNTEERED TO DO EITHER INTERNAL MARKET OR EXTERNAL AFFAIRS AND GRACEFULLY CHOSE THE LATTER WHEN MR RIFKIND VOLUNTEERED TO DO THE FORMER. MR RIFKIND SUGGESTED THE PAPERS SHOULD BE KEPT RELATIVELY SHORT (HE HAS IN MIND 5 OR 6 PAGES) AND POINT TO SPECIFIC ACTION. DOOGE ADDED THAT THE END RESULT MUST BE COMPREHENSIBLE TO THE GENERAL PUBLIC. MOLLER OFFERED A PAPER ON THE SOCIAL IMPACT OF NEW TECHNOLOGIES BY THE NEXT MEETING, AND VARFIS UNDERTOOK TO PRODUCE ONE ON CONVERGENCE BY 24 OCTOBER. FAURE ACCEPTED FERRI'S SUGGESTION THAT HE DO A SHORT PAPER ON THE POLITICAL BACKGROUND TO INTRODUCE A GENERAL POLITICAL DEBATE ON THE EVENING OF 10 OCTOBER.

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C. PROCEDURE AND WORKING METHODS.

11. SEE MY SECOND M I F T.

D. NEXT MEETING.

12. DOOGE AGREED THAT A GENERAL POLITICAL DEBATE SHOULD OCCUPY 10 OCTOBER, FOLLOWED BY DISCUSSION ON 11 OCTOBER OF SOME OR ALL OF THE PAPERS ON MONETARY AFFAIRS, COMPETITIVITY (BOTH HERMAN) AND EXTERNAL AFFAIRS (RUHFUS), DEPENDING ON WHETHER THE E.P ACCEPTED THE INVITATION FOR THE AFTERNOON OF 11 OCTOBER.
(COMMENT: UNLIKELY AS THEY ARE IN PLENARY SESSION IN STRASBOURG).

FCO ADVANCE TO:-

FCO - P.S, PS/MR RIFKIND, RENWICK, FAIRWEATHER.
CAB - WILLIAMSON, STAPLETON, LAMBERT.
NO.10- POWELL.

FCO PASS SAVING TO STRASBOURG.

BUTLER

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MR POWELL NO.10. D-ST.
ADVANCE ADDRESSEES.

(ADVANCED AS REQUESTED)

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FROM LUXEMBOURG 012300Z OCT 84
 TO IMMEDIATE FCO

TELEGRAM NUMBER 261 OF 1 OCTOBER
 AND TO IMMEDIATE UKREP BRUSSELS
 INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN
 PARIS BONN ATHENS

FROM UKREP BRUSSELS

ECGF IN COUNCIL 1 OCTOBER 1984

BUDGET DISCIPLINE

SUMMARY

1. AGREEMENT ON SUBSTANCE SUBJECT TO A GENERAL DANISH RESERVE AND A FRENCH RESERVE ON ONE POINT. NO AGREEMENT TONIGHT ON LEGAL FORM; CHOICE RESTS BETWEEN A COUNCIL DECISION OR A COUNCIL RESOLUTION. FRENCH RESERVE AND LEGAL FORM LIKELY TO BE SETTLED AS PART OF ANY OVERALL SETTLEMENT OF THE RELATED BUDGETARY ISSUES. THE OUTCOME OF TODAY'S COUNCIL TO BE REPORTED TO FOREIGN AFFAIRS COUNCIL TOMORROW.

DETAIL

2. THE CHANCELLOR OF THE EXCHEQUER REPRESENTED THE UK.

3. THERE WERE SOME HOURS OF DISCUSSION OF BUDGET DISCIPLINE. DUKES (IRELAND) WAS AN EXCELLENT CHAIRMAN. THE DISCUSSIONS WERE WORKMEN-LIKE AND GOOD NATURED. DANES TOOK A GENERALLY INFLEXIBLE LINE AND TRIED TO DIVERT DISCUSSION FROM THE PRESIDENCY COMPROMISE TEXT TO A DENATURED TEXT OF THEIR OWN. HOWEVER DISCUSSION WAS IN FACT BASED CLOSELY ON THE PRESIDENCY TEXT WHICH PROVED WELL JUDGED AND SURVIVED IN QUITE LARGE MEASURE. FRANCE ITALY AND GREECE RAISED A NUMBER OF SIGNIFICANT DIFFICULTIES BUT ENGAGED IN A SERIOUS AND CONSTRUCTIVE NEGOTIATION. UK RECEIVED STRONG SUPPORT FROM GERMANY (STOLTENBERG) AND NETHERLANDS (RUDING) AND USEFUL SUPPORT FROM BELGIUM AND LUXEMBOURG. NOR DID THE COMMISSION CREATE GREAT DRAMAS OR DIFFICULTIES DESPITE THORN'S UNHELPFUL LETTER OF LAST WEEK. MOSTLY THEY SAT SILENT.

4. THE MAIN POINTS OF DISCUSSION ON THE PRESIDENCY TEXT AND THE OUTCOME WERE AS FOLLOWS:

TIMING OF THE REFERENCE FRAMEWORK

THE FORMULA AGREED UPON WAS QUOTES BEFORE THE BEGINNING OF THE BUDGETARY PROCEDURE UNQUOTES, IT BEING UNDERSTOOD THAT THE (TIGHTER) TIMETABLE FOR THE FINANCIAL GUIDELINE FOR AGRICULTURE WAS GOVERNED BY ARTICLE 2 AND THE COMMISSION'S DECLARATION

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/ BASE DRIFT

BASE DRIFT

FRENCH PRESSURE TO BASE THE CALCULATION OF THE GUIDELINE ON
OUTTURN EXPENDITURE FIGURES WAS RESISTED BY THE UK AND SEVERAL
OTHER DELEGATIONS. FRANCE THEN TRIED TO LEAVE THE CHOICE BETWEEN
ORIGINAL BUDGET OR OUTTURN TO BE DECIDED BY THE COUNCIL EACH YEAR.
ONLY THE DANES SUPPORTED THEM ON THIS AND FRANCE EVENTUALLY
AGREED TO THE INCLUSION OF ORIGINAL BUDGET PROVIDED AGREEMENT ON
BUDGET DISCIPLINE WAS PART OF A WIDER AGREEMENT ON THE POST-
FONTAINEBLEAU PACKAGE.

CLAWBACK

THE TEXT IN THE PRESIDENCY COMPROMISE WAS ACCEPTED.

MAXIMUM RATE

THE PRESIDENCY TEXT WAS RECAST, ON THE COMMISSION'S SUGGESTION,
WITHOUT IN ANY WAY ALTERING THE SUBSTANCE, IN ORDER TO AVOID
ANY CLASH WITH ARTICLE 203 OF THE TREATY AND TO REDUCE THE RISK
OF FRICTION WITH THE PARLIAMENT.

DATE OF COMING INTO EFFECT

A UK TEXT WAS ACCEPTED WHICH ENSURES THAT BUDGET DISCIPLINE
APPLIES TO COUNCIL DECISIONS IN 1985 AFFECTING THE 1986 BUDGET.

5. THE DANES MAINTAINED A GENERAL RESERVE ON THE TEXT. THE
CHANCELLOR MADE CLEAR THAT THE UK'S AGREEMENT TO THE COMPROMISE
TEXT WAS SUBJECT TO IT BEING PART OF A WIDER BUDGET AGREEMENT.

6. THE QUESTION OF THE LEGAL FORM OF THE CONCLUSIONS WAS LEFT OVER
UNTIL THE SUBSTANCE HAD BEEN SETTLED. SEVERAL DELEGATIONS
SUPPORTED THE UK'S INSISTENCE ON A DECISION "SUI GENERIS", SOME
OF THEM OPINING THAT THERE WAS LITTLE DIFFERENCE BETWEEN THIS AND
THE RESOLUTION. THE MEETING SEEMED TO COME QUITE CLOSE TO
AGREEMENT ON A DECISION BUT A STATEMENT FROM THE COUNCIL LEGAL
SERVICE WHICH TENDED TO HIGHLIGHT THE LEGAL NATURE OF A DECISION
SUI GENERIS PUSHED THE WAVERERS BACK INTO THE FRENCH AND DANISH
OPPOSITION CAMP.

7. PRESIDENCY CONCLUDED THAT THE QUESTION OF LEGAL FORM TOGETHER
WITH THE TWO RESERVATIONS ON SUBSTANCE (FRANCE AND DENMARK)
WOULD BE REPORTED TO THE FOREIGN AFFAIRS COUNCIL. AT GERMANY'S
INSISTENCE IT WAS AGREED TO ASK THE FOREIGN AFFAIRS COUNCIL NOT TO
REOPEN THE SUBSTANCE THOUGH IT WAS HOPED THAT THE OUTSTANDING
POINTS MIGHT BE SETTLED AS PART OF AN OVERALL AGREEMENT.

8. MORE DETAILED REPORT TO FOLLOW TOMORROW.

FCO ADVANCE TO:

FCO - TICKELL WALL

CAB - STAPLETON LAMBERT

TSY - PS/CHANCELLOR UNWIN BOSTOCK HOPKINSON PEET

T/SOL - PRESTON

UKREP DIST: BUTT/S-WALWYN - FULL

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DESKBY 291200Z

FRAME ECONOMIC

FM UKREP BRUSSELS 291045Z SEP 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 3107 OF 29 SEPTEMBER,

INFO PRIORITY BRUSSELS LUXEMBOURG COPENHAGEN ATHENS THE HAGUE

ROME DUBLIN PARIS BONN STRASBOURG,

INFO SAVING LISBON, MADRID.

ECOFIN COUNCIL : 1 OCTOBER.

BUDGET DISCIPLINE.

SUMMARY

THE PRESIDENCY' COMPROMISE DRAFT ON BUDGET DISCIPLINE (TEXT BY CLASSIFIED MUFAX TO ECD/I) MEETS U.K OBJECTIVES ON THE LEGAL FORM AND THE MAXIMUM RATE BUT IS FAR LESS SATISFACTORY ON THE AGRICULTURAL ISSUES.

DETAIL

1. THE SALIENT FEATURES OF THE PRESIDENCY COMPROMISE ARE AS FOLLOWS:-

(I) THE DOCUMENT IS DESCRIBED AS A DECISION, WITHOUT SQUARE BRACKETS:

(II) THE PRESIDENCY HAVE "COMPROMISED" ON 15 MARCH AS THE DATE FOR SETTING THE REFERENCE FRAMEWORK:

(III) THE REFERENCE TO THE ROLE OF THE ECOFIN COUNCIL HAS BEEN DELETED FROM THE TEXT, THOUGH IT APPEARS IN ATTENUATED FORM IN A DRAFT STATEMENT IN THE MINUTES:

(IV) THERE IS A COMPLICATED COMPROMISE ON BASE DRIFT: ARTICLE 4.2 SAYS THAT THE BASE FIGURES SHALL BE ORIGINAL BUDGET, UNLESS THE COUNCIL DECIDES OTHERWISE BY QUALIFIED MAJORITY: BUT ARTICLE 10 ENVISAGES A TRANSITIONAL ARRANGEMENT IN WHICH THE BASE FIGURES USED TO ESTABLISH THE GUIDELINES FOR THE YEARS 1986 TO 1988 WILL BE DETERMINED BY THE COUNCIL IN THE LIGHT OF OUTTURN EXPENDITURE:

(V) ARTICLE 5 TAKES OVER THE DEFINITION "QUALITATIVE GUIDELINE" WHICH THORN'S LETTER INSISTED UPON: IT USES THE WEAK FORMULA FOR CLAWBACK FROM THE ORIGINAL TEXT, NOT THE TOUGHER FORMULA PUT FORWARD BY THE U.K, GERMANY AND THE NETHERLANDS:

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(VI) ARTICLE 7 SURVIVES IN BOWDLERISED FORM, BUT THE PRESIDENCY HAVE ADOPTED THE ITALIAN PROPOSAL FOR ARTICLE 8.

(VII) ARTICLE 9 SURVIVES, DESPITE THORN'S OBJECTIONS: IT CONTAINS THE AMENDMENT SUGGESTED BY THE U.K TO ENSURE COMPATIBILITY WITH THE TREATY:

(VIII) THE U.K ENTRY IN THE MINUTES RELATING TO THE DEFINITION OF AGRICULTURAL EXPENDITURE IN ARTICLE 3 IS MISSING.

2. COMMENT: THE PRESIDENCY HAVE SHOWN COURAGE IN STICKING TO THE LEGAL FORM OF A COUNCIL DECISION AND IN IGNORING THORN'S COMMENTS ABOUT THE ROLE OF THE PARLIAMENT, THE MAXIMUM RATE AND THE TREATY. ON THE OTHER HAND, THE AGRICULTURAL PART OF THE DRAFT IS UNSATISFACTORY. 15 MARCH IS TOO LATE, THE ROLE OF ECOFIN MINISTERS IS NOT WELL DEFINED AND THE PROVISIONS ON BASE DRIFT AND CLAWBACK ARE FEEBLE. IN ALL, THE DRAFT SEEMS UNLIKELY TO PLEASE ANYONE, THOUGH IT IS PROBABLY ABOUT AS GOOD A BASIS FOR NEGOTIATION AS WE COULD HAVE HOPED, COMING FROM A PRESIDENCY WHICH IS FUNDAMENTALLY OPPOSED TO BUDGET DISCIPLINE.

3. RESIDENT CLERK PLEASE PASS IMMEDIATE TO NO.10 DOWNING STREET
----- AND TO UNWIN OR FITCHEW, TREASURY.

FCO ADVANCE TO:-

FCO - RENWICK, WALL, MARSDEN.

CAB - WILLIAMSON, LAMBERT.

MAFF- ATTRIDGE.

TSY - UNWIN, FITCHEW, HOPKINSON, BOSTOCK, PEET.

FCO PASS SAVING TO: LISBON/AND MADRID.

BUTLER

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cc: DC

10 DOWNING STREET

From the Private Secretary

28 September, 1984

ACTION COMMITTEE FOR EUROPE

Thank you for your letter of 26 September about the Action Committee for Europe.

The Prime Minister was grateful to be informed of this.

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

26 September 1984

CSP
Prime MinisterCSP
27/9.

Dear Charles,

Action Committee for Europe

You will want to know that Mr Edward Heath chaired a meeting on 13 September at Leeds Castle of a number of European personalities who are considering setting up a Committee to promote European integration, along the lines of the former Monnet Committee. Those present included Delors, Schmidt, Colombo, Tindemans, den Uyl, Deniau, Carstens and Maurice Faure. The meeting has received no publicity. We have only recently had a substantial account of it (from the Committee's Secretary-designate, Simon May, now of the Tugendhat Cabinet).

This was the second meeting of the group. (The first was in Brussels in mid-March.) I understand the intention is that at their next meeting (in Paris in December) they will discuss and possibly approve a draft policy statement covering various aspects of European integration. Once the document is agreed, the idea is to enlarge the membership of this group to some 80 people using the policy statement as the basis on which people are asked to join. Thereafter there would be an announcement that the new "Action Committee for Europe" (or some similar title) has been formed, together with the publication of the paper and the list of membership. The Action Committee will seek to promote its aims via speeches, Parliamentary resolutions and individual approaches to Members of European Community Governments.

One important difference from the Monnet Committee is that members would be members in their own right, not mandated representatives of political parties. I understand however that those concerned are determined that membership should not look like a collection of old-style Europeans but should include people who have the approval of and influence with Governments. I suppose therefore that if their plans work out we may expect an approach from representatives of the group to inform British Ministers of what is planned. We may also hear of approaches to other leading people in this country.

I say "if their plans work out" advisedly. Attempts have been going on for some time to revive the Monnet Committee and the group does not seem to be in any great hurry. This is

/arguably

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arguably no bad thing. There are obvious dangers of conflict, or at least confusion, with the Ad Hoc Committee on Institutional Affairs (or Spaak Committee) which will be meeting for the first time on 28 September. Some representatives on that Committee will wish to discuss just the issues which seem likely to be debated in the Action Committee.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

26 SEP 1994





Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

26 September 1984

C Budd Esq
 Private Secretary
 Foreign and Commonwealth Office
 London SW1A 2AH

Dear Colin,

1983 REFUNDS: POSSIBLE LEGAL ACTION

You sent this office a copy of your letter of 24 September to Charles Powell. We have also seen the latter's letter of 24 September.

The Chancellor entirely accepts the Law Officers' advice that the chances of success in an action before the European Court in relation to the 1983 refunds are very poor; and he considers that we should not pursue this option further at this stage.

I should, however, record that we regret not having been consulted on the terms of your approach to the Law Officers. Your letter of 6 September was only copied to us after the event, and then only at official level. Our prime interest in this subject is obvious; and had we been properly consulted on the instructions to the Law Officers, we would have been able to suggest a number of factual corrections and amendments. Perhaps in future you could bear this in mind.

I am copying this letter to Charles Powell (No 10) and to Michael Saunders (Law Officers' Department).

Yours ever,

And. K.

MISS J C SIMPSON
 Private Secretary

*NSPM
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28 SEP 1984



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TO IMMEDIATE FCC

TELEGRAM NUMBER 1104 OF 26 SEPTEMBER

INFO IMMEDIATE WASHINGTON (FOR CHANCELLOR'S PARTY), UKNIS NEW YORK
(FOR SECRETARY OF STATE'S PARTY), PRIORITY OTHER EC POSTS

YOUR TELNO 617 AND MY TELNO 1100: EUROPEAN COMMUNITY: BUDGET
DISCIPLINE

SUMMARY

1. DUMAS CABINET CLAIMS THE FRENCH EXPECT NO (NO) AGREEMENT ON
COMMUNITY FINANCING IN THE COUNCIL OF MINISTERS. EUROPEAN COUNCIL
WOULD HAVE TO RESOLVE OUTSTANDING ISSUES.

DETAIL

2. WE HAVE PURSUED THE POINTS IN YOUR TUR WITH BRICHAMBAUT,
DUMAS' DIRECTEUR DE CABINET. HE PROFESSED TO BELIEVE THAT SO MANY
MEMBER GOVERNMENTS WERE NOW INSISTING ON LINKING ALL THE FINANCIAL
ISSUES AND WERE SO FAR APART THAT THE CHANCES OF AGREEMENT IN THE
COUNCIL OF MINISTERS NEXT WEEK WERE NIL. THE FRENCH WERE THEREFORE
CONSIDERING HOW THE ISSUES MIGHT BE HANDLED AT THE DUBLIN EUROPEAN
COUNCIL IN DECEMBER, AND WERE RESIGNED TO NATIONAL FINANCING OF
AGRICULTURAL AIDS IN THE MEANTIME. AT THE END OF THE DISCUSSION HE
DID HOWEVER VOLUNTEER THAT HE MIGHT HAVE BEEN OVER-DRAMATISING
SOMEWHAT. MORE SERIOUSLY, BRICHAMBAUT INSISTED THAT WHILE THE
FRENCH APPROACH TO EUROPEAN COMMUNITY FINANCES HAD UNDERGONE AND
WAS STILL UNDERGOING AN IMPORTANT CHANGE IN FAVOUR OF GREATER
DISCIPLINE AND A BETTER BALANCE BETWEEN AGRICULTURE AND OTHER
SPENDING, WE WERE ASKING THEM TO MOVE FASTER THAN WAS POLITICALLY
FEASIBLE.

2. HE MAINTAINED THAT FRENCH OPPOSITION TO GIVING REGULATION
STATUS TO THE BUDGET DISCIPLINE MEASURE HAD NOW BEEN FIXED
BY INTER-MINISTERIAL DECISION.

3. LIKE BLANCHEMAISON YESTERDAY, HE DID NOT SERIOUSLY CONTEST
THE IMPORTANCE OF MATTERS SUCH AS CLAW-BACK, BASE DRIFT AND THE
TIMING OF AGRICULTURAL PRICE FIXING, AND DID NOT DISPUTE THAT
IT WOULD BE CONTRARY TO THE SPIRIT OF FONTAINEBLEAU TO SUBMIT
THEM FOR DECISION BY THE EUROPEAN COUNCIL, BUT HAD NO ALTERNATIVE
TO SUGGEST.

Discussion

4. HE CLAIMED THAT THE DECISION ON COMMUNITY FINANCES HELD BY
MITTERRAND AND KOHL AT VERDUN HAD BEEN TETE-A-TETE AND THAT
NOBODY HAD A FULL ACCOUNT OF IT. THE TWO MEN HAD AGREED TO MEET
FOR A WORKING SESSION ON EUROPEAN AFFAIRS ON AN UNSPECIFIED DATE
IN OCTOBER.

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/COMMENT

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COMMENT.

5. WHILE BRICHAMBAUT MAY INDEED, AS HE SAID HAVE BEEN DRAMATISING AND TO SOME EXTENT GUESSING HIS MINISTER'S INTENTIONS, IT DOES LOOK AS THOUGH THE FRENCH GOVERNMENT NOW THAT IT IS STARING A DECISION ON BUDGET DISCIPLINE IN THE FACE IS WONDERING WHETHER IT REALLY WANTS TO TAKE THE CONSEQUENTIAL ANGER OF FARMERS ON THE CHIN.

ROCARD, HAVING OBTAINED RATHER GENEROUS TREATMENT FOR HIS FARMERS FROM THE COMMISSION THIS YEAR, AND IN THE DOMESTIC BUDGET FOR 1985, SEEMS ALSO TO HAVE HAD SOME SUCCESS IN WEAKENING THE MINISTRY OF FINANCE'S COMMITMENT TO EC BUDGET DISCIPLINE UNDER BEREGEVOY COMPARED TO DELORS. AS A RESULT ADVOCATES OF DISCIPLINE ARE HARD TO FIND IN PARIS AT THIS TIME.

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TO IMMEDIATE UKMIS NEW YORK (FOR SECRETARY OF STATE'S PARTY)
TELEGRAM NUMBER 512 OF 26 SEPTEMBER
INFO IMMEDIATE BONN, UKREP BRUSSELS, PARIS, WASHINGTON, (FOR
CHANCELLOR'S PARTY), THE HAGUE.

COMMUNITY BUDGET NEGOTIATIONS

1. WILLIAMSON AND RENWICK HAD A REASONABLY CONSTRUCTIVE MEETING WITH UNGERER (AUSWARTIGES AMT) AND THIELE (FROM THE CHANCELLOR'S OFFICE) IN BONN YESTERDAY.
2. WE SAID THAT WE UNDERSTOOD THE GERMANS' DETERMINATION VIS A VIS THE BUNDESTAG TO MAINTAIN THE LINK BETWEEN THE ENTRY INTO FORCE OF THE NEW OWN RESOURCES DECISION AND ENLARGEMENT. BUT THE GERMANS' CONCERN SHOULD BE MET ONCE THE ACCESSION NEGOTIATIONS HAD BEEN COMPLETED. IF THE GERMANS COULD NOT ENVISAGE THE ENTRY INTO FORCE OF NEW OWN RESOURCES BEFORE 1 JANUARY 1986, IT WAS VIRTUALLY IMPOSSIBLE TO SEE HOW THE 1000 MECU ABATEMENT OF OUR VAT CONTRIBUTION COULD BE FINANCED IN 1985. THERE WAS GOING TO BE AN IRREDUCIBLE BUDGET OVERRUN NEXT YEAR WHICH ALSO HAD TO BE FINANCED.
3. WE ADDED THAT THE COMMISSION HAD PUT FORWARD THE IDEA IN BRUSSELS THIS WEEK OF A TRANSITIONAL ARRANGEMENT WHEREBY IT WOULD BE POSSIBLE TO STICK TO THE 1 JANUARY 1986 DATE FOR THE COMING INTO EFFECT OF THE 1.4 PER CENT VAT RATE, WHILE MAKING PROVISION FOR AN INTERMEDIATE RATE NEXT YEAR TO FINANCE OUR ABATEMENT AND THE IRREDUCIBLE OVERRUN. THE ADVANTAGE OF THIS ARRANGEMENT WAS THAT IT WOULD ENSURE IMPLEMENTATION OF THE FONTAINEBLEAU CONCLUSIONS IN RESPECT OF 1985, WHILE ENSURING THAT THE 1985 OVERRUN WAS LIMITED.
4. UNGERER CLEARLY HAD BEEN REFLECTING ON THIS IDEA AND SAW SOME ATTRACTION IN THE CONCEPT OF A TRANSITIONAL ARRANGEMENT IN TERMS OF PRESENTATION VIS A VIS THE BUNDESTAG. HE ACKNOWLEDGED

CONFIDENTIAL

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THAT THERE WOULD NEED TO BE TRANSITIONAL MEASURES ANYWAY TO DEAL WITH OUR ABATEMENT AND THE OVERRUN NEXT YEAR AND THAT THERE WERE ADVANTAGES VIS A VIS THE EUROPEAN PARLIAMENT AND IN TERMS OF BUDGET DISCIPLINE IN SETTING AN EFFECTIVE LIMIT NOW THROUGH A LIMITED CALL-UP OF OWN RESOURCES. THE GERMANS SUGGESTED THAT THIS MIGHT BE DONE EITHER BY SETTING , IN THE NEW OWN RESOURCES DECISION, A SPECIFIC INTERMEDIATE RATE FOR 1985 OR BY ARRANGING ENTRY INTO EFFECT OF THE 1.4 PER CENT VAT RATE FROM 1 OCTOBER 1985. ON THE WHOLE THEY SEEMED MORE ATTRACTED BY THE CONCEPT OF AN INTERMEDIATE RATE.

5. UNGERER ALSO PRODUCED A DRAFT ON WHICH THE GERMANS HAD BEEN WORKING BEFORE THEY HAD STARTED FOCUSING ON THE TRANSITIONAL IDEA. THIS WOULD WRITE INTO THE PREAMBLE OF THE OWN RESOURCES DECISION PASSAGES FROM THE EUROPEAN COUNCIL CONCLUSIONS ON THE LINKAGE BETWEEN ENLARGEMENT AND NEW OWN RESOURCES: AND INTO ARTICLE 8 OF THE DECISION THE PROVISION THAT IT SHOULD ENTER INTO FORCE FOLLOWING RATIFICATION BY ALL MEMBER STATES, PROVIDED, HOWEVER, THE ACCESSION TREATIES HAD ALSO BEEN RATIFIED. ON THIS BASIS THERE WOULD BE NO REFERENCE TO THE 1 JANUARY 1986 DATE, LEAVING IT OPEN FOR NEW OWN RESOURCES TO BE BROUGHT IN EARLIER IF THE ACCESSION TREATIES WERE RATIFIED IN TIME. UNGERER EMPHASIZED THAT THE BUNDESTAG WOULD NOT APPROVE THE FULL NEW OWN RESOURCES UNLESS AND UNTIL THE ACCESSION TREATIES HAD BEEN RATIFIED.

6. WE POINTED OUT THAT WHILE THIS TEXT DID OPEN UP THE POSSIBILITY OF BRINGING FORWARD NEW OWN RESOURCES INTO 1985, IT ALSO RAISED THE POSSIBILITY THAT, IF RATIFICATION OF THE ACCESSION TREATIES WERE DELAYED, THE DATE MIGHT SLIP INTO 1986. AFTER SOME DISCUSSION UNGERER ACKNOWLEDGED THAT THIS IDEA WOULD HAVE LITTLE MERIT UNLESS IT WERE ACCOMPANIED BY A TRANSITIONAL ARRANGEMENT IN THE MEANTIME. WE SAID THAT, IN OUR VIEW, THE BEST WAY FORWARD WAS TO CONSIDER AN INTERMEDIATE VAT RATE AS A TRANSITIONAL ARRANGEMENT NEXT YEAR WHILE STICKING TO 1 JANUARY 1986 FOR THE COMING INTO EFFECT OF THE NEW OWN RESOURCES AT THE FULL 1.4 PER CENT VAT RATE.

7. AT EVERY POINT WE MADE CLEAR THAT THE FONTAINEBLEAU CONCLUSIONS MUST BE IMPLEMENTED IN THE MANNER AGREED BY THE HEADS

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OF GOVERNMENT. ON THE PROPOSAL MADE BY THE GERMAN PERMANENT REPRESENTATIVE IN BRUSSELS FOR THE FINANCING OF OUR ABATEMENT BY AN INTER-GOVERNMENTAL AGREEMENT, WE POINTED OUT THAT THIS WOULD NOT BE COMPATIBLE WITH THE FONTAINEBLEAU AGREEMENT.

8. UNGERER AND THIELE EMPHASIZED THAT THEY HAD BEEN DISCUSSING THESE IDEAS WITH US ON THEIR PERSONAL AUTHORITY. THE POSITION OF THE CHANCELLOR, GENSCHER AND STOLTENBERG STILL WAS THAT THERE COULD BE NO INCREASE IN THE VAT RATE UNTIL 1 JANUARY 1986. THEY UNDERTOOK, HOWEVER, TO PUT TO THEIR MINISTERS THE IDEA OF A TRANSITIONAL ARRANGEMENT NEXT YEAR. THEY COULD NOT REPEAT NOT JUDGE WHAT THEIR REACTIONS WOULD BE.

9. IT IS IMPORTANT THAT UNGERER'S CONFIDENCE SHOULD BE RESPECTED (AND THAT THESE EXCHANGES SHOULD NOT BE REFERRED TO IN DISCUSSION WITH OTHER GERMAN OFFICIALS). THE SECRETARY OF STATE WILL NOT WISH TO GO INTO DETAIL WITH GENSCHER, TO WHOM UNGERER WILL BE REPORTING ONLY ON HIS RETURN. SIR JULIAN BULLARD THINKS IT WOULD BE HELPFUL, HOWEVER, IF THE SECRETARY OF STATE WERE TO MENTION TO GENSCHER IN NEW YORK THAT, AS AGREED WITH HIM, WE HAVE HAD A GOOD DISCUSSION AT OFFICIAL LEVEL OF POSSIBLE WAYS FORWARD ON THE 1985 BUDGET PROBLEMS AND THE NEW OWN RESOURCES DECISION, WITHOUT COMMITMENT ON EITHER SIDE: AND THAT WE HOPE THAT HE MIGHT CONSIDER CAREFULLY ON HIS RETURN THE IDEA OF A TRANSITIONAL ARRANGEMENT WHICH WILL BE NEEDED ANYWAY IN 1985, BUT WHICH WOULD LEAVE THE FULL NEW OWN RESOURCES TO COME IN ON 1 JANUARY 1986. PROVIDED THE FRENCH CAN BE HELD TO A SATISFACTORY TEXT ON BUDGET DISCIPLINE (ON WHICH WE HAVE BEEN GRATEFUL FOR GERMAN SUPPORT), THIS WOULD OPEN THE WAY FOR A GENERAL RESOLUTION OF THE BUDGET ISSUES IN LUXEMBOURG WHILE MAXIMISING ALSO GERMAN LEVERAGE OVER COMPLETION OF THE SPANISH AND PORTUGUESE ACCESSION NEGOTIATIONS. (WE STRESSED THAT WE WERE NO LESS DETERMINED THAN THE GERMANS TO BRING THOSE NEGOTIATIONS TO A SUCCESSFUL CONCLUSIONS.)

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Mr. Sawley?

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Subject

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PP ATHENS
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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T163E184

FM FCO 211826Z SEPT 84
TO PRIORITY ATHENS
TELEGRAM NUMBER 314 OF 25 SEP
REPEATED FOR INFO TO PRIORITY BONN, THE HAGUE, COPENHAGEN, PARIS
AND ROUTINE TO UKREP BRUSSELS
SAVING TO LUXEMBOURG, BRUSSELS, DUBLIN, ROME
MIPT: MR PAPANDEOU'S MESSAGE TO PRIME MINISTER
FOLLOWING IS TEXT OF PRIME MINISTER'S REPLY TO HIS EXCELLENCY, MR
ANDREAS PAPANDEOU PRIME MINISTER OF GREECE.
BEGINS

116

THANK YOU FOR YOUR LETTER OF 13 SEPTEMBER.

116

WE LAST DISCUSSED THE QUESTION OF INTEGRATED MEDITERRANEAN PROGRAMMES AT THE BRUSSELS EUROPEAN COUNCIL IN MARCH. THE DECISION WE MADE, AS YOU SAY, CONSTITUTES A FIRM UNDERTAKING WHICH REFLECTS THE RECOGNITION AMONG COMMUNITY HEADS OF GOVERNMENT OF THE IMPORTANCE OF THESE PROGRAMMES TO BOTH GREECE AND THE COMMUNITY IN GENERAL. I STAND BY THE DECISION WE MADE THEN.

WE AGREED THAT INTEGRATED MEDITERRANEAN PROGRAMMES SHOULD BE LAUNCHED DURING 1985 TO ENABLE THE SOUTHERN REGIONS OF THE PRESENT COMMUNITY TO ADJUST THEIR ECONOMIES TO COPE WITH THE ACCESSION OF SPAIN AND PORTUGAL. WE FURTHER AGREED THAT THEY SHOULD BE FINANCED WITHIN THE FRAMEWORK OF THE EXISTING STRUCTURAL FUNDS. THE NEW SOCIAL FUND AND REGIONAL DEVELOPMENT FUND REGULATIONS WHICH CONTAIN PROVISION FOR INTEGRATED PROGRAMMES, TOGETHER WITH THE PACKAGE OF AGRICULTURAL STRUCTURES MEASURES NOW UNDER DISCUSSION, WILL PROVIDE THE FRAMEWORK WITHIN WHICH THE EUROPEAN COUNCIL'S DECISION CAN BE IMPLEMENTED. WE ALSO AGREED THAT THE FINANCIAL RESOURCES ALLOCATED TO AID FROM THE FUNDS, HAVING REGARD TO IMPS WOULD BE SIGNIFICANTLY INCREASED IN REAL TERMS WITHIN THE LIMITS OF FINANCING POSSIBILITIES.

THE BUDGETARY PROBLEMS FACING THE COMMUNITY ARE SEVERE.

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THERE IS LITTLE ROOM TO INCREASE THE AMOUNTS GOING TO THE STRUCTURAL FUND IN 1985 BEYOND WHAT WAS PROVISIONALLY AGREED AT THE JULY BUDGET COUNCIL. NONETHELESS IT SHOULD BE POSSIBLE FOR A START TO BE MADE ON INTEGRATED MEDITERRANEAN PROGRAMMES IN 1985 THROUGH THE EXISTING STRUCTURAL FUNDS. ENDS.

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Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6400.....

Switchboard 01-213 3000

Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

25 September 1984

Prime Minister
lets hope this spirit
is matched in
other fields of
Community business -
like agriculture.

CD 25/9.

M. Thatcher

I have just returned from an Informal Council of Social Affairs Ministers in Dublin and I was so struck by the change of attitude round the table that I thought you might be interested in it. In my previous meetings I have been very much a lone voice warning of the cost of additional directives and of the need for our work to concentrate on practical ways in which we can help improve the employment position.

Up to now this has received little support from Ministers, who seemed happy enough to go along with Ivor Richards' as Commissioner with his concepts of yet more employment protection directives and similar measures. This time the atmosphere was quite different. The new French Minister - Madame Dubois - gave us a great lecture on the need in France to make substantial economies in their public health service, and the overall need to control public expenditure. The Irish Minister who is one of the Labour Party members of the coalition made it clear that social measures that added to employers costs were simply not acceptable at the present time, and the Italian Socialist Minister made a major plea on the importance of de-regulation and claimed that the black economy (which he estimated for Italy was now of the order of 30 per cent) was playing a valuable part in following through de-regulation and in this way bypassing the entrenched position of trade unions who were seeking to frustrate it.

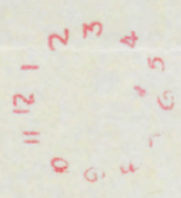
I thought you might be interested in these comments made in full session at our Council by three Socialist Ministers. Times have certainly changed!

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23 SEP 1984



COORDINATOR

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FILE

WJ

cc: P.C.

10 DOWNING STREET

NB ENCLOSURE

From the Private Secretary

25 September, 1984

LETTER FROM THE GREEK PRIME MINISTER CONCERNING INTEGRATED
MEDITERRANEAN PROGRAMMES

Thank you for your letter of 24 September enclosing a draft reply from the Prime Minister to Mr. Papandreou's message about integrated Mediterranean programmes.

The Prime Minister is content with the reply with two small amendments marked on the enclosed copy. I should be grateful if you could arrange for its despatch.

I am sending a copy of this letter to David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), David Normington (Department of Employment), John Ballard (Department of the Environment), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office.

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B.T.

Classification and Caveats

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TO PRIORITY ATHENS

TELEGRAM NUMBER

REPEATED FOR INFO TO PRIORITY BONN, THE HAGUE, COPENHAGEN, PARIS AND ROUTINE TO UKREP BRUSSELS

SAVING TO LUXEMBOURG, BRUSSELS, DUBLIN, ROME

MIPT: MR PAPANDREOU'S MESSAGE TO PRIME MINISTER

Following is text of Prime Minister's reply to his excellency, Mr Andreas Papandreou Prime Minister of Greece.

BEGINS

Thank you for your letter of 13 September.

We last discussed the question of Integrated Mediterranean Programmes at the Brussels European Council in March. The decision we made, as you say, constitutes a firm undertaking which reflects the recognition among Community Heads of Government of the importance of these programmes to both Greece and the Community in general. I stand by the decision we made then, and look forward to their implementation.

We agreed that Integrated Mediterranean Programmes should be launched during 1985 to enable the southern regions of the

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present Community to adjust their economies to cope with the accession of Spain and Portugal. We further agreed that they should be financed within the framework of the existing structural funds. The new Social Fund and Regional Development Fund Regulations which contain provision for integrated programmes, together with the package of agricultural structures measures now under discussion, will provide the framework within which the European Council's decision can be implemented. We also agreed that the financial resources allocated to aid from the Funds, having regard to IMPs, would be significantly increased in real terms within the limits of financing possibilities.

The budgetary problems facing the Community are severe. There is little room to increase the amounts going to the structural funds in 1985 beyond what was provisionally agreed at the July Budget Council. Nonetheless it should be possible for a start to be made on integrated mediterranean programmes in 1985 through the existing structural funds. ENDS.

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Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

The draft reply is a bit stilted in language - but that is because it sticks verbatim to the conclusions of the Brussels European

24 September 1984

Council. I think this is wise if not elegant: it is better not to get into interpretations of that text, which already represent a major gain for us. Agree draft reply?

Letter from the Greek Prime Minister concerning Integrated Mediterranean Programmes

Mr Papandreou has written to the Prime Minister and other EC Heads of Government (Athens telnos 424 and 425 enclosed) about the delay in implementation of the Integrated Mediterranean Programmes (IMPs). I enclose a draft reply for the Prime Minister which has been agreed with other interested Departments.

In March 1983 the Commission put forward proposals for IMPs to assist the economic development of certain Mediterranean areas of the Community. So far as Greece is concerned, the Commission proposed that IMPs should constitute a major element in the Community's response to the memorandum on Greek relations with the European Community which the Greek Government put forward a few months after Mr Papandreou came to office in 1981.

The Community has to respond to the Greek memorandum. But Greece is already a very substantial beneficiary from the Community budget (nearly one billion ecus in 1983). If the Commission's proposals were approved in their present form, they would add a totally unacceptable extra burden to the Community's budget. The cost to the UK, even with the Fontainebleau mechanism operating, would be more than £250m over the next six years. Spain and Portugal, when they join the Community, would expect to benefit from similar programmes. It is clearly right that the structural funds should operate on a Community wide basis and that there should not be a special Mediterranean fund to top up those countries' receipts. At the Brussels European Council the Prime Minister succeeded in having written into the Conclusions that IMPs should be accommodated within the existing structural funds. We have had strong German and Dutch support for our views.

There have been signs of increasing Greek concern about these developments. Mr Papandreou's approach does not come therefore as a surprise. At the Foreign Affairs Council on 17-18 September, the Greek Minister said that Greek agreement to the budget package was conditional on IMPs being launched. We can expect to hear more about IMPs at the Dublin European Council and, if the issue is not resolved by then, during the Italian Presidency (they also stand to benefit substantially under IMPs).



The draft reply sets out our view on the manner in which IMPs should be incorporated in the existing structural funds and emphasises the constraints imposed by the budgetary situation in the Community. We would propose to instruct our Embassies in Bonn, The Hague, Copenhagen and Brussels to inform their governments of the tenor of the Prime Minister's reply. We have a common interest with the other northern Member States in limiting Greek claims and should concert with them to do so.

I am copying this letter and its enclosures to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, Employment, the Environment, the Minister of Agriculture and Sir Robert Armstrong.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

OUT TELEGRAM

	Classification and Caveats	Precedence/Deskby
	RESTRICTED FRAME ECONOMIC	PRIORITY

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7 TO PRIORITY ATHENS
8 TELEGRAM NUMBER
9 REPEATED FOR INFO TO PRIORITY BONN, THE HAGUE, COPENHAGEN, PARIS
10 AND ROUTINE TO UKREP BRUSSELS
11 SAVING TO LUXEMBOURG, BRUSSELS, DUBLIN, ROME
12 MIPT: MR PAPANDREOU'S MESSAGE TO PRIME MINISTER
13 Following is text of Prime Minister's reply to his excellency, Mr
14 Andreas Papandreou Prime Minister of Greece.
15 BEGINS
16 Thank you for your letter of 13 September.
17 We last discussed the question of Integrated Mediterranean
18 Programmes at the Brussels European Council in March. The
19 decision we made, as you say, constitutes a firm undertaking
20 which reflects the recognition among Community Heads of
21 Government of the importance of these programmes to both Greece
22 and the Community in general. I stand by the decision we made
23 then. ~~and look forward to their implementation.~~
24 We agreed that Integrated Mediterranean Programmes should
25 be launched during 1985 to enable the southern regions of the

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 accession of Spain and Portugal. We further agreed that they
 should be financed within the framework of the existing
 structural funds. The new Social Fund and Regional Development
 Fund Regulations which contain provision for integrated
 programmes, together with the package of agricultural structures
 measures now under discussion, will provide the framework within
 which the European Council's decision can be implemented. We
 also agreed that the financial resources allocated to aid from
 the Funds, having regard to IMPs, would be significantly increased
 in real terms within the limits of financing possibilities.
 The budgetary problems facing the Community are severe.
 There is little room to increase the amounts going to the
 structural funds in 1985 beyond what was provisionally agreed at
 the July Budget Council. Nonetheless it should be possible for a
 start to be made on integrated mediterranean programmes in 1985
 through the existing structural funds. ENDS.

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TO IMMEDIATE FCO

TELNO 424 OF 13 SEPTEMBER 1984

AND TO IMMEDIATE UKREP BRUSSELS

INFO ROUTINE TO ALL OTHER EC POSTS

~~FRAME EXTERNAL / ECONOMIC~~

INTEGRATED MEDITERRANEAN PROGRAMMES

1. PANGALOS, DEPUTY MINISTER FOR FOREIGN AFFAIRS RESPONSIBLE FOR COMMUNITY QUESTIONS, ASKED ME TO CALL THIS MORNING. HE HANDED OVER A LETTER FROM PAPANDEOU TO THE PRIME MINISTER (TEXT IN HIFT).

2. PANGALOS, WHO WAS ACCOMPANIED BY PAPANDEOU'S NEWLY APPOINTED ADVISER ON EUROPEAN QUESTIONS, PAPANTONIOU, A FORMER MEMBER OF THE EUROPEAN PARLIAMENT, SAID THAT HE WAS INSTRUCTED TO EMPHASISE THE IMPORTANCE OF IMPS FOR GREECE ON THREE MAIN GROUNDS:-

(A) GREECE WAS FACING THE IMPACT OF ACCESSION TO THE COMMUNITY. THE COMMISSION'S RESPONSE TO THE GREEK MEMORANDUM ON THIS TOPIC HAD RELIED HEAVILY ON THE IMPLEMENTATION OF IMPS, WHICH WAS NOW HELD UP (SEMI COLON)

(B) GREECE WOULD BE FACING THE IMPACT OF ENLARGEMENT. IN THAT CONTEXT IMPS WERE PARTICULARLY IMPORTANT FOR GREECE AND OTHER COUNTRIES CONCERNED (SEMI COLON)

(C) IMPS WERE OF PARTICULAR IMPORTANCE TO PAPANDEOU AND THE GREEK GOVERNMENT BECAUSE OF THE EXPECTATIONS WHICH HAD BEEN AROUSED AMONG THE GREEK PEOPLE OF THE BENEFITS WHICH WOULD FLOW FROM IMPLEMENTATION IN 1985 OF IMPS TO WHICH THE BRUSSELS EUROPEAN COUNCIL HAD AGREED. (PAPANTONIOU EMPHASISED THIS POINT).

3. PAPANTONIOU STRESSED THAT THERE SHOULD BE, IN ACCORDANCE WITH DECISIONS OF THE COMMUNITY, ADDITIONAL FINANCE FOR IMPS.

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4. I SAID THAT I WOULD FORWARD PAPANDEOU'S LETTER. PANGALOS WOULD KNOW OUR POSITION WHICH WAS BASED ON A CORRECT INTERPRETATION OF THE BRUSSELS DECISION, I.E. THAT IMPS SHOULD BE FINANCED WITHIN THE EXISTING COMMUNITY STRUCTURAL FUNDS. PAPANTONIOU'S RESPONSE WAS THAT THE DESCRIPTION WAS UNIMPORTANT. WHAT MATTERED WAS THAT THERE SHOULD BE SPECIAL MONEY FOR IMPS. I SAID THAT I DID NOT THINK THAT THIS WAS IN ACCORDANCE WITH THE BRUSSELS DECISION FROM WHICH IT WAS CLEAR THAT IMPS WERE TO BE SEEN IN THE CONTEXT OF THE STRUCTURAL FUNDS. THE QUESTION OF EXTRA MONEY WAS NO DOUBT THE MOST DIFFICULT ASPECT OF THE GREEK DEMAND. PAPANTONIOU REITERATED THAT THIS WAS FOR THE GREEKS THE MOST IMPORTANT ASPECT.

5. PLEASE SEE MIFT.

RHODES

FRAME EXTERNAL/ ECONOMIC

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CABINET OFFICE MR A WILLIAMSON MR G STAPLETON MISS S J LAMBERT MR T J BURR	DTI (VICTORIA STREET) MR R WILLIAMS MR A C HUTTON OT2	ODA MR D L STANTON
H.M. TREASURY MR J F LITTLE MR P W HOPKINSON MR UNWIN MR JE MORTIMER	MAPF PERMANENT SECRETARY	PLUS OGDS

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 TO IMMEDIATE FCO.,
 TELNO 425 OF 13 SEPTEMBER 1984.,
 REPEATED AS IMMEDIATE INFO TO UKREP BRUSSELS.,
 REPEATED AS ROUTINE INFO TO OTHER EC POSTS.

M.I.P.T: INTEGRATED MEDITERRANEAN PROGRAMMES

FOLLOWING IS TEXT OF PAPANDEOU'S LETTER.

DEAR MADAME PRIME MINISTER,

THE DRAFT GENERAL BUDGET OF THE COMMUNITY FOR THE YEAR 1985, AS AGREED BY THE COUNCIL, HAS, INSTEAD OF CREDITS, A SIMPLE MENTION "POUR MEMOIRE" IN THE LINE CONCERNING THE INTEGRATED MEDITERRANEAN PROGRAMMES. I WOULD LIKE TO POINT OUT THAT THE COUNCIL REJECTED A COMMISSION PROPOSAL FOR THE ALLOCATION OF COMMITMENT APPROPRIATIONS OF 140 MECU, IN SPITE OF THE FACT THAT THERE IS A DRAFT REGULATION UNDER EXAMINATION AT THE COUNCIL, A POSITIVE OPINION OF THE EUROPEAN PARLIAMENT AS WELL AS A FIRM POLITICAL ENGAGEMENT OF THE EUROPEAN COUNCIL FOR THE IMPLEMENTATION OF THESE PROGRAMMES AS FROM 1985. THIS POSITION OF THE COUNCIL, IF NOT REVERSED AT A LATER STAGE, JUSTIFIES A CONCERN ABOUT POSSIBLE DELAYS IN THE IMPLEMENTION OF THE INTEGRATED MEDITERRANEAN PROGRAMMES WHICH WOULD CREATE SERIOUS PROBLEMS FOR MY COUNTRY.

ALLOW ME, MADAME PRIME MINISTER, TO BRING TO YOUR ATTENTION, ONCE AGAIN, THE NEED TO CREATE APPROPRIATE CONDITIONS FOR THE SMOOTH INTEGRATION OF GREECE INTO THE COMMUNITY WITHIN THE FRAMEWORK OF THE MORE GENERAL EFFORT THAT SHOULD BE UNDERTAKEN IN ORDER TO ACHIEVE ECONOMIC CONVERGENCE AND REDUCE REGIONAL DISPARITIES. PARTICULARLY IS CONCERNED THE AREA OF THE SOUTHERN

THE FRAMEWORK OF THE MORE GENERAL EFFORT THAT SHOULD BE UNDERTAKEN IN ORDER TO ACHIEVE ECONOMIC CONVERGENCE AND REDUCE REGIONAL DISPARITIES, PARTICULARLY AS CONCERNS THE AREAS OF THE SOUTHERN MEDITERRANEAN THAT WILL BE MOST AFFECTED BY THE ACCESSION OF SPAIN AND PORTUGAL. THE GREEK MEMORANDUM ANALYZED - AS YOU WELL KNOW - THE ADJUSTMENT PROBLEMS OF THE GREEK ECONOMY AND PROPOSED A SERIES OF ARRANGEMENTS AIMING AT CREATING AN ACCESSION REGIME THAT WOULD NOT BE OPPOSED TO BASIC NATIONAL INTERESTS. THE COMMISSION AS WELL AS THE EUROPEAN COUNCIL LINKED THE INTEGRATED MEDITERRANEAN PROGRAMMES TO THE MEMORANDUM AND PRESENTED THEM AS THE MAIN LINE OF "PARALLEL" COMMUNITY ACTION BESIDES THAT UNDERTAKEN WITHIN THE CONVENTIONAL FRAMEWORK OF THE STRUCTURAL FUNDS AND OTHER RELATED MEASURES. THEIR IMPLEMENTATION WITHIN THE AGREED PERIOD OF TIME WOULD BE A MINIMUM STEP IN THE DIRECTION OF MEETING THE REQUESTS OF THE MEMORANDUM AND, AS SUCH, IT CONSTITUTES A VITAL GREEK INTEREST WHOSE NEGLECT WOULD RESTRICT THE POSSIBILITIES OF GREEK CO-OPERATION IN THE PURSUIT OF THE WIDER COMMUNITY OBJECTIVES.

DURING THE IRISH PRESIDENCY PRIORITY SHOULD, THEREFORE, BE ACCORDED TO THE ADOPTION BY THE COUNCIL OF THE REGULATION FOR THE INTEGRATED MEDITERRANEAN PROGRAMMES IN A FORM THAT WILL NOT DIFFER FROM THE COMMISSION'S PROPOSAL, AT LEAST AS REGARDS THE EXPENDITURES THAT WILL BE REALIZED IN GREECE.

I SHOULD LIKE TO HOPE, MADAME PRIME MINISTER, THAT THE VIEWS I AM PRESENTING TO YOU WILL CONTRIBUTE TO A POSITIVE RESPONSE TO THIS QUESTION FROM YOUR GOVERNMENT.

I AM SENDING A LETTER OF THE SAME NATURE TO THE HEADS OF STATE AND GOVERNMENT OF THE OTHER MEMBER STATES, AND A COPY TO THE PRESIDENT OF THE EUROPEAN COMMISSION.

PLEASE ACCEPT, MADAME PRIME MINISTER, THE ASSURANCES OF MY HIGHEST CONSIDERATION.

ANDREAS PAPANDREOU

PRIME MINISTER OF GREECE.

R H O D E S

NNNN



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

24 September 1984

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1A 2AL

NBPT
CDP
24/9

file with op?
D Geoffrey.

In my letter of 7 August to Nigel Lawson about Community expenditure on R&D, I said that I would wish to revert to this topic in the context of the OD(E) discussion on EC standards and industrial collaboration now scheduled for 3 October.

2 There is always some danger of taking an unduly pessimistic view of the extent of industrial collaboration in Europe. We are agreed that such ventures are most effectively initiated by those who take part directly. There is a wide measure of industrial co-operation between British and European firms which does not, and cannot be expected to, come to the attention of governments or to hit the headlines.

3 That is not to say that these ventures owe nothing to the Community or that the Member States do not have a collective role to play, particularly in establishing the right regulatory and financial framework.

4 The establishment of common standards is a case in point: not least in those fields of high technology where the choice between wastefully competing technologies is intimately linked to drawing up common standards. The most rewarding role which we can play as a Member Government at this time is to ensure effective follow through by Community working groups and specialist Councils of work already in hand - largely in response to earlier UK initiatives. (These will doubtless be spelled out in the paper which will be coming to us from officials). Now is not the time for the kind of fresh initiative which could be picked up at the European Council.

JHLAWS



5 Finance may be considered under two headings.

6 First, industrial access to capital. In this letter I do not wish to do more than suggest that some liberalisation of capital movements within the Community must, inter alia, facilitate collaborative activity. We are well placed to urge it upon the French and others, who see this activity as a test of Community thinking.

7 A second role for Community governments in the context of industrial co-operation lies in the area of pre-competitive R&D involving industrial enterprises as participants and beneficiaries. It looks ahead on a time-scale over which enterprises cannot afford to commit their own expert and financial resources at an effective level. It also mobilises skills which by definition are otherwise too thinly spread. Such programmes are of a different nature to domestic programmes. They have an authentic Community dimension since action at that level offers particular benefits. They complement rather than duplicate domestic programmes.

8 But there is a problem: the present mechanism of attribution in respect of Community expenditure on R&D.

9 My primary concern is to allocate our limited R&D resources to the more immediate challenge of ensuring that we keep up industrial capability in place. This means domestically funded programmes directed at national objectives. With the current resources available to me, if the choice lies between domestic expenditure and expenditure in Europe I choose the former because I have national programmes of high priority that I am unable to finance.

10 I recognise that it is easier to consider such an issue in concrete terms and I see a way forward based on some of the programmes under discussion in the EC. I attach an Annex on these. They would have an authentic Community dimension and would be cost effective on a joint basis. Industry has already shown considerable interest and willingness to share the cost. UK support for these areas would be well received in the Community. The UK's gross contribution to the two programmes would be of the order of 40 mecu, that is £24 million. Yet the present Euro-PES baseline makes inadequate provision, and offers no manoeuvre, for accommodating either a biotechnology programme at the level proposed in the Annex or any programme covering basic industrial research. I regret that I can give neither priority over my hard-pressed domestic requirements.

11 When we launched ESPRIT, we recognised that it had a political significance which warranted special arrangements under Euro-PES. It would seem to me sensible to examine these other programmes in the same spirit. Indeed, just as we reached an understanding on the Community's R&D budget for 1984 and 1985 in the context of reaching an agreement on ESPRIT, we should couple our willingness

JHLAWS



to move on biotechnology and on BRITE to a requirement that the Community should engage in a continuing critical examination of its R&D programmes with a view to phasing out those of lowest priority.

12 I am sending copies of this letter to the Prime Minister, to the other members of OD(E) and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Norman Tebbit', with a horizontal line underneath the name.

NORMAN TEBBIT



POSSIBLE MEASURES FOR ACTION IN THE COMMUNITY

A BIOTECHNOLOGY

For biotechnology, the areas identified by the United Kingdom are more selective than the approach proposed by the Commission. The UK emphasis is on items such as databanks and culture collections which it is logical to develop at the European level rather than through individual national initiatives, and on basic biotechnology research - exploring jointly the vast number of avenues of precompetitive research which characterise the development of this technology.

Estimated cost
over 5 years
(MECU)

Infrastructure measures:

Updating and improvement of databanks)	
and networks)	
)	
)	
Upgrading and developing new)	
collections of biotic materials)	
)	7

Basic biotechnology - precompetitive research
in the following areas:

Technology of bioreactors	
Genetic Engineering	
Physiology and genetics of species important to industry and agriculture	c. 30

Technology of cells and tissues cultured in vitro
Screening methods for evaluation of toxicological effects and biological activity of molecules

Assessment of risks

Training

Long and short term, high level training for post doctorates, and researchers in industry	c. 5
--	------



Estimated cost
over 5 years
(MECU)

Short term specialist courses

Co-ordination

A small unit to co-ordinate the Commission's activities; to maintain links with national activities to identify problems (see non R&D actions below) and to progress these within the appropriate Directorates General of the Commission. 3

Plus non-R&D actions:

- improved Community regimes for raw materials for the biotechnology industry (sugar, starch etc) -
- intellectual property rights/patenting -
- regulations -

45 MECU
over 5 yrs**

MAFF, DHSS, SERC, AFRC and MRC have been closely involved in drawing up the above priority list.

Industry Interest: the proposed work is aimed at long term development of industrial biotechnological processes and techniques. Industry involvement would be essential.

A Commission proposal for a Biotechnology Programme is under discussion in the Council of Ministers. The proposal would cost 88 MECU over 5 years. The above priorities feature in the Commission's proposals.

B BASIC INDUSTRIAL RESEARCH /BRITE

As far as basic industrial technological research is concerned, the areas identified are not much different in scope and scale from the Commission's

** This total excludes the cost of research to industrial and research institute participants who would normally bear 50% of the research costs



own proposals - the so-called BRITE programme (Basic Research in Industrial Technologies for Europe). The emphasis here is on a programme of pre-competitive research, and UK industry has already expressed strong interest and shown a willingness to participate on a 50:50 shared cost basis. This programme would bring British firms more closely into contact with European capabilities. With BRITE there is a ready made package which could be launched immediately. In many ways it is a parallel approach to ESPRIT but for the more traditional industries.

The objective would be to improve the technology base of the more conventional UK and European industries and to encourage the introduction of new technology. The following interlinked areas would be favoured by DTI:

	Approx allocation of funds over 4 years (MECU)
- Reliability, wear and deterioration	c 20
- Laser technology	c 15
- Joining techniques	c 15
- New testing methods including non-destructive testing, online testing and computer aided testing	c 15
- CAD/CAM and mathematical modelling	c 10
- Polymers, composites, other new materials and powder metallurgy	c 15
- Membrane science and technology	c 10
- Catalysis and particle technology	c 10
- New production technologies suitable for products made from flexible materials	c 30

A very detailed list of priority technical themes within the above areas has been drawn up. These reflect expressions of interest from industry and the views of DTI and bodies such as SERC and Harwell. The emphasis would be on precompetitive industrial research aimed at industrial application in



the longer term. Such a programme would complement DTI's 'Support for Innovation'. On this basis DTI would favour a programme of 130-150 MECU over 4 years spread over the 9 areas on the basis of the quality and relevance of proposals received.

A Commission proposal for Basic Research in Industrial Technologies for Europe (the BRITE programme) which covers the above themes is currently being considered by the Council of Ministers. The proposal is for a programme costing 170 MECU over 4 years. The UK has been closely involved in the development of this programme in its development in view of the proposed content and the industrial interest and involvement, both in the research and financially. The programme parallels ESPRIT in being a ready-made programme of industrial collaboration, but aimed at the introduction of new technology in the more conventional industries. From the very considerable interest that UK industry has expressed in the programme, UK organisations should benefit substantially from the programme. [Strong Parliamentary support for the programmes was expressed in a Debate in the House of commons on 27 June.]

EURO POZ: Parolget
Pt 22



Subject
cc. Euro Pol
Abolition of
Frontier Formalities
April 80

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P.C

10 DOWNING STREET

OD(E)

FCO MAFF A.Gen. CO
HMT LPS DTI NIO

From the Private Secretary

24 September, 1984

FUTURE DEVELOPMENT OF THE COMMUNITY: AD HOC COMMITTEES
ON INSTITUTIONS AND "A PEOPLE'S EUROPE"

The Prime Minister has considered the Foreign Secretary's minute of 21 September on this subject. She notes that there may be some delay in recommendations about further movements towards abolition of frontier formalities.

The Prime Minister is curious about the statement in paragraph 5 of the Foreign Secretary's minute that Ministers found the tone of the paper prepared by officials on "A People's Europe" rather negative. If the paper dealt with some of the suggestions for symbolic contributions towards a European identity which were mentioned at Fontainebleau, the Prime Minister thinks that officials were quite right to be negative. She would like to be left fully informed of the position which it is proposed to adopt on such suggestions.

The Prime Minister has also commented that as the United Kingdom is the only country which makes available supplementary benefit on a national scale, we should make every effort to restrict this help to British nationals. While this is not a matter likely to come up in either of the two committees, the Prime Minister would nevertheless like it to be pursued. I should be grateful for a note.

I am sending a copy of this letter to the Private Secretaries to members of OD(E), and to Hugh Taylor (Home Office), John Ballard (Department of the Environment), Mrs. Barber (Solicitor General's Office), Steve Nicklen (Department of Trade), Dinah Nicols (Department of Transport) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office.

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cc: PC

10 DOWNING STREET

From the Private Secretary

24 September, 1984

Dear Sir,

1983 REFUNDS: POSSIBLE LEGAL ACTION

Thank you for your letter of 21 September conveying the Law Officers' advice about the prospects of legal proceedings in the European Court over our 1983 refunds.

The Prime Minister notes their view that the prospects of success in an action in the European Court against either the Commission or the Assembly are very poor.

I am sending a copy of this letter to David Peretz (HM Treasury) and to Richard Hatfield (Cabinet Office).

yes sir,

(C.D. Powell) —

C. Budd, Esq.,
Foreign and Commonwealth Office.

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SUBJECT
U. Euro. Pol.
Common Forum
Passports April '90

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CCPC



Prime Minister

PM/84/151

PRIME MINISTER

Please see para. 5 over the page. Officials were rather negative - rightly in my view - on symbols like European flags, antennas, football teams & so on. David Williamson & I

Future Development of the Community: Ad Hoc Committees on Institutions and "A People's Europe"

1. There was a useful discussion in OD(E) on 12 September about the line which our representatives, Malcolm Rifkind and David Williamson, should take in the two ad hoc committees set up by the Fontainebleau European Council. Both committees are expected to meet before the end of the month.

Thought that this would be your view, in the light of your remarks. Some of your colleagues appeared more enthusiastic. Agree

2. There are one or two points arising from the minutes on which I should like to comment.

Frontier Formalities

3. Mr Powell recorded in his letter of 6 August to my Private Secretary your request for recommendations in early September on how the United Kingdom could respond to moves in the Community towards the abolition of frontier formalities. For reasons which David Waddington set out in his letter of 20 August, this gives the Home Office considerable difficulties and OD(E) were able to have only a preliminary discussion of this question. Ministers will have to come back to it when we have had time to consider the paper Home Office officials are now working on. This means, I am afraid, some delay in making recommendations to you.

to ask that any conclusions from OD(E) be submitted to you? / CDD

4. When we do consider the question of frontier formalities, we must bear in mind Norman Tebbit's point (his letter to me of 12 September) that, in the eyes of our partners, there is a connection between free movement of people and attempts to open up the internal market. We are agreed that we should concentrate

Yes - I think officials look the right way here.

will request if required.
No -
As we are the only country with suppl. level - we must make effort to reduce do our own

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on the internal market and particularly liberalisation of air transport and services; we have already put forward a number of ideas, and more are being worked up. I think it important however to recognise that progress over the internal market, and in bringing home its benefits to the citizens of the Community, will be considerably facilitated if further progress can be made in reducing frontier formalities.

"A People's Europe"

5. OD(E) noted that the tone of the paper prepared by officials was rather negative on some points. We shall need to present our case in a positive manner when the committee gets under way.

6. I am copying this minute to members of OD(E), and to Leon Brittan, Patrick Jenkin, Patrick Mayhew, Paul Channon, David Mitchell and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
21 September 1984

European Policy: Common transport / Abolition of frontiers
formalities.

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CCPC
④



Foreign and Commonwealth Office

London SW1A 2AH

21 September 1984

ms Prime Minister
CDP
21/9

Dear Charles,

1983 Refunds: Possible Legal Action

I said in my letter of 6 September that we would be taking the advice of the Law Officers about the prospects of legal proceedings in the European Court over our 1983 refunds. The Solicitor General and the Lord Advocate have now considered the matter and I attach a copy of Michael Saunders' letter of 18 September to Henry Darwin which sets out their views. The Law Officers conclude that the action of the European Parliament in rejecting the transfer was not unlawful and that the chances of success of action in the European Court against either the Parliament or the Commission are very poor.

The Secretary of State has sent a minute to the Prime Minister on the state of the negotiations on the outstanding budget issues.

I am copying this letter to David Peretz at the Treasury and to Richard Hatfield in Sir Robert Armstrong's office.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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1-405 7641 Ext. 3229

Communications on this subject should
be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

Our Ref: 400/79/289

H G Darwin Esq. CMG.
Second Legal adviser
Foreign and Commonwealth Office
London SW1A 2AH

18 September 1984

For entry of

Mr Fairweather ELD (1)

*Mr Renwick
Mr Eaton Leg Adv.*

*The two law officers obviously
take the same view as we do*

HGD

19:12

John Henry,

1983 REFUNDS: POSSIBLE LEGAL ACTION

The Solicitor General and the Lord Advocate ("the Law Officers") have considered your letters to Henry Steel of 7 September and to Norman Adamson of 11 September and their annexes.

The Law Officers advise that it would be extremely difficult to persuade the European Court that the action of the Parliament was unlawful on procedural grounds. In coming to this view, they were much impressed by the material set out in Kevin Chamberlain's letter to Martin Eaton of 17 August.

Secondly, the Law Officers consider that the European Court is not likely to uphold an argument that the Parliament misused its powers. Even if it did, this would not result in the UK obtaining the refunds; the Parliament would be required to look at the matter anew.

Thirdly, the Law Officers advise that whilst the European Court might be prepared to construe Regulations 1888 to 1890/84 as imposing an obligation in Community law that payment should be made to the UK in 1984, it would be likely to hold that that obligation was subject to the condition that appropriation was made in the Budget. The Court is most unlikely to approve a doctrine that Parliament is constrained by the action of the Council in the one area in which it has any real powers. It could be dangerous to have this issue litigated in the European Court as the Law Officers advised in connection with the 1982 risk sharing refunds (see my letter to Alan Preston of 30 November 1983).

Fourthly, the Law Officers advise that the procedural difficulties in an action against either the Parliament or the Commission are serious, for the reasons given in paragraphs 23 to 38 of the Memorandum. As they have previously advised, the Law

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Communications on this subject should
be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

- page two -

Officers consider that the attitude of the Court to questions of procedure would probably be determined to some extent by its view on the merits of the case. The merits in this case are certainly not in the UK's favour.

The Law Officers therefore conclude that the action of the European Parliament in rejecting the transfer was not unlawful and that the chances of success of an action in the European Court against either the Parliament or the Commission are very poor.

I am copying this letter to Bill Godwin, Douglas Duncan, Sophia Lambert and Kevin Chamberlain.

Yours sincerely,
Michael Saunders

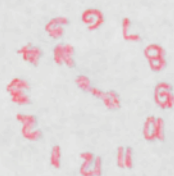
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21 SEP 1984

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10 DOWNING STREET

From the Private Secretary

21 September 1984

COMMUNITY BUDGET NEGOTIATIONS

The Prime Minister has noted the Foreign Secretary's minute (PM/84/150) reporting on the outcome of discussions at the Foreign Affairs Council on 17/18 September on Community budget problems.

I am sending copies of this letter to David Peretz (HM Treasury), Ivor Llewelyn (MAFF), Adrian Ellis (Economic Secretary's Office) and to Richard Hatfield (Cabinet Office).

(C.D. POWELL)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

Prime Minister

②



PM/84/150

PRIME MINISTERCDP
20/9[A very bland
minute: you would
hardly know there's
a problem!]Community Budget Negotiations

1. Following the Chancellor's discussions on budget discipline with his colleagues at the informal meeting of Finance Ministers at Dromoland Castle in Ireland, I sought to carry matters further forward on the whole package at the Foreign Affairs Council on 17/18 September.

New Own Resources Decision

2. I tabled a proposal which would permit new own resources to be available through the proper Treaty procedures during 1985, to deal with the 1000 mecu correction of our 1984 budget contributions (agreed at Fontainebleau) and any absolutely irreducible budget over-run.

3. The Germans stuck to the position that they could not agree at this stage to new own resources in 1985. The position they have always taken before the Bundestag is that this could only happen with enlargement on 1 January 1986. They accepted, however, that we must have our 1000 mecu by reduction of our VAT contribution in 1985. The Germans are in increasing difficulty in reconciling these two propositions and are under pressure from other member states. Our proposal, which was more or less adopted by the Irish Presidency, would permit new own resources to come into force earlier while not requiring the Germans to agree forthwith. The others want assurance that the irreducible over-run in 1985 will be financed through the own resources at the same time as our VAT abatement is financed. We are told that Mitterrand will be raising the timing of new own resources with Kohl at their meeting on Friday. There will be a need for discussions with the Germans before the next Council; I discussed the point with Genscher when we met again on 19 September, and we agreed that there should be early bilateral talks between officials.



Budget Discipline

4. On budget discipline there was no substantive discussion, but the French showed signs of wanting to go back on the text provisionally agreed by the Chancellor and his colleagues in Ireland. The Dutch, Germans and the Commission made helpful interventions emphasising the importance of work being completed on the basis of that text. The high level group is meeting to carry forward work on the text later this week. Decisions will need to be taken at the ECOFIN meeting on 1 October.

1984/1985 Budgets

5. I made clear that we would not agree to the establishment of the 1984 supplementary budget while these matters remain unresolved; that there would be no question of our putting proposals for supplementary finance to the House of Commons until the European Parliament had released our 1983 refunds; and that the financing of any irreducible over-run in 1985 should be through the own resources. We were able to maintain the package approach and, as a result of the proposals we tabled, to retain the initiative in the Council. The Irish Presidency played a more helpful role. There was no disposition to press us on the adoption of the supplementary budget on this occasion, as others knew that we will not settle until we get results on budget discipline.

6. The 1985 budget will have to be sent to the European Parliament by 5 October and that effectively is the deadline also for the adoption of a supplementary 1984 budget. Decisions on the outstanding budget issues will have to be taken in the ECOFIN Council on 1/2 October. I shall be attending the Foreign Affairs Council on 2 October. The Chancellor and I will be concerting tactics in these Councils and looking for ways to advance matters on the outstanding texts meanwhile.

7. Our objective remains to settle these matters as a package. That means pinning down the others on budget discipline and the outstanding points on the new own resources decision; and, of course,

/securing

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securing the release of our 1983 refunds.

8. I am sending copies of this minute to the Chancellor, the Minister of Agriculture, the Economic Secretary and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

20 September, 1984

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GRS 137
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FRAME ECONOMIC
FM LUXEMBOURG 201600Z SEP 84
TO IMMEDIATE F C O
TELEGRAM NUMBER 251 OF 20 SEPTEMBER
INFO IMMEDIATE UKREP BRUSSELS
INFO ROUTINE ALL OTHER EC POSTS

mt

EC BUDGETS AND RELEASE OF BRITISH REFUND

1. I HAD A FRANK EXCHANGE WITH PFLIMLIN, PRESIDENT OF THE EUROPEAN PARLIAMENT, LAST NIGHT ON THE HARM DONE IN BRITAIN TO THE EP'S IMAGE BY SUCCESSIVE IMPEDIMENTS TO THE COUNCIL'S DECISIONS ON THE BRITISH BUDGET PROBLEM. PFLIMLIN ASSURED ME AND JOHN LING, MEP, THAT ONCE THERE WAS AGREEMENT ON THE 1984 SUPPLEMENTARY BUDGET (WITHOUT WHICH THE COMMUNITY WOULD GO BANKRUPT), THERE WOULD BE NO QUESTION OF PARLIAMENT MAKING FURTHER DIFFICULTIES OVER THE RELEASE OF OUR 1983 REFUND. SIR MICHAEL BUTLER HAD BROUGHT HOME TO HIM OUR FEARS THAT THIS MIGHT NOT BE THE END OF THE STORY. BUT PFLIMLIN INSISTED THAT OUR CONCERN WAS MISPLACED. HE WENT ON TO ENDORSE THE POSITION TAKEN BY JEAN-PIERRE COT, CHAIRMAN OF THE BUDGET COMMITTEE.
2. I ENCOURAGED PFLIMLIN TO SAY SO PUBLICLY AT A PRESS CONFERENCE HE INTENDS TO GIVE AT THE BEGINNING OF OCTOBER. PFLIMLIN DID NOT DENUR.

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TO IMMEDIATE F C O

TELEGRAM NUMBER 2970 OF 20 SEPTEMBER

INFO PRIORITY COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN,
LUXEMBOURG, ATHENS

INFO SAVING BRUSSELS.

HIGH LEVEL GROUP ON BUDGET DISCIPLINE: 20 SEPTEMBER.

SUMMARY

1. STRIDENT OBJECTIONS FROM DANES AND GREEKS TO PRESIDENCY
CONCLUSION FROM DROMOLAND. FRENCH AND ITALIANS MORE RESTRAINED.
USEFUL DISCUSSION OF CLAWBACK AND BASE DRIFT, IN WHICH OUR
PROPOSALS GAINED GROUND. FIRST DISCUSSION OF PRESIDENCY DRAFT
OF COUNCIL DECISION.

DETAIL

DROMOLAND GUIDELINES

2. BEFORE THE MEETING THE PRESIDENCY HAD CIRCULATED A REVISED
VERSION OF THE DROMOLAND 'GUIDELINES'. DENMARK AND GREECE,
WITH RESTRAINED SUPPORT FROM FRANCE AND ITALY, CHALLENGED THE
CONCLUSIONS IN THIS DOCUMENT, AND THE DANES CIRCULATED A LETTER
TO THE PRESIDENCY CONTAINING AMENDMENTS. WITH REMARKABLE
FIRMNESS, THE PRESIDENCY INSISTED THAT THE DOCUMENT HAD BEEN
ENDORSED IN DROMOLAND AND THAT THE MEETING SHOULD MOVE ON TO
ADDRESS THE TASKS REMITTED TO IT: TO CONSIDER BASE DRIFT AND
CLAWBACK AND TO PREPARE THE TEXT OF A COUNCIL DECISION. THEY
PROCEEDED TO DO THIS, DESPITE CONSTANT COMPLAINTS FROM THE DANES.

BASE DRIFT/CLAWBACK

3. THE COMMISSION CIRCULATED TWO PAPERS ILLUSTRATING A METHOD
OF PREVENTING BASE DRIFT AND A WAY OF OPERATING CLAWBACK.
WITH DUTCH AND GERMAN SUPPORT, UNWIN (UK) WELCOMED THIS AND
SAID THAT WE COULD ENDORSE THE COMMISSION METHODOLOGY ON BASE
DRIFT. ON CLAWBACK, THE COMMISSION DID NOT GO FAR ENOUGH.
WE DID NOT ACCEPT FLUCTUATIONS CAUSED BY CYCLICAL FACTORS WOULD
BE SELF CANCELLING. WE BELIEVED IT WAS NECESSARY TO OPERATE ON
THE ASSUMPTION THAT ANY OVERSPEND WOULD BE CLAWED BACK, THOUGH
THE FINAL JUDGEMENT WOULD HAVE TO BE TAKEN IN THE LIGHT OF
CIRCUMSTANCES.

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14. IN

4. IN THE FOLLOWING DISCUSSION, THE DANES, IRISH AND ITALIANS, WITH COMMISSION SUPPORT, SAID THAT 'MATHEMATICAL' CLAWBACK SHOULD BE AVOIDED, BUT BY IMPLICATION DID NOT DISPUTE THAT THE CASE FOR SOME FORM OF CLAWBACK AND FOR THE AVOIDANCE OF BASE DRIFT HAD BEEN MADE. THE FRENCH TRIED HALF HEARTEDLY TO ARGUE FOR A METHODOLOGY BASED ON OUTTURN EXPENDITURE, WHICH THEY SAID COULD GO UP AS WELL AS DOWN.

STARTING DATE

5. UNWIN SAID THAT IF THE GUIDELINE WAS TO TAKE EFFECT IN 1986 IT MUST APPLY TO THE 1985 PRICE FIXING. THE DUTCH AND GERMANS SUPPORTED AND THE BELGIANS SAID IT SHOULD TAKE EFFECT AS SOON AS POSSIBLE. THE REST ARGUED THAT NOTHING SHOULD HAPPEN BEFORE 1986.

TRANSITIONAL ARRANGEMENTS

6. UNWIN SAID THAT THE SYSTEM COULD START ON THE BASIS OF ACTUAL FIGURES FOR 1983 AND 1984 AND POSSIBLY 1985. HE ACKNOWLEDGED THE NEED TO AVOID UNREALISTIC STARTING FIGURES.

DRAFT COUNCIL DECISION

7. THE PRESIDENCY CIRCULATED THE TEXT OF A DRAFT DECISION OF THE COUNCIL BASED ON THE DROMOLAND GUIDELINES. THEY SAID THAT THE APPROPRIATE SECTORS DEALING WITH BASE DRIFT, CLAWBACK AND ENTRY INTO FORCE, WOULD BE AMENDED IN THE LIGHT OF THE PREVIOUS DISCUSSION. THEY INVITED COMMENTS ON THE REST OF THE TEXT. UNWIN WELCOMED THE DRAFT AND SAID THAT SUBJECT TO SATISFACTORY RESOLUTION OF THE POINTS THE PRESIDENCY HAD MENTIONED, PLUS THE AVOIDANCE OF A STEP CHANGE ON THE RAISING OF THE VAT CEILING, IT WAS BROADLY ACCEPTABLE. NETHERLANDS, IRELAND, BELGIUM AND LUXEMBOURG ALL COMMENTED IN A RESTRAINED AND POSITIVE FASHION ON THE TEXT.

8. DENMARK AND GREECE, WITH SOME SUPPORT FROM FRANCE AND ITALY, CHALLENGED THE CONCEPT OF A COUNCIL 'DECISION'. THE GREEKS DEMANDED A FORMAL OPINION FROM THE LEGAL SERVICES ABOUT WHAT IT MEANT AND REFUSED TO COMMENT ON THE TEXT MEANWHILE. THE DANES SUPPORTED. THE PRESIDENCY PROMISED 'AN APPROPRIATE REACTION IN DUE COURSE'. DENMARK, ITALY AND FRANCE CLAIMED THAT THE DRAFT DID NOT STICK CLOSELY ENOUGH TO THE EUROPEAN COUNCIL TEXT. THEY ADVANCED MANY OF THE POINTS FAMILIAR FROM PREVIOUS DISCUSSIONS, E.G. THE INDIVISIBILITY OF THE COUNCIL, THE DIFFICULTY OF FIXING THE REFERENCE FRAMEWORK BEFORE APRIL, THE IMPORTANCE OF NEW POLICIES, ETC.

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9. STRASSER (COMMISSION) HAD NO OBJECTIONS TO A COUNCIL DECISION WHICH ONLY BOUND THE COUNCIL. BUT SAID THAT IT SHOULD NOT IMPOSE OBLIGATIONS ON THE COMMISSION. IT WAS ILLUSORY TO SUPPOSE THAT THE REFERENCE FRAMEWORK COULD BE DECIDED BY 1 MARCH. HE WARNED AGAINST PROCEEDING WITHOUT CONSULTING THE PARLIAMENT AND SAID THAT THE PART OF THE DRAFT DEALING WITH THE MAXIMUM RATE CONFLICTED WITH THE TREATY.

10. THE PRESIDENCY CONCLUDED THAT PROGRESS HAD BEEN MADE. A REVISED TEXT WOULD BE CIRCULATED FOR A FURTHER MEETING NEXT TUESDAY, THE LAST BEFORE THE ECOFIN COUNCIL ON 1 OCTOBER.

11. ALL TEXTS FOLLOW BY BAG.

FCO ADVANCE TO:

FCO - RENWICK, WALL, MARSDEN.

CAB - WILLIAMSON, LAMBERT.

MAFF - ATTRIDGE, PACKER.

TSY - UNWIN, FITCHEW, HOPKINSON, BOSTOCK, PEET.

BUTLER

{ADVANCED AS REQUESTED}

FRAME ECONOMIC
ECD(1)

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FRAME ECONOMIC
FM UKREP BRUSSELS 201135Z SEP 84
TO PRIORITY F C O
TELEGRAM NUMBER 2961 OF 20 SEPTEMBER.

E.P. BUDGETS COMMITTEE 18 AND 19 SEPTEMBER 1984 :

NEW OWN RESOURCES.

SUMMARY

1. PFENNIG (RAPPOREUR) TO PREPARE A DRAFT REPORT FOR CONSIDERATION BY BUDGETS COMMITTEE ON 26/27 SEPTEMBER. THIS IS LIKELY TO PROPOSE RETENTION OF THE 1970 OWN RESOURCES DECISION WITH AN AMENDMENT TO INCREASE THE CEILING TO 1.4%. U.K COMPENSATION MAY BE INCLUDED OR MAY BE THE SUBJECT OF A SEPARATE REGULATION, BUT DURATION LIKELY TO BE LIMITED. PFENNIG MAY PROPOSE THAT IT IS PAID ON THE EXPENDITURE SIDE.

DETAIL

2. THERE WAS NO DOCUMENT ON THE TABLE. PFENNIG (CD, RAPPOREUR) SAID THE COMMISSION'S PROPOSAL FOR NEW OWN RESOURCES OVERTURNED THE 1970 OWN RESOURCES DECISION AND CONFLICTED WITH THE CONCLUSIONS OF FONTAINEBLEAU. THESE CONCLUSIONS HAD SPECIFIED THAT COMPENSATION TO THE U.K SHOULD BE TRANSITIONAL AND THAT IN THE LONG TERM IMBALANCES SHOULD BE CORRECTED ON THE EXPENDITURE SIDE OF THE BUDGET. THE COMMISSION PROPOSAL CONTAINED NO TIME LIMIT AND, IF ADOPTED, COULD ONLY BE AMENDED SUBSEQUENTLY BY AGREEMENT OF ALL NATIONAL PARLIAMENTS. COMPENSATION WAS ON THE REVENUE SIDE OF THE BUDGET, WHICH UNDERMINED PARLIAMENT'S RIGHTS. DIFFERENTIAL RATES OF VAT IMPLIED A RETURN TO THE PRE-1970 SYSTEM OF FINANCIAL CONTRIBUTIONS. HE THOUGHT THE 1970 TEXT SHOULD BE RETAINED, BUT THAT THERE SHOULD BE AN INCREASE TO A VAT RATE OF 1.4% AND PERHAPS PROVISION FOR A SUBSEQUENT INCREASE TO 1.6%. U.K COMPENSATION SHOULD BE PROVIDED FOR BY SPECIAL PAYMENTS TO THE U.K FOR A TRANSITIONAL PERIOD.

3. DOURO (EDG) NOTED THAT THE FONTAINEBLEAU AGREEMENT WAS THE RESULT OF LONG DISCUSSIONS, INVOLVING THREE SEPARATE EUROPEAN COUNCILS. THE COMMISSION PROPOSAL CORRECTLY REFLECTED THE FONTAINEBLEAU CONCLUSIONS. FONTAINEBLEAU HAD SAID THAT WHILE EXPENDITURE POLICIES SHOULD ULTIMATELY PROVIDE THE SOLUTION TO BUDGETARY IMBALANCES, IN THE INTERVENING PERIOD COMPENSATION SHOULD BE PROVIDED ON THE REVENUE SIDE. AS FOR DURATION, FONTAINEBLEAU HAD SAID THE CORRECTION FORMULA

This is the Budget
Committee of the Assembly
trying to launch a
New Own Resources decision
of its own, in contradiction
to what was
decided at
Fontainebleau.

Then we do
not agree.

/FORESEEN

FORESEEN WOULD BE PART OF THE DECISION TO INCREASE THE OWN RESOURCES CEILING, THEIR DURATIONS BEING LINKED. IT WAS ALSO CLEAR THAT ANY SUBSEQUENT INCREASE TO 1.6% SHOULD BE BY UNANIMOUS AGREEMENT AND BY RATIFICATION OF ALL NATIONAL PARLIAMENTS. HE WOULD BE PREPARED TO AMEND RATHER THAN REPLACE THE 1970 DECISION BUT THE AMENDMENT SHOULD INCLUDE BOTH THE INCREASE IN THE CEILING AND THE COMPENSATION MECHANISM.

4. IN DISCUSSION, HOFF (SOCIALIST) SAID COMPENSATION TO THE U.K SHOULD BE THROUGH NON-OBLIGATORY EXPENDITURE AND BARBARELLA (ITALIAN COMMUNIST) SAID THAT U.K COMPENSATION SHOULD BE PART OF A SEPARATE TIME-LIMITED REGULATION WHICH WOULD NOT REQUIRE RATIFICATION BY NATIONAL PARLIAMENTS. CATHERWOOD AND CURRY (BOTH EDG) ARGUED THAT THE COMMITTEE SHOULD BE REALISTIC AND PRODUCE SOMETHING TO WHICH GOVERNMENTS AND NATIONAL PARLIAMENTS COULD AGREE, WHICH MEANT STICKING CLOSELY TO FONTAINEBLEAU. DANKERT AND ARNDT (BOTH SOCIALIST) PRESSED FOR COMPENSATION TO BE PROVIDED ON THE EXPENDITURE SIDE. LANGES (CD) SAID COMPENSATION MUST BE TIME-LIMITED, BUT THAT THE COMMITTEE SHOULD NOT DEFY THE DECISIONS TAKEN AT FONTAINEBLEAU.

5. PFENNIG SAID HE WOULD PREPARE A DRAFT REPORT FOR DISCUSSION ON 26/27 SEPTEMBER. THIS WOULD PROPOSE MAINTAINING THE 1970 OWN RESOURCES DECISION. A SOLUTION WOULD NEED TO BE FOUND TO THE QUESTION OF THE DURATION OF COMPENSATION TO THE U.K, PERHAPS THROUGH A TRANSITIONAL REGULATION. HE WOULD NEED TO CONSIDER WHETHER TO PROPOSE THAT U.K COMPENSATION SHOULD BE PROVIDED ON THE EXPENDITURE SIDE.

FCO ADVANCE TO:-

FCO - FAIRWEATHER, WALL, MARSDEN.
CAB - LAMBERT, BURR.
TSY - MORTIMER, PEET.

BUTLER

*FRAME ECONOMIC
ECD (I)*

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(ADVANCED AS REQUESTED)



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Ref. Qz.03897

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Community budget discussions in the Council of Ministers (Foreign Affairs) on 17-18 September. He may also refer (in the absence of the Chancellor of the Exchequer from Cabinet) to the work of the informal meeting of Finance Ministers in the Republic of Ireland on 15-16 September. The United Kingdom made considerable progress this week on two of its immediate objectives in these discussions: first, on keeping the whole package of issues together, as agreed at your meeting on 3 September; and, secondly, on highlighting the inconsistent and in some cases scarcely defensible position of some other member states, thus putting pressure on them to move towards our position. Our negotiating situation for the resumed discussion on 1-2 October is improved. There are, however, important points of substance still to be settled on the United Kingdom rebates, the date at which the revised Own Resources Decision would come into effect and on budgetary discipline. On the United Kingdom's 1983 rebate the Foreign and Commonwealth Secretary made quite clear that, whether or not the supplementary budget is formally established, the United Kingdom Government and Parliament will not actually provide any supplementary funds until it is certain that the European Parliament is lifting the block which it ill-advisedly imposed. On the 1984 rebate (which will actually be a deduction of 1000 million ecu or about £580 million from our VAT contribution) all member states are repeating their willingness that this should be implemented, as agreed at Fontainebleau, in 1985. We still have to be satisfied, however, that the text meets this requirement. On the date of entry into effect of the new Own Resources Decision we and eight

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other member states wish it to be open for this to be during 1985, so that any supplementary budget in 1985 could be financed by the proper procedures under the Treaty through the own resources system: the Germans, however, have so far not been able even to accept the option. On budgetary discipline the informal meeting of Finance Ministers moved forward in specifying points to go into the text necessary to effectively implement the Fontainebleau conclusions. The high level group of finance officials is meeting on 20 September to try to settle this text and there will be a meeting of the Council of Ministers (Finance) on 1 October intended to seek agreement. The Council of Ministers (Foreign Affairs) will also be meeting on 1-2 October.

2. The Foreign and Commonwealth Secretary will report on the remaining points discussed in the Foreign Affairs Council on 17-18 September, in particular enlargement and some trade issues. The Council, despite a very long and difficult session, did not reach agreement on the whole package of outstanding questions in the preparation of its position for the negotiations with Spain and Portugal. It did agree, however, that the Commission should discuss with the Spanish the accelerated dismantling of their high industrial tariffs, as proposed in the Commission's latest document which we support. This is satisfactory. The Council also came close to agreement on olive oil but Greece blocked this (the Italian position was more reasonable). On trade and the internal market, after Denmark lifted its long-standing reserve, the Council adopted the package of 15 directives on the elimination of technical barriers to trade within the Community and also the common commercial policy regulation.

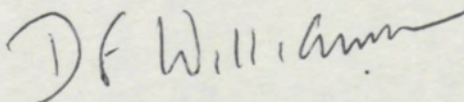
3. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 17-18 September which discussed the implementation of the milk supplementary levy and the reform of the wine regime. There was pressure on Italy from the Commission and other member states to implement the milk

/quotas

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quotas properly. Most member states followed the United Kingdom's example in pressing for uniform application and it was agreed that the Council should re-examine regularly the implementation of the quotas. There was little or no progress on wine reform.

4. There will be informal meetings of Social Affairs Ministers on 20-21 September and of Agriculture Ministers on 23-26 September.



D F WILLIAMSON

19 September 1984

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FRAME ECONOMIC

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TO IMMEDIATE F C O

TELEGRAM NUMBER 2918 OF 18 SEPTEMBER,

INFO IMMEDIATE BONN,

ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
LUXEMBOURG ATHENS.

FOREIGN AFFAIRS COUNCIL 18 SEPTEMBER.

BUDGETARY ISSUES.

SUMMARY

1. FURTHER BRIEF DISCUSSION TODAY PRODUCED NO PROGRESS ON THE MAJOR OUTSTANDING QUESTION OF THE TIMING OF THE INTRODUCTION OF NEW OWN RESOURCES. THE PRESIDENCY, AFTER A HALF-HEARTED ATTEMPT TO PERSUADE THE U.K TO AGREE TODAY TO SEND THE 1984 AND 1985 BUDGETS TO THE PARLIAMENT, CONCLUDED THAT DISCUSSION OF ALL THE RELATED BUDGETARY ISSUES WOULD HAVE TO BE RESUMED AT THE ECOFIN AND FOREIGN AFFAIRS COUNCILS ON 1-2 OCTOBER.

DETAIL

2. DISCUSSION RESUMED AT 1400 HOURS AND LASTED A LITTLE OVER AN HOUR. BARRY INVITED DELEGATIONS TO COMMENT ON THE PRESIDENCY COMPROMISE WHICH HAD BEEN TABLED AT THE END OF YESTERDAY MORNING.
3. O'KEEFFE (IRELAND) SAID HE COULD WEAR THE COMPROMISE. ANDREOTTI (ITALY) SAID THAT IT COVERED THEIR MAJOR CONCERNS, THOUGH HE NOTED THAT CONSEQUENTIAL AMENDMENTS WOULD BE NEEDED TO ARTICLE 8.
4. POOS (LUXEMBOURG) COULD ACCEPT EITHER THE PRESIDENCY COMPROMISE OR THE ORIGINAL COMMISSION PROPOSAL. HE THEN MADE A STATEMENT ABOUT THE TREATMENT OF ADMINISTRATIVE EXPENDITURE IN THE ALLOCATED BUDGET. THEY WISHED TO SEE THE EXISTING METHOD OF ALLOCATION CHANGED AND WOULD MAINTAIN A RESERVE ON THE DRAFT OWN RESOURCES DECISION UNTIL THIS MATTER HAD BEEN SETTLED DEFINITELY. HE RECALLED THAT THE COMMISSION IN THEIR DOCUMENT OF 4 NOVEMBER 1983 HAD PROPOSED A CHANGE IN THE EXISTING METHOD. HE WAS NOT ASKING FOR THE MATTER TO BE SETTLED IN THE COUNCIL BUT IT SHOULD BE PURSUED IN THE APPROPRIATE FORUM AND THEIR RESERVATION NOTED IN THE COUNCIL MINUTES.

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5. VAN EEKELLEN (NETHERLANDS) SAID HE HAD GRAVE DIFFICULTIES WITH THE COMPROMISE. THEY COULD ACCEPT (A) OF THE U.K AMENDMENT TO ARTICLE 3.4 BUT (B) WAS MUCH MORE DIFFICULT BECAUSE IT REQUIRED OTHER MEMBER STATES TO HAVE VAT RATES IN 1985 ABOVE 1 PER CENT IN ORDER TO FINANCE ABATEMENTS FOR THE U.K. TO AVOID THIS THE LAST TWO SENTENCES OF (B) SHOULD BE DELETED. HE ENDORSED THE TEXT OF THE PROPOSED NETHERLANDS/GERMAN DECLARATION LINKING THE IMPLEMENTATION OF OWN RESOURCES TO THE IMPLEMENTATION OF ENLARGEMENT BUT POINTED OUT THAT THIS CAST SERIOUS DOUBT ON THE VIABILITY OF THE PROPOSED U.K SOLUTION. REGARDING THE PRESIDENCY'S PROPOSED RE-DRAFT OF THE DECLARATION TO ACCOMPANY THE 1985 BUDGET, HE QUESTIONED THE REFERENCE TO THE POSSIBILITY OF PROVISION ABOVE 1314 MECU.

6. YOU BEGAN BY REMINDING THE COUNCIL THAT OUR APPROACH WAS DESIGNED TO SOLVE THE TWIN PROBLEMS OF FINANCING AN IRREDUCIBLE OVERRUN IN 1985 AND OF IMPLEMENTING THE FONTAINEBLEAU COMMITMENT THAT THE U.K'S COMPENSATION FOR 1984 SHOULD BE IMPLEMENTED IN 1985 BY ABATEMENT OF VAT. THE U.K WAS NOT SEEKING PRIORITY FOR ONE OBJECTIVE OVER THE OTHER: THEY HAD TO BE DEALT WITH TOGETHER BY BRINGING FORWARD OWN RESOURCES. TWO DELEGATIONS HAD DIFFICULTIES WITH THIS SOLUTION BUT THE U.K AMENDMENT PROTECTED THEIR POSITION WHILST PERMITTING THE SOLUTION PREFERRED BY THE OTHER EIGHT DELEGATIONS. YOU NOTED TIETMEYER AND RUHFUS' ACCEPTANCE THAT THE U.K'S VAT PAYMENTS SHOULD BE ABATED IN 1985, BUT ASKED HOW THIS COULD BE DONE UNLESS THE NEW OWN RESOURCES DECISION WAS IN PLACE TO PROVIDE A LEGAL BASE.

7. TURNING TO THE PRESIDENCY COMPROMISE, YOU AGREED WITH ITALY THAT CONSEQUENTIAL AMENDMENTS TO ARTICLE 8 WOULD BE NEEDED. TO LUXEMBOURG YOU SAID THAT THE POINT ABOUT ADMINISTRATIVE EXPENDITURE HAD BEEN RAISED AT FONTAINEBLEAU BUT THAT THE TEXT WHICH HAD PERMITTED A CHANGE IN THE ALLOCATION OF THIS EXPENDITURE HAD BEEN WITHDRAWN AND THE POINT HAD FALLEN. THE FONTAINEBLEAU CONCLUSIONS MADE IT QUITE CLEAR THAT EXPENDITURE WAS TO BE ALLOCATED "IN ACCORDANCE WITH THE EXISTING CRITERIA". ON THE SPECIFIC POINTS IN THE REVISED PRESIDENCY AMENDMENT TO ARTICLE 3.4 YOU SAID THAT YOU COULD ACCEPT THE DELETION OF THE WORD "IMMEDIATE" PROVIDED THAT IT WAS CLEARLY UNDERSTOOD THAT THE ABATEMENT OF OUR CONTRIBUTION IN 1985 SHOULD BE MADE IN ACCORDANCE WITH THE NORMAL BUDGETARY RULES APPLYING TO A MID-YEAR CHANGE IN VAT RATES, I.E WITH RETROSPECTIVE EFFECT FROM THE BEGINNING OF THE FINANCIAL YEAR. AS TO THE PROPOSED DELETION OF THE LAST SENTENCE OF (B) OF OUR TEXT, THERE MUST BE LEGAL CERTAINTY THAT, AS EXPRESSLY AGREED AT FONTAINEBLEAU, THE 1000 MECU CORRECTION FOR 1985 WOULD BE DEDUCTED FROM OUR VAT CONTRIBUTION IN 1985. SUBJECT TO SATISFACTORY ASSURANCES ON THAT POINT, YOU COULD ACCEPT THE PRESIDENCY'S PROPOSED AMENDMENT. CONCERNING VAN EEKELLEN'S OBJECTION TO THE SECOND SENTENCE OF (B), YOU WERE WILLING TO EXAMINE THIS BUT YOU BELIEVED THAT IT REFLECTED WHAT HAD BEEN AGREED AT FONTAINEBLEAU.

8. TURNING TO THE DRAFT GERMAN AND DUTCH DECLARATION FOR THE COUNCIL MINUTES, YOU SAID THAT THE U.K WOULD ALSO WISH TO MAKE A DECLARATION THAT THE 1985 BUDGET SHOULD BE FINANCED ONLY THROUGH OWN RESOURCES. WHILST IT WAS FOR THEM TO DECIDE ON THE TEXT OF THEIR DECLARATION, YOU POINTED OUT THAT THE LAST PHRASE "THUS PERMITTING THE ENTRY INTO FORCE SIMULTANEOUSLY OF THE OWN RESOURCES DECISION AND ENLARGEMENT" SEEMED INCONSISTENT BOTH WITH THE EARLIER PART OF THE DECLARATION AND WITH WHAT HAD BEEN AGREED AT STUTTGART AND FONTAINEBLEAU. YOU INVITED THEM TO CONSIDER DROPPING THIS PHRASE.

9. REGARDING THE PRESIDENCY'S DRAFT DECLARATION ON THE 1985 BUDGET, YOU POINTED OUT THAT IT PREJUDGED THE SUPPLEMENTARY PROVISION THAT WOULD BE NEEDED IN 1985. THE U.K HAD TABLED AN ALTERNATIVE DECLARATION YESTERDAY WHICH THE DUTCH AND SOME OTHERS HAD SEEMED TO FIND ACCEPTABLE. YOU SUGGESTED THAT THIS DRAFT WOULD BE A BETTER BASIS ON WHICH TO WORK.

10. YOU THEN REFERRED TO THE SEPARATE PRESIDENCY COMPROMISE COVERING 5 OTHER OUTSTANDING POINTS ON THE OWN RESOURCES DECISION. YOU COMMENTED THAT THE PRESIDENCY'S PROPOSAL FOR DEALING WITH THE PROBLEM OF THE PARLIAMENT'S MARGIN WOULD NOT BE NEEDED IF OUR AMENDMENT TO ARTICLE 3.4 WAS ACCEPTED. SUBJECT TO THIS POINT, YOU COULD ACCEPT THE PRESIDENCY'S COMPROMISE PROPOSAL IF OTHER DELEGATIONS COULD DO SO.

11. BARRY COMMENTED THAT YOU WERE RIGHT ABOUT THE TREATMENT OF ADMINISTRATIVE EXPENDITURE. THE EUROPEAN COUNCIL HAD DECIDED TO STICK TO "EXISTING CRITERIA". POOS RETORTED THAT FONTAINEBLEAU HAD NOT SETTLED THE MATTER: THE MEANING OF EXISTING CRITERIA HAD TO BE INTERPRETED. HE APPEALED TO THE U.K'S SENSE OF FAIRNESS. WAS IT FAIR THAT THE AIR FARES OF THE U.K'S MEPS TRAVELLING TO LUXEMBOURG SHOULD BE ALLOCATED TO THAT MEMBER STATE ? BARRY REITERATED THAT THERE HAD BEEN A POLITICAL AGREEMENT AT FONTAINEBLEAU. POOS DENIED THAT HE WAS QUESTIONING THE POLITICAL FRAMEWORK OF THE SETTLEMENT.

12. TINDEMANS (BELGIUM) BEGAN BY STATING HIS SUPPORT FOR LUXEMBOURG ON ADMINISTRATIVE EXPENDITURE. HE THEN TURNED TO THE "U.K PROPOSAL SUPPORTED BY THE PRESIDENCY". HE QUESTIONED THE NEED FOR (A) OF OUR AMENDMENT. HE PROPOSED INSTEAD AMENDING ARTICLE 3, PARAGRAPH 4 TO READ "THE PRESENT DECISION WILL TAKE EFFECT ON 1 JANUARY 1986 UNLESS THERE IS A UNANIMOUS COUNCIL DECISION ON AN EARLIER DATE". IN (B) OF OUR AMENDMENT THE WORDS "THIS DECISION" SHOULD BE REPLACED BY "THE DECISION PROVIDED FOR IN PARAGRAPH 4 OF ARTICLE 3".

13. TYGESEN (DENMARK) OPPOSED (A) OF OUR AMENDMENT AS CONTRARY TO THE DRAFT COUNCIL DECLARATION ON THE 1985 BUDGET. HE THEN PROPOSED THAT THE U.K SHOULD AGREE TODAY TO SEND THE 1984 AND 1985 BUDGETS TO THE PARLIAMENT ON A 'PROVISIONAL AND HYPOTHETICAL' BASIS. OUTSTANDING POINTS ON THE OWN RESOURCES DECISION AND BUDGET DISCIPLINE COULD BE SETTLED AT SUBSEQUENT COUNCIL MEETINGS. HE ASKED WHICH COUNCIL WOULD SEW UP THE PACKAGE AFTER THE ECOFIN COUNCIL HAD DISCUSSED BUDGET DISCIPLINE ON 1 OCTOBER. BARRY REPLIED THAT THE FOREIGN AFFAIRS COUNCIL PLANNED FOR 1-2 OCTOBER SHOULD DO THIS. HE INVITED DELEGATIONS TO CONSIDER THE DANISH SUGGESTION OF ESTABLISHING THE TWO BUDGETS PROVISIONALLY.

14. RUHFUS (GERMANY) SAID THAT THEY COULD AGREE TO ESTABLISH THE TWO BUDGETS PROVISIONALLY, TO THE DECLARATION NUMBER 5 ON THE 1985 BUDGET AND TO THE GUIDELINES ON BUDGET DISCIPLINE. THEY COULD ALSO AGREE TO THE PRESIDENCY'S COMPROMISE ON THE OUTSTANDING MINOR POINTS ON THE OWN RESOURCES DECISION. ON THE MAJOR QUESTION OF THE TIMING OF THE INTRODUCTION OF NEW OWN RESOURCES THEY INSISTED ON 1 JANUARY 1986 AS IN THE FONTAINEBLEAU TEXT. HE RECOGNISED THAT THIS CAUSED PROBLEMS FOR THE U.K BUT THEY HAD SAID THEY WERE READY TO AGREE TO TRANSITIONAL ARRANGEMENTS FOR IMPLEMENTING OUR 1984 COMPENSATION NEXT YEAR. HE DOUBTED WHETHER DISCUSSION COULD BE TAKEN MUCH FURTHER TODAY. REGARDING THE DRAFT GERMAN AND DUTCH ENTRY IN THE MINUTES HE POINTED OUT THAT THIS WOULD HAVE NO LEGAL FORCE. ARTICLE 8 SHOULD BE AMENDED TO SAY THAT THE DECISION WOULD COME INTO FORCE ON THE FIRST DAY OF THE MONTH FOLLOWING THE LAST RATIFICATION. REGARDING THE DECLARATION TO ACCOMPANY THE 1985 BUDGET, THEY WOULD PREFER TO AVOID SPECIFYING THE AMOUNT TO BE ADDED TO THE 1985 BUDGET. FINALLY, HE SUGGESTED THAT THE FOREIGN AFFAIRS COUNCIL SHOULD DEAL WITH THESE ISSUES AGAIN ON 2 OCTOBER.

15. PANAGLOS (GREECE) AGREED WITH TINDEMANS. THE U.K'S COMPENSATION FOR 1984 WAS A POLITICAL COMMITMENT BUT THERE WERE OTHERS TOO. HE WANTED BUDGET DISCIPLINE DISCUSSED IN THE FOREIGN AFFAIRS COUNCIL IN OCTOBER.

16. DUMAS (FRANCE) SAID THEY COULD ACCEPT THE TWO BUDGETS AS PREPARED BY THE BUDGET COUNCIL AND THE DRAFT DECLARATION ON THE 1985 BUDGET AS PROPOSED BY THE PRESIDENCY. HE NOTED THAT GERMANY WAS REFUSING TO FINANCE THE 1985 OVERRUN BY OWN RESOURCES AND THE U.K WAS REFUSING TO FINANCE IT BY ANY OTHER MEANS. THE U.K WAS INSISTING THAT IT SHOULD RECEIVE ITS COMPENSATION NEXT YEAR REGARDLESS OF HOW THE PROBLEMS ON THE OVERRUN WAS RESOLVED. THIS WAS UNREASONABLE AND (A) OF OUR AMENDMENT SHOULD BE DELETED. HE SUPPORTED THE BELGIAN COUNTER-PROPOSAL.

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17. BARRY CONCLUDED THAT THERE HAD BEEN NO MOVEMENT AND SO THERE WAS NO CHANCE OF REACHING AGREEMENT ON THE PRESIDENCY COMPROMISE TODAY. HE INVITED YOU TO COMMENT ON THE DANISH PROPOSAL THAT THE TWO BUDGETS SHOULD BE ESTABLISHED PROVISIONALLY. YOU SUGGESTED THAT HIS SUMMING UP WAS OVER-SIMPLIFIED. THE U.K WANTED TO SEE RAPID PROGRESS BUT ALL THE ISSUES UNDER CONSIDERATION WERE CLOSELY INTER-RELATED. ONLY IN THE CONTEXT OF PROGRESS ON THE WHOLE PACKAGE COULD THE TWO BUDGETS BE ESTABLISHED.

18. BARRY SOUGHT CONFIRMATION THAT THE PRESIDENCY'S COMPROMISE ON THE OTHER OUTSTANDING POINTS ON THE OWN RESOURCES DECISION WAS ACCEPTABLE. YOU REPEATED THAT THEIR PROPOSAL ABOUT THE PARLIAMENT'S MARGIN WOULD BE REDUNDANT IF AN ALTERNATIVE SOLUTION WAS FOUND. TUGESEN COULD ACCEPT THE FOURTH POINT ABOUT THE 1.6 PER CENT CEILING PROVIDED THE PRECISE WORDING OF THE FONTAINEBLEAU CONCLUSIONS WERE QUOTED. HE ALSO SOUGHT CONFIRMATION THAT EXPENDITURE IN THE 1985 BUDGET RESULTING FROM THE AGREEMENT WITH GREENLAND WOULD NOT BE CUT. BARRY CONCLUDED THAT THERE WAS AGREEMENT ON THE GREENLAND POINT AND ON THE PRESIDENCY COMPROMISE ON MINOR POINTS. HE INVITED COREPER TO PREPARE THE DOCUMENTS FOR THE MEETING OF THE COUNCILS ON 1-2 OCTOBER.

FCO ADVANCE TO:-

FCO - RENWICK, FAIRWEATHER, WALL.

CAB - WILLIAMSON, LAMBERT.

TSY - PS/CHANCELLOR, UNWIN, FITCHEW, MORTIMER, PEET.

T/SOL- PRESTON.

BUTLER

[ADVANCED AS REQUESTED]

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PRIME MINISTER

EC BUDGET

The outcome of the discussion at the Foreign Affairs Council is reasonably satisfactory. The package is still firmly together, we have made no concessions, our proposal on the introduction of new own resources in 1985 has been adopted virtually unchanged as a presidency compromise which the Germans are isolated in opposing.

The whole package is now to be considered at a special Foreign Affairs Council on 2 October, after ECOFIN have had another go at budget discipline on 1 October. It means going right down to the wire, but maximises our leverage.

Meanwhile we shall need bilateral discussions with the Germans.

C.D.P.

18 September 1984

GRS 1100

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FRAME ECONOMIC

FROM UKREP BRUSSELS 171820Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2895 OF 17 SEPTEMBER

INFO IMMEDIATE BONN PRIORITY COPENHAGEN THE HAGUE ROME DUBLIN PARIS

LUXEMBOURG ATHENS

INFO SAVING BRUSSELS

CONFIDENTIAL

FOREIGN AFFAIRS COUNCIL, 17 SEPTEMBER

BUDGETARY ISSUES: PROGRESS REPORT

SUMMARY

1. AT THE END OF THE MORNING, THE COUNCIL REMAINED DEADLOCKED ON THE DATE WHEN THE NEW OWN RESOURCES DECISION SHOULD COME INTO EFFECT. THE PRESIDENCY TABLED A COMPROMISE PROPOSAL AND SAID THAT THERE WOULD BE FURTHER DISCUSSION IN RESTRICTED SESSION IN THE AFTERNOON. IN THE EVENT THERE WAS NO TIME FOR THIS, AND DISCUSSION WILL THEREFORE RESUME TOMORROW MORNING.

DETAIL

2. ON BUDGET DISCIPLINE, BARRY (PRESIDENCY) READ OUT THE REPORT FROM THE INFORMAL ECOFIN MEETING. HE SAID THAT GOOD PROGRESS HAD BEEN MADE

IN THAT LIGHT, IT WOULD BE UNACCEPTABLE FOR THE COUNCIL TO FAIL TO ESTABLISH THE 1984 AND 1985 BUDGETS. THE GREEKS AND DANES EXPRESSED RESERVATIONS ABOUT THE PRESIDENCY TEXT. LEPRETTE, IN THE ABSENCE OF DUMAS, SAID IT WAS STILL UNDER STUDY IN PARIS. YOU AGREED THAT THE COUNCIL WOULD NOT BE ABLE TO REACH CONCLUSIONS TODAY. IT WAS ESSENTIAL TO CONTINUE WORK ON ALL THE POST FONTAINEBLEAU DOSSIERS IN PARALLEL. ANDREOTTI SAID THAT CONSIDERABLE PROGRESS HAD BEEN MADE. THE 1984 AND 1985 BUDGETS SHOULD BE UNBLOCKED. BARRY CONCLUDED THAT THE COUNCIL SHOULD AIM FOR AGREEMENT ON BUDGET DISCIPLINE IN TWO WEEKS' TIME.

3. ON NEW OWN RESOURCES, BARRY AS EXPECTED PROPOSED A COMPROMISE PACKAGE RESOLVING ALL THE OUTSTANDING POINTS EXCEPT TIMING IN FAVOUR OF THE MAJORITY POSITION. HE ASKED WHETHER THE DUTCH AND GERMANS COULD MOVE ON TIMING. VAN EEKELLEN SAID THAT THE DUTCH STILL REGARDED NEW OWN RESOURCES AS LINKED TO ENLARGEMENT BUT WERE WILLING TO BE FLEXIBLE. THEY WELCOMED THE BRITISH PROPOSAL AND DID NOT RULE OUT THE POSSIBILITY OF NEW OWN RESOURCES IN 1985 IF ENLARGEMENT WAS ON TARGET. BUT ONE COULD NOT ANTICIPATE EVENTS IN 1985 AND THE POSSIBILITY OF FINANCING THE OVERRUN IN SOME OTHER WAY SHOULD BE LEFT OPEN. THE UK COMPENSATION AND THE OVERRUN SHOULD BE SEEN AS A SINGLE PROBLEM.

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4. RUHFUS SAID THAT GERMANY STOOD BY ITS POSITION THAT THE OWN RESOURCES DECISION SHOULD NOT COME INTO EFFECT BEFORE 1 JANUARY 1986. HOW TO PAY THE BRITISH REFUND IN 1985 WAS A TECHNICAL PROBLEM WHICH COULD BE MANAGED BY TRANSITIONAL ARRANGEMENTS IN THE OWN RESOURCES DECISION. THE DECISION SHOULD COME INTO FORCE ON THE FIRST DAY OF THE MONTH FOLLOWING THE LAST RATIFICATION. THE MEMBER STATES COULD DECLARE AN INTENTION TO RATIFY IN TIME FOR THE NECESSARY BUDGETARY PROCEDURES TO BE CARRIED OUT. BUT THE DECISION WOULD NOT TAKE EFFECT UNTIL 1 JANUARY 1986.

5. YOU SAID THAT THE RIGHT WAY TO IMPLEMENT THE FONTAINEBLEAU CONCLUSION THAT OUR 1984 CORRECTION SHOULD BE MADE BY DEDUCTION FROM VAT IN 1985 WAS BY BRINGING FORWARD A LIMITED AMOUNT OF OWN RESOURCES IN 1985. A MAJORITY OF MEMBER STATES COULD ACCEPT THIS. HOWEVER YOU RECOGNISED THE NEED TO MEET THE POSITIONS OF THE DUTCH AND GERMANS. YOU TABLED A REVISED TEXT OF THE UK PROPOSAL AND EXPLAINED HOW THIS PROTECTED THEIR POSITIONS WHILE RETAINING THE OPTION OF A HIGHER VAT RATE IN 1985 SHOULD THIS PROVE NECESSARY, TAKING ACCOUNT OF PROGRESS ON ENLARGEMENT. THE AMENDMENT PROVIDED FOR PAYMENT OF OUR 1984 CORRECTIONS ON THE LINES SUGGESTED BY TIETMEYER AT THE BUDGET COUNCIL.

6. VAN EEKELLEN SAID THAT THE REVISED UK PROPOSAL WAS AN IMPROVEMENT HE COULD ACCEPT OUR TEXT ON A POSSIBLE COUNCIL DECISION TO INCREASE VAT IN 1985. BUT THE TEXT ON THE UK CORRECTION WAS MORE DIFFICULT, BECAUSE IT MEANT THAT INDIVIDUAL MEMBER STATES WOULD HAVE VAT RATES ABOVE 1 PERCENT IN 1985. ALL BUT THE FIRST SENTENCE SHOULD BE DELETED.

7. RUHFUS COULD NOT ACCEPT EVEN A CONDITIONAL REFERENCE TO INCREASING VAT BEFORE 1986. THIS WAS THE THIN END OF THE WEDGE. THE BRITISH REFUND PROBLEM SHOULD BE RESOLVED ON THE BASIS DISCUSSED AT THE BUDGET COUNCIL. HE COULD ACCEPT THE APPROPRIATE PART OF OUR AMENDMENT, BUT OMITTING THE WORD 'IMMEDIATE'. TINDEMANS SAID THAT OUR PROPOSAL CONFLICTED WITH THE PRESIDENCY TEXT ON 1985: IT MADE US INTO A 'PRIVILEGED CREDITOR' WITHOUT ANY GUARANTEE ABOUT COVERING THE OVERRUN. ANDREOTTI APPEALED FOR REALISM. IT WAS BEST TO HAVE NEW OWN RESOURCES IN 1985. THE TEXT COULD SAY THAT 1 JANUARY 1986 WAS THE ULTIMATE DEADLINE. LEPRETTE AND PANGALOS AGREED WITH TINDEMANS. RUHFUS, TAKING UP ANDREOTTI'S SUGGESTION, SAID THAT THERE COULD BE A REFERENCE TO THE DECISION COMING INTO FORCE BEFORE 1 JANUARY 1986, BUT IT SHOULD NOT TAKE EFFECT BEFORE THEN. THE UK REFUND WOULD BE IMPLEMENTED IN 1985 AS ENVISAGED AT THE BUDGET COUNCIL. ELLEMANN-JENSEN SAID THE UK PROPOSAL RISKED DESTROYING THE PROGRESS WHICH HAD BEEN MADE: 9 DELEGATIONS COULD ALREADY ADOPT A DECLARATION WHICH LEFT OPEN THE METHOD OF FINANCING THE 1985 OVERRUN.

8. ANSWERING TINDEMANS, YOU SAID THAT IT WAS NOT A MATTER OF MAKING THE UK A PRIVILEGED CREDITOR BUT OF IMPLEMENTING FONTAINEBLEAU. YOU EXPLAINED OUR PROPOSAL AGAIN AND REPEATED THAT WE COULD NOT AGREE TO ANY SUPPLEMENTARY FINANCE IN 1985 OUTSIDE THE OWN RESOURCES DECISION. YOU CIRCULATED A NEW TEXT OF THE DRAFT COUNCIL DECLARATION ON FINANCING THE 1985 OVERRUN.

9. BARRY SAID THAT THE COUNCIL SHOULD NOW ESTABLISH THE TWO BUDGETS AND CONCLUDE THE INTERGOVERNMENTAL AGREEMENT ON 1984 FINANCE. HE ASKED O'KEEFE TO REPORT ON THE ASSURANCES GIVEN BY COT THAT THE PARLIAMENT WOULD RELEASE THE 1983 REFUNDS ON RECEIPT OF THE SUPPLEMENTARY BUDGET. RUHFUS OBJECTED THAT OUR DRAFT DECLARATION WENT BACK ON A POSITION WHICH 9 MEMBER STATES COULD ACCEPT. VAN EEKELLEN, HOWEVER, SAID THAT OUR TEXT HAD SOME POSITIVE FEATURES. SOME AMBIGUITY ABOUT 1985 WAS UNAVOIDABLE AT THIS STAGE. RUHFUS SAID HE WAS PREPARED TO DISCUSS AMENDMENTS TO OUR TEXT TO MAKE CLEAR THAT IT WAS NOT A COUNCIL DECLARATION AND TO SUBSTITUTE 'FUNDS' FOR 'EXPENDITURE'. TUGENDHAT APPEALED FOR A FIRM COMMITMENT TO FINANCE BOTH THE OVERRUN AND THE UK COMPENSATION.

10. BARRY THEN TABLED A PRESIDENCY COMPROMISE PROPOSAL INCORPORATING AMENDMENTS TO THE UK TEXT OF ARTICLE 3.4, A NEW DRAFT DECLARATION ON THE 1985 OVERRUN AND AN ENTRY IN THE MINUTES, WHICH WAS SUBSEQUENTLY REVISED, RECORDING THE DUTCH AND GERMAN POSITIONS. HE SAID THIS WOULD BE DISCUSSED IN RESTRICTED SESSION AFTER LUNCH (BUT THE WHOLE OF THE AFTERNOON WAS IN THE EVENT TAKEN UP WITH OTHER ISSUES.)

11. YOU SAID THAT, PROVIDED THERE WAS AGREEMENT ON THE OWN RESOURCES DECISION AND BUDGET DISCIPLINE, WE WOULD MOVE ON THE 1984 BUDGET. BUT BECAUSE OF THE PROBLEM WITH 1983 REFUNDS, WE NEEDED TO ADD THE FOLLOWING SENTENCE TO THE DRAFT INTERGOVERNMENTAL AGREEMENT: 'THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES RECOGNISE THAT THE BRITISH GOVERNMENT WILL NOT BE IN A POSITION TO COMPLETE ITS NATIONAL PROCEDURES UNTIL THE EUROPEAN PARLIAMENT HAS APPROVED THE RELEASE OF THE UK'S REFUNDS FOR 1983'.

FCO ADVANCE TO:
FCO - RENWICK WALL MARSDEN
CAB - WILLIAMSON LAMBERT
TSY - UNWIL FITCHEW MORTIMER PEET

(ADVANCED AS REQUESTED)

BUTLER

FRAME ECONOMIC
ECD(i)

COPIES TO:
ADVANCE ADDRESSEES

cc/K



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

NBPM
BT to see
CDP 10/9

17 September 1984

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
2 Marsham Street
LONDON
SW1P 3EB

Dub
18/9

D. Nicholas

will request if required

COASTAL SHIPPING IN THE COMMUNITY

Thank you for sending me a copy of your letter of 30 August to the Foreign Secretary in which you propose to urge on the Commission early action in the Community to terminate discrimination in coastal shipping services in certain Member States.

2 I support your view that we should take such an initiative and I am sure you are right to suggest that we should seek to use the route of an early Council regulation to liberalise these services. The resentment of UK coastal traders is understandable when they contrast our liberal approach with the restrictive practices of other Member States. Nor is the present position compatible with our commitment to creating a genuine internal market in the Community.

3 I would sound one minor cautionary note in your proposed letter to Contogeorgis: I wonder whether expressing the hope that the Commission's shipping policy paper issues as soon as possible implies a rather more blanket approval for its individual proposals than in fact we want to give; we will need to keep an entirely free hand to deal with them on their individual merits. I therefore suggest that the letter simply note that the paper is in preparation and hope that it will address cabotage as an urgently priority issue.

4 I am sending a copy of this letter to the Prime Minister, other members of OD(E), and to Sir Robert Armstrong.

I am sure you will be very wary of allowing the Commission to extend competence into international shipping.

[Signature]
NORMAN TEBBIT
Norman

JH3AXL

7 8 SEP 1984



a MASTER SET



cc/c

10 DOWNING STREET

From the Private Secretary

17 September 1984

Dear David,

EC Budget

The Chancellor saw the Prime Minister this morning to brief her on the outcome of the informal meeting of Finance Ministers at Dromoland Castle on 15/16 September.

The Chancellor reported that useful progress had been made on a text establishing Guidelines for a Council Decision on Budgetary Discipline. This text would determine how the agreement on Budget discipline reached at the Brussels European Council would be implemented. A number of improvements had been agreed to it, including his suggestion that the Brussels European Council conclusions should be embodied in the preamble. The High Level Group would now meet to try to settle outstanding details notably on base-drift and clawback. ECOFIN would hold a special meeting on 1 October, in parallel with the special session of the Foreign Affairs Council already planned, to try to reach final agreement.

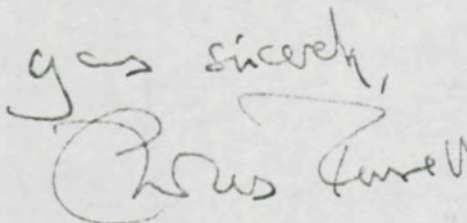
The Chancellor said that the most difficult remaining question concerned the status of the guidelines, and whether they should be legally binding. The UK and the Netherlands wanted them to be legally binding, and the Belgian Minister (de Clercq) could agree to this on a personal basis. But the French and Germans remained opposed. The Chancellor said that he had trailed the idea that the guidelines should be cast as a Council decision under Article 189 of the Treaty rather than as a regulation. While this had not met any immediate opposition, it was likely that objections would be raised when other Member States understood the full implication i.e. that such a decision would be legally binding. A Council decision would meet the UK's needs if we could get it, though his feeling was that it was probably not attainable. The Chancellor also reported that he had made clear to his colleagues the United Kingdom's wish that whatever decision was adopted by the Council of Ministers should be explicitly endorsed by the Dublin European Council.

The Prime Minister said that the text on budgetary discipline was the crucial element in the package of measures to implement the Fontainebleau conclusions and would have a determining influence in the UK Parliament when it came to examine the New Own Resources decision. It was important that we should fight as hard as possible to obtain a formal Council decision.

The Chancellor said that the issue would now be taken up at today's Foreign Affairs Council, which would also consider the other outstanding matters on the Budget viz the Supplementary Budget for 1984, the financing of the UK's 1984 refund, the date of introduction of new own resources and the release of the UK's 1983 refunds. There would be pressure from the other Member States to adopt the 1984 Supplementary Budget at the Foreign Affairs Council even if discussion on budgetary discipline had not been completed. The Prime Minister said that it was essential to maintain the integrity of the package. It must be made clear by the United Kingdom at the Foreign Affairs Council that any agreement on other outstanding points was subject to ECOFIN on 1 October agreeing a text on budgetary discipline as a formal decision of the Council. I subsequently conveyed this to Mr. Williamson in Brussels,

Finally the Chancellor suggested that the UK should make a statement for the Council minutes when the text on budgetary discipline was adopted to the effect that if the agreed arrangements proved ineffective, the Council would have to return to consideration of a regulation. This would give us a peg for insisting upon a regulation on budgetary discipline as a condition for any further increase in the VAT ceiling to 1.6%. The Prime Minister agreed that this was desirable.

I am copying this letter to Colin Budd (FCO), Ivor Llewelyn (MAFF) and to David Williamson (Cabinet Office).

Yours sincerely,


Charles Powell

David Peretz, Esq.,
HM Treasury.



NBPM
 (Chancellor has
 helped her
 orally)

Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

CDP
 17/9

17 September 1984

Charles Powell Esq
 Private Secretary
 10 Downing Street
 LONDON
 SW1

Dear Charles,

INFORMAL ECOFIN ON 15-16 SEPTEMBER: BUDGETARY DISCIPLINE

The Chancellor has asked me to let you have the following summary report on the discussions on budgetary discipline at the Informal ECOFIN at Dromoland Castle this last weekend.

Discussions centered on a text prepared by the Irish Presidency, following the work of the High Level Official Group. The two main issues were form and content.

On form, the Chancellor made it clear that our strong preference remains for a legally binding form, both for the overall "reference framework" and for the agricultural guideline. As expected, he received no worthwhile support for this, and the question of form was left open.

The Chancellor's view remains that we are most unlikely to be able to secure agreement to a legally binding form. It may well be possible, however, to secure agreement to some form of (non legally binding) Council "decision" which would represent a firm commitment by the Council itself and could be presented as an integral part of the budgetary procedures. This could then be explicitly endorsed by the European Council in December.

On content, the Chancellor believes that, with particular support from the Dutch, he secured a good deal of progress, especially on the agricultural guideline. In the light of the discussion, the Irish Finance Minister, Mr Dukes, will present a revised text to the Foreign Affairs Council today as a report on progress. Finance Ministers were insistent, however, that the ECOFIN Council should meet again to settle the final text, and a special meeting of ECOFIN has been arranged for 1 October for this purpose. This will be in time to meet the Commission's budgetary timetable and was acceptable to Tugendhat and Ortoli. In the meantime the High Level Group of Officials will be convened to finalise the technical details of the text.

The Chancellor spoke to Sir Geoffrey Howe yesterday afternoon to brief him on the above developments. So far as tactics at the Foreign Affairs Council are concerned, the Chancellor's view is that, even if satisfactory progress on the other elements of the package is made, it would not be right to give our final agreement to establishing the 1984 Supplementary Budget in advance of

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satisfactory conclusion of the budgetary discipline discussion at the 1 October ECOFIN. To do so would, in the Chancellor's view, seriously undermine his negotiating position at that meeting. If, however, good progress is made on the other issues at the Foreign Affairs Council, the Foreign Secretary would be able to indicate that we would hope to be able to finalise the package in the light of a satisfactory outcome on the budgetary discipline chapter at the 1 October meeting.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Minister of Agriculture, and to Sir Robert Armstrong.

Yours ac,

Richard Simpson

MISS J C SIMPSON
Private Secretary

A. enter these pp
in the EC Budget file
CDP 7/9

Guidelines for a Council [Decision] on Budgetary Discipline
(as amended in the light of the discussion at the Informal
ECO/FIN Council at Dromoland Castle, 15 September 1984)

In order to ensure that the rigorous rules agreed on by the European Council are applied to the budget of the Communities, the Council will undertake to apply certain internal rules and adopt the procedures necessary to that end.

In the final text the Preamble will include a reference to the relevant conclusions of the European Council reached at Fontainbleau and Brussels.

The following orientations should be implemented;

1. Maximum rate

At the first reading the Council will keep the increase in Non-Compulsory Expenditure to a level no higher than half the maximum rate. At the second reading the Council will adopt a position such that the maximum rate is not exceeded.

2.1 Reference framework

At the beginning of each year, the Commission will provide the Council with the essential elements for a reference framework to be fixed for the following financial year.

[These will include:]

/...

2.2. Before 1 March each year, the Council, constituted of the Ministers for Economic Affairs and Finance, will determine, on the basis of the information provided by the Commission (see point 2.1.) and in accordance with the majority rules applicable when drawing up the draft budget (second indent of Article 143(2)) the reference framework for the following financial year's budget and for any Council act generating expenditure to be carried out under that budget ⁽¹⁾. Among other things, the reference framework will specify the maximum amounts of compulsory and non-compulsory expenditure which the Council will have to comply with in its capacity as legislator or budget authority and the corresponding total revenue to be taken into account during the next financial year. At the request of one delegation or the Commission, the Council, constituted as above and using the same rules of procedure, may amend the reference framework.

2.3. When the Council - however constituted - is on the point of adopting a legislative or budgetary act liable to increase expenditure beyond the above-mentioned reference framework, that decision shall, at the request of one delegation or the Commission, be suspended.

2.4. The Council, constituted of the Ministers for Economic Affairs and Finance, will be required to examine, as soon as possible, the situation that would arise if the act in question were adopted. If agreement cannot be reached, the Council - constituted of the Ministers for Foreign Affairs - will be requested to take a decision as rapidly as possible. (2) The majority rules laid down in the Treaty will apply in the event of the adoption of the act in question.

.../...

(1) An interim provision could be considered in the case of the generation of expenditure chargeable to the budget of the first year of application of this agreement.

(2) The Presidency having noted that some delegations have reservations, an appropriate solution will be proposed.

3. Agricultural financial guidelines

The High Level Group on Budgetary Discipline has considered the European Council conclusions on the agricultural guidelines and has made considerable progress in establishing a method of implementing those conclusions. The elements of that progress are, in particular, as follows:

- 3.1. The Council will undertake so to proceed that the net expenditure relating to agricultural markets calculated on a three-yearly basis according to method "C" (Annex II to C312/84) will increase less than the rate of growth of the own resources base.
- 3.2. The expenditure and revenue to be taken into account are those proposed by the Commission in its communication of 6 March 1984 (4972/1/84, footnotes 1 and 2 on page 1 of the Annex).
- 3.3. Account will be taken of exceptional circumstances, in particular in connection with enlargement. A contingency reserve will not be provided.
- 3.4. In the event of derogation from the guideline in 3.1., the Council will so proceed that during the following two financial years, unless abnormal developments occur, agricultural expenditure is brought back within the limits imposed by that guideline.

The High Level Group as a matter of urgency will meet with a view to preparing the text of a Council [^decision_] incorporating the principles set out above.

In the matter of the agricultural financial guidelines, the Group will address itself specifically to the question of base-drift and clawback.

The ECO/FIN Council will agree to the final text at its next meeting in early October.

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Once the above provisions are adopted, the Council will invite both the Commission and the Parliament to examine with it ways of securing the co-operation necessary for a budgetary discipline common to all three Institutions.

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13 cc Mr Peet

AUTOMATIC OUTPUT - DO NOT INTERRUPT

- TELEX FOR THE ATTENTION OF :
- M. PALLE SIMONSEN, FINTO DK
 - M. STOLTENBERG, BMF D
 - M. ARSENIS, YOIK GR
 - M. RUDING, MIFI NL
 - M. LAWSON, TRSY G
 - M. TUGENDHAT, COMEU B

CH/EXCHEQUER	
REC.	13SEP1984
ACTION	MR FITCHEW
COPIES TO	EST, SIR P. MIDDLETON
	MR LITTLE
	MR UNWIN
	MR MORTIMER
	MR HOPKINSON ←

→ Mr Renwick,
Fro.

BRUSSELS 13 SEPTEMBER 1984
TELEX 2834

TRES URGENT
=====

EN VUE REUNION INFORMELLE ECOFIN DROMOLAND CASTLE DES 15/16 SEPTEMBRE, PRESIDENCE M'A PRIE DE VOUS ADRESSER PAR TELEX COPIE DE LA LETTRE QUELLE VOUS ENVOIE CE JOUR, ACCOMPAGNEE D'UN DOCUMENT RELATIF A LA DISCIPLINE BUDGETAIRE :

DEAR COLLEAGUE

FURTHER TO MY LETTER OF 30 AUGUST SUGGESTING A TIMETABLE AND MAIN ISSUES FOR DISCUSSION AT THE INFORMAL ECO/FIN MEETING ON 15/16 SEPTEMBER, I NOW ENCLOSE A PRELIMINARY DRAFT SCHEME ON BUDGETARY DISCIPLINE WHICH I PROPOSE WOULD SERVE AS A BASIS FOR OUR DISCUSSIONS ON THE SUBJECT AT DROMOLAND CASTLE.

I SHOULD MENTION THAT THE DRAFT SCHEME IS NOT INTENDED TO BE DEFINITIVE BUT RATHER IS AN ATTEMPT TO SET OUT THE MAIN PRINCIPLES THAT MIGHT BE GIVEN PRECISE EXPRESSION LATER. MY INTENTION IS THAT THE DRAFT SCHEMA WOULD ENABLE MINISTERS TO GIVER BROAD POLITICAL GUIDANCE AT DROMOLAND CASTLE ON THESE PRINCIPLES SO THAT THE HIGH LEVEL GROUP WOULD BE IN A POSITION, AND COULD BE ASKED, TO PREPARE A TEXT FOR THE MEETING OF THE ECO/FIN COUNCIL ON 15 OCTOBER.

YOURS SINCERELY
ALAN M. DUKES, MINISTER FOR FINANCE

NIELS ERSBOELL, SECRETAIRE GENERAL

EXTREMELY CONFIDENTIAL
=====

PRELIMINARY DRAFT

SUBJECT : BUDGETARY DISCIPLINE

IN ORDER TO ENSURE THAT THE RIGOROUS RULES AGREED ON BY THE EUROPEAN COUNCIL ARE APPLIED TO THE BUDGET OF THE COMMUNITIES, THE FOLLOWING ACTION SHOULD BE TAKEN :

- THE COUNCIL WILL UNDERTAKE TO APPLY CERTAIN INTERNAL RULES AND ADOPT THE PROCEDURES NECESSARY TO THAT END., AND,

THE COMMISSION AND THE PARLIAMENT WILL BE APPROACHED WITH A VIEW TO THEIR AGREEING THAT APPLICATION OF THE RULES THE COUNCIL HAS THUS ADOPTED SHOULD BE AN INTEGRAL PART OF AN APPROACH COMMON TO THE INSTITUTIONS RESPONSIBLE FOR COMMUNITY LEGISLATION AND THE BUDGET.

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WITH REGARD TO THE UNDERTAKINGS TO BE MADE IN THE COUNCIL, THE FOLLOWING ORIENTATIONS SHOULD BE IMPLEMENTED :

1. MAXIMUM RATE

SUBJECT TO PARAGRAPH 2.2. BELOW, THE MAXIMUM RATE PROVIDED FOR IN ARTICLE 203 OF THE TREATY OF ROME WILL BE COMPLIED WITH BY THE COUNCIL THROUGHOUT THE BUDGETARY PROCEDURE, WITH ANY INCREASE IN NON-COMPULSORY EXPENDITURE OVER AND ABOVE HALF THE MAXIMUM RATE BEING EXCLUDED AT THE FIRST READING.

2. 1. REFERENCE FRAMEWORK

AT THE BEGINNING OF EACH YEAR, THE COMMISSION WILL PROVIDE THE COUNCIL WITH THE ESSENTIAL ELEMENTS FOR A REFERENCE FRAMEWORK TO BE FIXED FOR THE FOLLOWING FINANCIAL YEAR.

(THESE WILL INCLUDE :)

- 2.2. BEFORE (1 MARCH) EACH YEAR, THE COUNCIL, CONSTITUTED OF THE MINISTERS FOR ECONOMIC AFFAIRS AND FINANCE, WILL DETERMINE, ON THE BASIS OF THE INFORMATION PROVIDED BY THE COMMISSION (SEE POINT 2.1.) AND IN ACCORDANCE WITH THE MAJORITY RULES APPLICABLE WHEN DRAWING UP THE DRAFT BUDGET (SECOND INDENT OF ARTICLE 148 (2)) THE REFERENCE FRAMEWORK FOR THE FOLLOWING FINANCIAL YEAR'S BUDGET AND FOR ANY COUNCIL ACT GENERATING EXPENDITURE TO BE CARRIED OUT UNDER THAT BUDGET (1). AMONG OTHER THINGS, THE REFERENCE FRAMEWORK WILL SPECIFY THE MAXIMUM AMOUNTS OF COMPULSORY AND NON-COMPULSORY EXPENDITURE WHICH THE COUNCIL WILL HAVE TO COMPLY WITH IN ITS CAPACITY AS LEGISLATOR OR BUDGET AUTHORITY AND THE CORRESPONDING TOTAL REVENUE TO BE TAKEN INTO ACCOUNT DURING THE NEXT FINANCIAL YEAR. AT THE REQUEST OF ONE DELEGATION OR THE COMMISSION, THE COUNCIL, CONSTITUTED AS ABOVE AND USING THE SAME RULES OF PROCEDURES, MAY AMEND THE REFERENCE FRAMEWORK.
- 2.3. WHEN THE COUNCIL - HOWEVER CONSTITUTED - IS ON THE POINT OF ADOPTING A LEGISLATIVE OR BUDGETARY ACT LIABLE TO INCREASE EXPENDITURE BEYOND THE ABOVE-MENTIONED REFERENCE FRAMEWORK, THAT DECISION SHALL, AT THE REQUEST OF ONE DELEGATION OR THE COMMISSION, BE SUSPENDED.
- 2.4. THE COUNCIL, CONSTITUTED OF THE MINISTERS OF ECONOMIC AFFAIRS AND FINANCE, WILL BE REQUIRED TO EXAMINE, AS SOON AS POSSIBLE, THE SITUATION THAT WOULD ARISE IF THE ACT IN QUESTION WERE ADOPTED. IF AGREEMENT CANNOT BE REACHED, THE COUNCIL - CONSTITUTED OF THE MINISTERS FOR FOREIGN AFFAIRS - WILL BE REQUESTED TO TAKE A DECISION AS RAPIDLY AS POSSIBLE. THE MAJORITY RULES LAID DOWN IN THE TREATY WILL APPLY IN THE EVENT OF THE ADOPTION OF THE ACT IN QUESTION.

3. AGRICULTURAL FINANCIAL GUIDELINES

- 3.1. THE COUNCIL WILL UNDERTAKE SO TO PROCEED THAT THE NET EXPENDITURE RELATING TO AGRICULTURAL MARKETS CALCULATED ON A THREE-YEARLY BASIS ACCORDING TO METHOD "C" (ANNEX II TO 8812/84) WILL INCREASE LESS THAN THE RATE OF GROWTH OF THE OWN RESOURCES BASE.
- 3.2. THE EXPENDITURE AND REVENUE TO BE TAKEN INTO ACCOUNT ARE THOSE PROPOSED BY THE COMMISSION IN ITS COMMUNICATION OF 6 MARCH 1984 (4972/1/84, FOOTNOTES 1 AND 2 ON PAGE 1 OF THE ANNEX).
- 3.3. ACCOUNT WILL BE TAKEN OF EXCEPTIONAL CIRCUMSTANCES, IN PARTICULAR IN CONNECTION WITH ENLARGEMENT, WITHOUT THIS IMPLYING A CONTINGENCY RESERVE.
- 3.4. IN THE EVENT OF DEROGATION FROM THE GUIDELINE IN 3.1., THE COUNCIL WILL SO PROCEED THAT DURING THE FOLLOWING TWO FINANCIAL YEARS,

BROUGHT BACK WITHIN THE LIMITS IMPOSED BY THAT GUIDELINE.

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1. BETWEEN NOW AND ... OCTOBER 1984, THE HIGH-LEVEL WORKING PARTY WILL DRAW UP THE TEXT OF A COUNCIL DECISION INCORPORATING THE PRINCIPLES SET OUT ABOVE.
2. ONCE THE ABOVE PROVISIONS ARE ADOPTED, THE COUNCIL WILL INVITE BOTH THE COMMISSION AND THE PARLIAMENT TO EXAMINE WITH IT WAYS OF SECURING THE CO-OPERATION NECESSARY FOR A BUDGETARY DISCIPLINE COMMON TO ALL THREE INSTITUTIONS.

(1) AN INTERIM PROVISION COULD BE CONSIDERED IN THE CASE OF THE GENERATION OF EXPENDITURE CHARGEABLE TO THE BUDGET OF THE FIRST YEAR OF APPLICATION OF THIS AGREEMENT.

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COMMON AGRICULTURAL POLICY: FINANCIAL GUIDELINES.

1. The amendments which the Commission has proposed to the rules governing the various common agricultural market organisations will, if implemented, ensure control of agricultural expenditure and act as a brake on its future growth. It is on the assumption that the Council will endorse all these measures that the Commission now submits the following financial guidelines.

2. The Commission will give the European Council an undertaking to adopt a qualitative guideline with respect to its own management, namely that the rate of growth of agricultural expenditure (1), as an average calculated over several years, is to remain below the rate of growth of the Community's own resource base (2) calculated on a similar basis. The average in each case shall be that of the current year and the two preceding years (3).

3. The Commission suggests that the European Council expressly request the Council to adopt the same qualitative guideline in the decisions falling within its competence.

4. The Commission requests the Council to adopt special procedural rules in order better to ensure strict budget discipline in the management of the Common Agricultural Policy.

.../...

- (1) The amounts to be taken into account are the expenditure chargeable to Section III, Part B, Titles 1 and 2 (EAGGF Guarantee) of the Budget. This expenditure is currently presented in the Budget in a manner which includes "negative expenditure", i.e. is already reduced by the incidence of the financial contribution by milk producers (co-responsibility levy). The calculation of agricultural expenditure for the purposes of the guideline shall be this expenditure, further reduced by the sum of amounts corresponding to the marketing of ACP sugar and refunds in connection with food aid, the payments by producers in respect of the sugar and isoglucose levies as well as the revenues from any future internal agricultural charges.
- (2) The amounts to be taken into account are the potential revenues upon which Titles 1 and 2 of Section III, Revenue, of the Budget are determined. The calculation of the Community's own resource base for the purposes of the guideline shall be the total VAT base upon which the VAT rate of the year in question is calculated, the amount of financial contributions (if any) included in the budget of the year together with the own resources, other than those derived from VAT, set out in Revenue Title 1 less the sugar and isoglucose levies. For the purpose of calculating the VAT base, account shall not be taken of any abatements on the VAT payments of individual Member States.
- (3) In calculating the rates of growth in the own resource base and in agricultural expenditure, due account will need to be taken of:

5. As regards the decisions which have a determinant effect on the volume of agricultural expenditure, that is the decision on agricultural prices which the Council of Agriculture Ministers must take each year on a proposal from the Commission, the Commission proposes the following rules:

- (a) When submitting its agricultural proposals the Commission will supply a quantified estimate of their budget impact in relation to the movement in the growth of the Community's own resource base calculated according to a common and constant formula, namely the sliding average of the growth rates for the current year, the year immediately preceding and the year ahead. These figures will allow a judgement to be made of the compatibility of the proposals with the guideline referred to in §2.
- (b) The Commission will draw up its proposals on prices (and related measures) in the light of the guideline referred to in §2. To this end the Commission confirms that it intends in the coming years to pursue a restrictive price policy for sectors in surplus and for those where a rapid growth in expenditure is coupled with limited outlets for disposal.
- (c) On this basis the Commission suggests that the European Council request the Council to adopt the following rule: if in the Commission's opinion the Council of Agriculture Ministers seems likely to take decisions whose cost would exceed that of the original proposals of the Commission, the final decision must be referred to a special Council session attended by both Finance and Agriculture Ministers and can be taken only by that special session.

6. As regards the preparation and implementation of the budget the Commission proposes the following rules:

- (a) In submitting its budget proposals in the context of its preliminary draft budget the Commission will take account of all foreseeable expenditure in the budget year concerned, including that stemming from its price proposals.

The aim of the Commission and the Council will thus be to keep EAGGF Guarantee expenditure within the appropriations for the year.

.../...

(3) cont.

- changes in the own resource base, e.g. as a result of an increase in the VAT ceiling.
- any discrepancy in timing between the full availability to the Community of the additional own resources derived in the two new Member States and changes in agricultural expenditure occasioned by their accession. (One possible solution would be the neutralisation, for the purposes of the calculation of this guideline, of the effects of enlargement during the first years of the transitional period.)

- (b) The Commission will institute an early-warning procedure enabling it to detect promptly any risk during the year of budgetary over-runs and report to the Council and Parliament forthwith(4).

It will in any event report to the Council and Parliament each month on the trend of agricultural expenditure.

After making use of all the opportunities afforded by the routine management of the CAP it will if need be propose to the Council and Parliament measures designed, without detriment to the principles of the CAP, to restrict increases in agricultural expenditure. It will be incumbent on those institutions to take the necessary decisions as speedily as possible so that these measures can achieve their purpose. Where appropriate the Council's decisions could be taken at a special session of the kind referred to in §5(c).

The Commission will not introduce a supplementary budget until it has exhausted all the opportunities for savings afforded by the routine management of the CAP and by any additional Council decisions.

- (c) In the event of failure to respect the qualitative guideline referred to in §2 (by reason either of a special Council decision (§5(c)) or of a supplementary budget), adherence thereto will mean both the Council and the Commission must during the following two financial years ensure that, barring aberrant developments, agricultural expenditure is brought back within the limits imposed by the qualitative guideline. In so doing they must concentrate primarily on the production sectors responsible for the failure to adhere to the guideline.

* * * * *

(4) Apart from a Council decision on prices in excess of the Commission's proposals (when the special decision-making procedure in §5(c) would apply), such "over-runs" could only occur as a result of compelling economic developments which could not have been foreseen when the budget was adopted.



CF GR?

X please.

End
14/9

C0604

Jans
17/9

MR BARCLAY

14 September 1984

AN ACADEMY FOR EUROPEAN SCIENTISTS

A

Dr Nicholson copied to you his letter of the 10 September on this subject. This matter has now been discussed with Mr Brooke, and he intends to make reference to the idea in his speech at the Council of Europe Conference of Ministers Responsible for Research. I attach a copy of his speech.

ELIZABETH KANSOM

Draft Speaking Note concerning European Academy

1. We all recognise the growing importance of science and technology as a force for economic change, for adaptation and for industrial growth. It is clear that new technologies based on scientific and technological innovation will be vital, both in modernising mature industries and in creating new industrial products and new services.

2. The growing significance of science and technology is both an opportunity and a threat to Europe. It is an opportunity in so far as we can be proud of the excellence of European scientists and technologies and, in them, we have an asset unrivalled in the world. It is a threat, because our efforts are fragmented, our markets divided, and there is no sense in which Europe pulls together to realise its potential as the third economic force, alongside USA and Japan. There is a real danger that Europe will lose out in the technological revolution because each European country, on its own, cannot hope to compete with USA or Japan.

3. We must look forward to the day when we can truly talk about European science and technology as an entity, as a reality, and that this in turn is the foundation upon which the uninhibited exchange of ideas and of the products of those ideas, in the form of goods and services, is built.

4. The question facing us is how we can build on the undoubted strengths of our different nations' science and technology, and how to create the circumstances in which European collaboration can flourish.

5. The answer surely lies in developing a feeling of European identity, so that our scientists' natural partners are fellow European scientists, and so that they find within Europe opportunities to develop their potential. This is what I understand by the notion 'A European Science and Technology Area', and these ideas underlie the political declaration, which is an important statement of our countries' will enhance European collaboration.

6. The resolutions before us focus on the practical difficulties, and how we might take steps to overcome them, and they are valuable for that reason. But, increasingly, my view is that the real barriers may be less tangible, and stem from history, psychology and prejudice. These kinds of obstacles are not easily overcome just by administrative action. They require more imaginative steps.

6a. I want to pay tribute to the European Science Foundation, which has been fortunate indeed Mr Chairman to have you as President this year. The ESF is, of course, an organisation whose membership takes the form of our great national organisations in Europe: National Academies, Research Societies and Institutes.

7. But we also need to engender in our individual scientists this greater feeling of European identity, of being a European researcher, so that, in time, it becomes as natural for a British scientist to collaborate with his or her counterparts in France, Austria, the Netherlands, the Federal Republic, Spain, Turkey or wherever in Europe, on the same basis as collaboration with colleagues in London, Edinburgh or Manchester. An American scientist thinks no differently of collaboration with a scientist in his own State to one in a different state across a continent 4000 km away.

8. The need to develop a European identity raises in my mind whether, amongst our existing European scientific institution, we have a focal point for individual European scientists. I ask myself if the gap in our institutional arrangements is at the level of an academy of European scientists, and that what we might think about is a fellowship of European scientists, a prestigious, self regulating body which fulfils the functions of a national academy but on a European basis. If set up, it could perform the vital functions of such a society. By that I mean it could confer fellowships on a limited basis by election, offer prestigious awards for the exchange of scientists, hold meetings and so on. It would be free from political interference, and without the mediation of national institutions.

9. If there is virtue in this idea, I wonder whether it can succeed unless the motive power for it comes from within the European scientific community itself; and thus this question which I put, initially in this forum because of our

raison d'être today, is really put to the scientific community at large. That said, if I may be allowed to embroider the idea, I am attracted to its taking its name not from some impersonal expression of our European spirit but from the very individuality of a single scientist, to reflect the spirit I am envisaging for the institution itself; and of course the name of Leonardo appeals in aptness, reflecting the lead which historically Europe has given to science and implying the distinctive nature of the body that might be created.

10. Just as I think the initiative would have more profound foundations if it were designed by the scientific community, so I think its freshness, momentum and prestige would be enhanced if it were also to capture the imagination of the great foundations and the great companies in our individual countries, as a testimony that they see the importance of European Science and Technology in the same way that we do at this Conference. Although it might receive Government funds for specific tasks such as exchanges of scientists, I would hope its core funding could be derived from private sources.

11. I am conscious of springing this idea into today's debate and, as I say, that the views of the scientists matter more than those of anyone here, but I do sincerely hope that the scientific community might see virtue in exploring this idea for its merits and its implications. If it were helpful for someone to provide the framework for those consultations, then it is a role we should be happy to undertake.

Euro 181: Budget Pt 27.

14 SEP 1984



P.S.
17/9

PRIME MINISTER

EC BUDGET

The Chancellor will be discussing Budget discipline with his Community colleagues this weekend and the Foreign Affairs Council will take up all the outstanding issues from Fontainebleau at the beginning of the week. We are getting very close to the point where you will need to decide whether the resulting package is the best we can get.

Since you launched the package-deal notion we have made important progress:

i) the 1984 Budget overrun has been reduced to 1003m ecu. The net cost to the UK of this will be about £60m. Parliament won't like it. But our announced readiness to contribute if all other issues are settled satisfactorily does not seem to have caused any particular stir.

The House has not been sitting. Answer from when they know the sum will be continued vigorously.

ii) it is agreed that the overrun will be financed through an inter-Governmental agreement.

iii) because it is an inter-Governmental agreement, the UK contribution will have to be approved by the UK Parliament. There is clearly no question of this happening if the European Assembly continues to block our 1983 refunds. We should need to make an explicit link: no 1983 refunds, no UK contribution to the 1984 supplementary budget. Anyway, the Assembly is showing signs of behaving more reasonably (see attached telegram).

iv) it is agreed that the 1985 preliminary budget will be within the 1% ceiling.

v) for our 1984 refunds, we have tabled a paragraph for the new own resources decision providing specifically for them to be paid on the revenue side. This would mean that, once the new own resources decision was ratified, we would get our 1984 'refund' irrespective of the date when new own resources themselves are introduced. There is still some opposition to this from other member States but a fair chance that we can push it through.

vi) on the date of introduction of new own resources, there is no realistic chance of getting the Germans to agree now that they will be introduced on 1 October 1985. Their position may change once the enlargement negotiations are completed. In the meantime, the best solution is to leave the date open so that the introduction of new own resources could be brought forward. This is all right provided we get the agreement in v) above. We must also make clear that we shall not agree to another inter-Governmental agreement in 1985: any supplementary funds needed can come only from new own resources.

I doubt that we can extract much more on these issues than is set out above. The crucial issue is therefore budget discipline. The Chancellor's judgement in Cabinet was that he would not be able to get legally binding guidelines. What we can hope to obtain at this stage is the incorporation in a detailed manner in the Community's budgetary procedures of the conclusions of the Brussel's European Council, with an explicit but not legally-binding guideline for agricultural expenditure.

In judging whether a package is acceptable, you will want to bear in mind that we have leverage over the others at present and are using it to good advantage. But once

they conclude that there is no chance of supplementary financing for 1984 before the Community runs out of money and they are forced back on national financing, they lose the incentive for concessions to us. This point could be reached by early October. That would in practice put us back where we were pre-Fontainebleau: and we should again have to consider withholding. It may still come to this. But we have made real progress: and it will be a fine judgement whether the difference between the best deal we can get in the next week or so and what we might eventually obtain after a further long struggle including withholding would be worth it.

C.D.P

14 September 1984



COJ
2 17/19

Ref. A084/2476

MR POWELL

c Mr Williamson (W/O Attachment)

European Community 1984 and 1985 Budgets

--- Sir Robert Armstrong believes that you will wish to see the attached minute from Mr Williamson to him concerning the United Kingdom's position regarding the European Community budgets for 1984 and 1985. Sir Robert agrees strongly with Mr Williamson's arguments.

Rx

R P HATFIELD

13 September 1984

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A 6908.....
13 SEP 1984
FILING INSTRUCTIONS
FILE No.

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Qz.03879

SIR ROBERT ARMSTRONG *RA*

EUROPEAN COMMUNITY 1984 AND 1985 BUDGETS

On the basis of the United Kingdom's position decided at the Prime Minister's meeting on 3 September we have come through the Budget Council of 6-7 September reasonably well. In particular, within the United Kingdom we have passed from an assumed position of a dead halt on the financing of the overrun to a recognition that on certain conditions there will be a supplementary budget in 1984. We have done this without any particularly strong reaction from press or public opinion. On the contrary, our position has generally been seen as a reasonable development of a negotiating position. Furthermore, the Economic Secretary, Treasury, did make a real gain in pushing down the size of the proposed supplementary budget for 1984 and in obtaining Council support both on the 1983 and 1984 refunds.

2. Much, however, of what we gained was achieved because other member states were hoping that having made reasonable progress on the other elements, we would agree to the establishment of the 1984 supplementary budget. The fact that we did not do so has been very strongly criticised in other member states and in the European press on all too familiar lines. I attach, for example, a copy of tel. No. 283 of 10 September from The Hague; Mr Van Eekelen's remarks irritated me particularly because in my view they contain an element of truth!

3. I believe that there could be a disproportionate damage to British interests in the Community if, having either gained, or gained assurances on, our objectives, we were not in a position

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to establish the 1984 supplementary budget in the Foreign Affairs Council on 16/17 September. There is a widespread expectation in the Community that we shall do so, because other member states believe that they have moved substantially towards us and think that our refusal to actually establish the budget in the last Budget Council was largely formal and technical. There is some difference of view in Whitehall about the priorities. We in the European Secretariat think that the major objective is to get the budget discipline arrangements into the budgetary procedures of the Community. Both the Treasury and the FCO do not believe that we can get a regulation on the strict financial guideline and, even in advance of the informal meeting of Finance Ministers, are advising their Ministers that it is unlikely that we can get much. On the United Kingdom rebates and the 1985 budget, however, both the Treasury and the FCO are hankering for prior commitments before we establish the budget. The European Secretariat, on the other hand, thinks that we can protect ourselves very adequately by indicating that, as a question of practical politics, the money for the United Kingdom contribution to a supplementary budget would not be forthcoming from the United Kingdom Parliament unless it is clear that the European Parliament has delivered the goods on the 1983 refund. On the 1985 budget we think that it is quite sufficient to give warning now that if at the end of 1985 other member states want supplementary finance, they will then have to provide that through the new Own Resources Decision and not through some ad hoc arrangement.

4. I am drawing these points to your attention now because there seems to be an assumption among senior officials outside the Cabinet Office that we cannot bring this to the point of establishing the budget, having obtained satisfactory assurances, in the Foreign Affairs Council next week. I believe, on the contrary, that this should be our objective

/because

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because the risks of damage to other parts of the budgetary package, including progress on the revised Own Resources Decision, increase very markedly with each frustration of other member states' expectations on the 1984 supplementary budget.

D F Williamson

D F WILLIAMSON

12 September 1984

*I very much agree with
Mr Williamson on this.
I hope that it can be
brought to Mr Pando's
attention.*

RIA

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GRS 240

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FM THE HAGUE 101600Z SEP 84

TO PRIORITY FCO

TELEGRAM NUMBER 283 OF 10 SEPTEMBER

INFO ROUTINE UKREP BRUSSELS

INFO SAVING OTHER EC POSTS

BUDGET COUNCIL: DUTCH PRESS REACTION

1. THE UK IS BLAMED IN MOST DUTCH NEWSPAPERS FOR THE FAILURE OF THE BUDGET COUNCIL TO FIND A SOLUTION TO THE 1984 BUDGET DEFICIT. THE ALGEMEEN DAGBLAD IS PARTICULARLY CRITICAL, ACCUSING BRITAIN OF BLOCKING AGREEMENT ON PURELY FORMAL GROUNDS AND OF MAKING UNREASONABLE AND UNREALISTIC DEMANDS ON ITS COMMUNITY PARTNERS. IN AN EDITORIAL, THE PAPER QUOTES VAN EEKELEN AS SAYING 'THE BRITISH HAVE A TALENT FOR MANOEUVERING THEMSELVES INTO THE MOST UNFORTUNATE SITUATIONS... THEY HAVE MADE A STEP IN THE RIGHT DIRECTION, BUT HAVE MADE AN AGREEMENT IMPOSSIBLE BY PUTTING FORWARD ALL KINDS OF FORMALITIES.'

2. BY FAR THE MOST FAVOURABLE COMMENT COMES FROM THE HAAGSCHE COURANT FROM ITS CORRESPONDENT JAN WERTS IN BRUSSELS. IN A THOUGHTFUL AND BALANCED PIECE, WERTS UNDERLINES THE NEED FOR BUDGETARY DISCIPLINE AND CONTROL OF AGRICULTURAL EXPENDITURE IN THE COMMUNITY AND COMMENTS THAT THE RESULTS OF THE BUDGET COUNCIL SHOW THAT ONLY THE BRITISH, DUTCH AND GERMAN GOVERNMENTS HAVE TAKEN SERIOUSLY THE PROMISES OF FONTAINEBLEAU. VAN EEKELEN IS QUOTED AS SAYING THAT THE COMMUNITY SHOULD 'KEEP THE LID ON THE KETTLE FOR AS LONG AS POSSIBLE.'

3. THE DUTCH PRESS OF 7 SEPTEMBER REPORTS VAN EEKELEN AS DISMISSING THE COMMISSION'S THREAT TO TAKE THE COUNCIL OF MINISTERS TO COURT AND SAYING THAT ANY CASE BROUGHT BY THE COMMISSION WOULD BE HIGHLY CONTESTABLE. HE SAID HE THOUGHT THE 1984 BUDGET DEFICIT COULD BE REDUCED TO 3.4 BILLION GUILDERS (1.35 BILLION ECU).

FCO PLEASE PASS SAVING COPIES

MANSFIELD

FRAME ECONOMIC
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P.A.
2/17/84

Qz.03884

MR BUDD (PS/FOREIGN AND COMMONWEALTH SECRETARY)
MR PERETZ (PS/CHANCELLOR OF THE EXCHEQUER)
MR ELLIS (PS/ECONOMIC SECRETARY, TREASURY)

COMMUNITY BUDGET FOR 1984 AND 1985

--- In response to the suggestion in the Economic Secretary's letter of 10 September to the Prime Minister and in preparation for the meeting at 10am on 14 September, I attach a note summarising the issues and the latest state of the discussion on the draft supplementary Community budget for 1984 and the preliminary draft Community budget for 1985.

I am sending copies to Charles Powell (10 Downing Street), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and to Richard Hatfield.

D F Williamson

D F WILLIAMSON

13 September 1984

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EUROPEAN COMMUNITY BUDGETS FOR 1984 AND 1985SITUATION AFTER THE BUDGET COUNCIL OF 6-7 SEPTEMBER

Note by the European Secretariat, Cabinet Office

1. The Budget Council of 6-7 September did not establish either the draft supplementary Community budget for 1984 or the preliminary draft Community budget for 1985. The meeting, however, was clearly positive for the United Kingdom: the further reduction in the size of the draft supplementary budget for 1984 and the recognition by other member states that the United Kingdom required to be satisfied on other elements (United Kingdom refunds for 1983 and 1984; budget discipline; and the 1985 budget situation) represented substantial progress since the July Budget Council.

2. Two important points are now provisionally established:

(i) that the Commission's original proposal for a 1984 supplementary budget of about 2300 million ecu will be cut down by the Council to 1003 million ecu. The latest figure is also about 300 million ecu lower than the Presidency's proposal in July. Despite the dissatisfaction of some member states, particularly Italy, the new lower figure of 1003 million ecu is likely to be confirmed, provided that the draft supplementary budget is established soon. If at the Foreign Affairs Council on 17-18 September there is a disagreement making the establishment of the draft supplementary budget impossible, it cannot be excluded that some member states may wish to reopen the size of the budget. The cuts in the draft supplementary budget have reduced the net cost to the United Kingdom in 1984 substantially to about £ 60 million. In practice, some expenditure will now be deferred into 1985 and on that expenditure the United Kingdom will benefit from the more favourable rebate system negotiated at Fontainebleau. We shall have achieved a good part of our original objective to find both real savings and some deferrals into 1985;

/(ii)

(ii) that the 1985 preliminary draft budget will be established within the limits on the Community's own resources (1 per cent value added tax ceiling). There will be a Council declaration about a possible supplementary budget later in 1985 (which in our view would have to be funded through the proper procedure of the new Own Resources Decision).

3. The problems which remain to be settled at the informal meeting of Finance Ministers on 15-16 September and at the Foreign Affairs Council on 17-18 September are:

(i) the 1983 rebate. The United Kingdom Government will not pay, nor will the United Kingdom Parliament authorise an intergovernmental agreement on the payment of, our share of the 1984 supplementary budget unless it is quite clear that the European Parliament's block on the payment of the United Kingdom's 1983 rebate is being removed. This point is understood by member states. It would be self-defeating if the European Parliament refused to remove this block until the supplementary budget had been established and the United Kingdom refused to establish the supplementary budget until the European Parliament's block had been removed. This problem, however, can be solved because the payment of contributions to the 1984 supplementary budget under an intergovernmental agreement is in any event dependent on funds being made available by national parliaments. It is proposed, therefore, that if the United Kingdom, its other conditions being met, agrees to the establishment of the 1984 supplementary budget at the Foreign Affairs Council on 17-19 September, the specific conditions in relation to the 1983 rebate should be:

(a) the President of the Council must make quite clear to the President of the European Parliament that in the view of the Council the establishment of the 1984

/supplementary

supplementary budget must carry with it the release of the funds for the United Kingdom's 1983 rebate;

(b) the United Kingdom should warn the Council that the practical consequence of the European Parliament's ill-judged decision in July to block the 1983 refund and of the angry reaction of British public opinion is that the United Kingdom Parliament will not agree to the actual release of the funds for the 1984 supplementary budget unless they know that the European Parliament is releasing the funds for the 1983 rebate. This could be reinforced by inclusion of a sentence in the intergovernmental agreement itself;

(ii) the 1984 rebate. The Fontainebleau agreement is that the 1984 rebate should be implemented on the revenue side in 1985. This implies either that the revised Own Resources Decision as a whole must come into effect during 1985 or that at least the United Kingdom's 1984 rebate should be implemented immediately after ratification. Either course would be acceptable to us (but see (iii) below);

(iii) 1985 budget. The preliminary draft budget for 1985 will be established within the 1 per cent value added tax ceiling. It is very probable that towards the end of 1985 additional funds will be needed. At the present time the Germans and Dutch are not going to agree to bring in the increased own resources in 1985 because they have made a link with enlargement of the Community and consider that, if an agreement to extra funds in 1985 has been made, other member states (eg France) may find reasons to block or exact a new price for enlargement. When enlargement is agreed, however, the German and Dutch objections to financing any extra expenditure in the latter part of 1985 through the new Own Resources Decision may evaporate. In these circumstances the United Kingdom's agreed line is to protect our own position by giving clear advance warning that we shall not provide supplementary finance in 1985 except through the proper procedure of the revised Own Resources Decision.

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(iv) budget discipline. The European Council has decided that the Community is to adopt "the measures necessary to guarantee the effective application of the principles" of budget discipline which it endorsed at Fontainebleau. This implies for us that they must be incorporated formally in the budgetary procedures of the Community and, in the case of the strict financial guideline for agriculture, that it must be specifically defined. It will be necessary at the Foreign Affairs Council on 17-18 September to have agreement not only that the European Council text on budgetary discipline but also the Commission text on the agricultural guideline will be put into the budgetary procedures. This is entirely consistent with the European Council decision which does state that "the provisions laid down in the Commission document on financial guidelines concerning the Common Agricultural Policy will be implemented". It will also be necessary to satisfy ourselves on the method of incorporation into the budgetary procedures.

Cabinet Office

12 September 1984

GRSVU 190
UNCLASSIFIED
FRAME GENERAL
FM BONN 131200Z SEP 84
TO ROUTINE FCO
TELEGRAM NUMBER 851 OF 13 SEPTEMBER
INFO ROUTINE UKREP BRUSSELS DUBLIN
INFO SAVING OTHER EC POSTS

AD HOC COMMITTEE ON INSTITUTIONAL AFFAIRS: STATEMENT BY KOHL IN
BUNDESTAG

1. DURING A BUNDESTAG DEBATE YESTERDAY KOHL SHARPLY CRITICISED
THE BEHAVIOUR OF "SOME EC GOVERNMENTS", AND SAID THE
FEDERAL GOVERNMENT WOULD MAKE A NEW ATTEMPT AT STRENGTHENING
EUROPEAN COOPERATION WITH THOSE GOVERNMENTS WHICH WERE PREPARED TO
DO SO. HE WAS WITHDRAWING CARSTENS'S NOMINATION FOR THE SPAAK
COMMITTEE. PRESIDENT MITTERRAND HAD INTENDED THE COMMITTEE TO
CONSIST OF DISTINGUISHED AND INDEPENDENT PERSONALITIES WHO
COULD GIVE EUROPE A NEW INSPIRATION. SOME MEMBER STATES HAD HOWEVER
UNDERMINED THIS BY NOMINATING OFFICIALS BOUND BY INSTRUCTIONS FROM
THEIR OWN GOVERNMENTS. THE FEDERAL GOVERNMENT TOOK NOTE, WOULD
NOT PREVENT THIS BUT WOULD PURSUE ITS EUROPEAN GOALS IN OTHER WAYS.
FRANCO-GERMAN COOPERATION WOULD REMAIN THE CENTRAL PILLAR OF
EUROPEAN INTEGRATION.

2. IN AN ARTICLE APPARENTLY REFLECTING FEDERAL GOVERNMENT BRIEFING,
THE BONN GENERAL ANZEIGER SAYS THAT THE GERMANS' ATTEMPTS TO
RETRIEVE THE ORIGINAL CONCEPTION OF THE COMPOSITION OF THE
COMMITTEE HAD FAILED AT THE EPC MINISTERIAL MEETING IN DUBLIN.
BRITAIN, DENMARK, GREECE AND THE NETHERLANDS HAD INSISTED ON
NOMINATING REPRESENTATIVES WHOSE HANDS WERE TIED BY THEIR OWN
GOVERNMENTS.

FCO PLEASE PASS TO SAVING ADDRESSEES.

BULLARD

(REPEATED AS REQUESTED)

FRAME GENERAL
ECD (1)

GRS 610

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CONFIDENTIAL

FRAME ECONOMIC

FM BONN 131130Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 850 OF 13 SEPTEMBER

INFO IMMEDIATE UKREP BRUSSELS

INFO ROUTINE OTHER E C POSTS

Handwritten signature

EUROPEAN COMMUNITY: GERMAN ATTITUDES

1. IN MY FIRST TALKS AND MEDIA INTERVIEWS HERE I HAVE BEEN STRESSING THE POINT, MADE TO ME IN LONDON, THAT THE CONGRUENCE BETWEEN BRITISH AND GERMAN INTERESTS OUGHT TO LEAD MORE OFTEN TO A COMMON ATTITUDE AND JOINT ACTION. I HAVE SAID THAT THE DECISIONS OF STUTTGART AND FONTAINEBLEAU, IF CARRIED OUT, OPEN THE DOOR INTO A NEW WORLD FOR WHICH THE PRIME MINISTER'S PAPER "EUROPE - THE FUTURE" PROVIDES A MAP. I HAVE ADDED A PHRASE WHICH GOT SOME LOCAL PUBLICITY: THAT WHAT THE COMMUNITY LACKS IS THE GERMAN VIRTUES OF REASON, DISCIPLINE AND ORDER.

2. AS TO CURRENT BUSINESS, I HAVE BEEN OVER THE GROUND, ORALLY AND/OR IN WRITING, WITH THE AUSWARTIGES AMT (RUHFUS), THE MINISTRIES OF FINANCE (TIETMEYER) AND ECONOMY (MUELLER-THUNS) AND THE CHANCELLOR'S OFFICE (GRIMM) ON THE LINES OF YOUR TELNO 209 TO DUBLIN.

3. THE REPLIES HAVE BEEN CHARACTERISTIC. RUHFUS SAID THAT HE KNEW WE THOUGHT THE GERMANS WET (SCHLAPP - NOT FOR QUOTATION). BUT HAVING BEEN LONGER IN THE COMMUNITY THAN BRITAIN THEY HAD PERHAPS A BETTER SENSE OF WHAT OTHERS WOULD ACCEPT AND A STRONGER INSTINCT FOR COMPROMISE. HIS ASSURANCE OF FUTURE COOPERATION WITH BRITAIN WAS THEREFORE QUALIFIED.

4. PERHAPS MORE IMPORTANT, TIETMEYER LAST NIGHT WARNED ME THAT THERE WERE MANY IN BONN WHO WERE NO FRIENDS OF BRITAIN, EITHER BECAUSE THEY WERE FRIENDS OF FRANCE OR BECAUSE THEY THOUGHT BRITAIN HAD DONE TOO WELL AND GERMANY NOT WELL ENOUGH OUT OF FONTAINEBLEAU, OR FOR OTHER REASONS. HE THOUGHT WE WERE IN DANGER OF ADDING TO THE NUMBER OF THESE BY OUR CURRENT APPROACH, ESPECIALLY OUR INSISTENCE ON THE NEED TO BRING FORWARD NEW OWN RESOURCES INTO 1985 IF NECESSARY (POINT 111(C) IN YOUR TUR). HE CONCEDED THAT IN LOGIC THE CONNECTION BETWEEN NEW OWN RESOURCES AND ENLARGEMENT WAS WEAK. (RUHFUS LOOKED UNCOMFORTABLE ON THIS POINT TOO.) BUT IT WAS ONLY BY MAKING THIS LINK AND PINNING IT TO THE DATE 1 JANUARY 1986 THAT KOHL AND GENSCHER HAD BROUGHT THE POLITICAL PARTIES HERE TO CONTEMPLATE NEW OWN RESOURCES BEFORE 1987. KOHL IN PARTICULAR HAD GIVEN TOO MANY ASSURANCES TO THE BUNDESTAG, AND HAD BEEN TOO CATEGORICAL TOO OFTEN IN CABINET, TO BE ABLE TO CHANGE HIS STAND ON THIS. TIETMEYER SPOKE ABOUT THE IDEAS HE HAD OUTLINED TO MR STEWART DURING THE BUDGET COUNCIL LAST WEEK, DESCRIBING THEM AS THE EXTREME LIMIT OF WHAT GERMANY AND ESPECIALLY KOHL MIGHT BE PERSUADED TO ACCEPT. ONCE

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/NEGOTIATIONS

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NEGOTIATIONS WITH SPAIN AND PORTUGAL HAD BEEN CONCLUDED, THE TREATIES OF ACCESSION SIGNED AND THE RATIFICATION PROCESSES LAUNCHED, THINGS MIGHT LOOK DIFFERENT AND THE QUESTION PERHAPS BE RECONSIDERED. BUT TO FORCE THE ISSUE NOW COULD ONLY DRIVE IT UP AGAINST A BRICK WALL.

5. TIETMEYER'S OTHER MAIN POINT WAS THAT THAT IN A FEDERAL STATE SUCH AS THE FRG PARLIAMENTARY PROCEDURES TOOK MONTHS. A SETTLEMENT OF THE OUTSTANDING ISSUES WAS NEEDED WITHIN THE NEXT FORTNIGHT IF THERE WAS TO BE MACHINERY IN PLACE TO SUPPLY THE FINANCIAL NEEDS OF THE COMMUNITY FROM NOVEMBER ONWARDS.

COMMENT

6. MANY IN LONDON KNOW TIETMEYER BETTER THAN I YET DO. BUT I WAS IMPRESSED BY HIS SINCERITY AND BY HIS REPEATED REFERENCES TO KOHL PERSONALLY. THE MISSING VOICE IN THE CHORUS OF WELCOME GIVEN TO ME HERE HAS BEEN THAT OF THE CHANCELLOR'S OFFICE (APART FROM GRIMM HIMSELF). KOHL IS A MORE SENSITIVE SOUL THAN HE APPEARS, AND IS CURRENTLY LOOKING A BIT LONELY HERE FOLLOWING THE IGNOMINIOUS CARSTENS AFFAIR AND THE POSTPONEMENT OF THE VISITS OF HONECKER AND ZHIVKOV OF WHICH HE HAD SPOKEN SO CONFIDENTLY. YESTERDAY IN THE BUNDESTAG HE SPOKE SOMEWHAT BITTERLY ABOUT THE SPAAK COMMITTEE AND HIS WITHDRAWAL OF CARSTENS' NOMINATION. I THINK IT WOULD PAY US TO LOOK FOR SOLUTIONS IN CURRENT NEGOTIATIONS WHICH DO NOT INJURE KOHL'S PRIDE OR REQUIRE HIM TO EAT TOO MANY OF HIS WORDS. I AM THEREFORE GLAD TO SEE THAT OUR LATEST PROPOSAL ON NEW OWN RESOURCES (YOUR TELNO 481) GOES SOME WAY TO MEET THE GERMANS. WE SHALL EMPHASISE TO THEM THAT WE ARE TRYING TO TAKE ACCOUNT OF THE CHANCELLOR'S POLITICAL DIFFICULTIES.

FCO PLEASE ADVANCE TO:

FCO: TICKELL, RENWICK, FAIRWEATHER, WALL
CABINET OFFICE: WILLIAMSON, STAPLETON, LAMBERT
TREASURY: UNWIN, FITCHEW, BOSTOCK, MORTIMER, PEET.

BULLARD

FRAME ECONOMIC
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COPIES TO
AS ADDRESSEES.

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GRS115

UNCLASSIFIED

FM UKDEL STRASBOURG 131440Z SEPTEMBER 84

TO PRIORITY FCO

TELEGRAM NUMBER 109 OF 13 SEPT

AND TO PRIORITY UKREP BRUSSELS

INFO ROUTINE DUBLIN PARIS BONN

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME LUXEMBOURG

ATHENS

FROM UKREP BRUSSELS

OUR TELNO 108 OF 12 SEPTEMBER

EUROPEAN PARLIAMENT AND UK REFUNDS

1. THE CHAIRMAN OF THE BUDGET COMMITTEE OF THE PARLIAMENT, COT, DULY MADE HIS STATEMENT ABOUT THE REFUNDS IN PLENARY ON 13 SEPTEMBER. HE SAID THE PARLIAMENT IN THE THREE DIFFICULT MONTHS AHEAD WOULD OPERATE ON THE BASIS OF FIRMNESS, RESPONSIBILITY AND A SENSE OF PRIORITIES. IT HAD NO WISH TO "HARASS" THE OTHER INSTITUTIONS USELESSLY. THE BUDGET COMMITTEE HAD TAKEN NOTE OF THE EVOLUTION OF DISCUSSIONS ON FINANCING AND THE POSSIBLE SOLUTIONS. IT HAD NO WISH IN ANY WAY TO BLOCK THINGS AND HOPED THAT FOR THE NEXT SESSION IT WOULD BE PRESENTED WITH A DRAFT SUPPLEMENTARY BUDGET AND A NEW REQUEST FOR A TRANSFER. HE ENDED BY SAYING "I AM CONFIDENT THAT WE WILL BE ABLE TO AUTHORISE THE UNBLOCKING OF THE MEASURES FOR THE UK AND THE FRG ON THAT BASIS, WHICH WOULD NOT OF COURSE PREJUDICE OUR POSITION ON THE BUDGETS".

2. UKREP WILL SEND THE VERBATIM TEXT OF THIS STATEMENT TO ECD(E) WHEN AVAILABLE EARLY NEXT WEEK.

FCO PLEASE PASS SAVING TO BRUSSELS COPENHAGEN THE HAGUE ROME LUXEMBOURG ATHENS

FCO ADVANCE TO:

FCO - HEAD RID, FAIRWEATHER

NIO - HILL, FERGUSSON

LUSH

(ADVANCED AS REQUESTED)

FRAME ECONOMIC
ECD(L)

COPIES TO
MR HILL
MR FERGUSSON } N.I.O
LONDON

Mr Powell (10 Downing Street)

Sanity may be returning in the
European Parliament!

D.F. Williamson

William Marsden has just telephoned the following
message through from the European Parliament in
Strasbourg:-

13/9/84

"The Chairman of the Budget Committee has just made
his statement. This is a rough translation. We will
be sending you the full text by telex.

"The Parliament in the 3 difficult months ahead
will operate on the basis of firmness, responsibility
and a sense of priorities. It has no wish to
harrass the other institutions uselessly. The
Budget Committee has taken note of the evolution
on the discussions on financing and of possible
solutions. It has no wish in any way to block
things and hopes that for the next session it will
be presented with a draft supplementary budget
and a new request for a transfer."

He ended by saying:

"I am confident that we will be able to authorise
the unblocking of the measures for the United
Kingdom and the FRG on that basis, which would
not, of course, prejudice our position on the
budgets".

Liz
3-20 pm
13/9/84

Ref. A084/2461

PRIME MINISTER

Cabinet: Community Affairs

You will wish to inform the Cabinet that the nomination of Lord Cockfield and of Mr Clinton Davis to the European Commission represents a commitment to an effective Commission and to the strong promotion of British interests there. In particular, the decision to nominate a serving Cabinet Minister should be given weight.

2. You may also wish to refer to your discussion with Dr Garret FitzGerald on 3 September.
3. The Chancellor of the Exchequer will report on the discussion of the proposed Community 1984 supplementary budget and the 1985 preliminary draft budget at the Council of Ministers (Budget) on 6-7 September, at which the Economic Secretary, Treasury represented the United Kingdom. The Economic Secretary set out the conditions on other budgetary questions (in particular, United Kingdom rebates and budgetary discipline) which would make it possible for the United Kingdom to agree to some supplementary financing in 1984 by an intergovernmental agreement, subject to Parliamentary approval. He made solid progress on two points -
 - i. a further significant reduction in the size of the proposed supplementary budget for 1984 which has now been brought down from over 2300 million ecu to 1003 million ecu. This represents some real savings and, in practice, some deferrals into 1985 from which the United Kingdom also benefits because the favourable Fontainebleau system will apply to 1985 expenditure;
 - ii. recognition by the other member states that we need to be satisfied on the package. In particular, they understand that the United Kingdom is not going to



actually pay a penny piece towards 1984 supplementary financing unless it is clear that the European Parliament is removing the block on the 1983 refund.

Notwithstanding the progress made, it was not possible to establish the 1984 supplementary budget or the 1985 preliminary draft budget because the United Kingdom was not yet fully satisfied on the other elements. The United Kingdom's package approach and the results of the Budget Council have been generally well received by British public and press opinion. Other member states, because there is again a nine to one situation, are critical and resentful. It is, therefore, important that we should conclude the package on terms acceptable to us but before the time-bomb explodes.

4. The main points remaining after the Budget Council are -
- i. 1983 refund. We need to make quite clear that, whether or not the draft budget has been agreed by the Council and sent to the European Parliament, the funding under the intergovernmental agreement from the United Kingdom Parliament will not be forthcoming unless the block on the 1983 refund has been removed;
 - ii. 1984 refund. We have to be satisfied that the decision of the European Council at Fontainebleau (1000 million ecu on the revenue side in 1985) is really being implemented;
 - iii. budget discipline. The European Council having instructed the Council to adopt "the measures necessary to guarantee the effective application of the principles" of budget discipline, these measures must be incorporated formally in the Community's budgetary procedures. The Chancellor of the Exchequer will be dealing with this point at the informal meeting of Finance Ministers on 15-16 September;
 - iv. 1985 budget. The 1985 budget will be established within the 1 per cent value added tax ceiling. We need to avoid any further misunderstandings and protect our position



by making clear formally that if any supplementary finance were needed later in 1985, we would require this to be found by the proper procedures of the new Own Resources Decision.

The discussion on all these points will be resumed in the Foreign Affairs Council on 17-18 September when all other member states will be expecting the 1984 supplementary budget to be established so that the procedures with the European Parliament can begin. We shall therefore need clear-cut assurances in the Foreign Affairs Council.

5. The Foreign and Commonwealth Secretary will report on the Council of Ministers (Foreign Affairs) on 3 September which discussed the enlargement negotiations. The Minister of State, Foreign and Commonwealth Office (Mr Rifkind) represented the United Kingdom. A realistic assessment is that no progress was made. Subsequently, however, it has been agreed that the Presidency should present to the Foreign Affairs Council on 17-18 September a package covering the main outstanding problems in determining the Community's position in the accession negotiations. This may launch a more determined effort to push the negotiations ahead. You are holding a meeting with the Ministers principally concerned immediately after Cabinet.

6. The Foreign and Commonwealth Secretary will report on the informal meeting of Foreign Ministers on 11 September which dealt with political co-operation. There was agreement on a set of measures to combat terrorism and the abuse of diplomatic immunity which the Foreign and Commonwealth Secretary has welcomed as "a major advance in the fight against terrorism".

7. The Minister of Agriculture, Fisheries and Food will report on the meeting of the Council of Ministers (Fisheries) on 10 September, at which the United Kingdom was represented by the Minister of State, Ministry of Agriculture, Fisheries and Food (Mr MacGregor) and the Minister of State, Scottish Office (Lord Gray). Confronted with a nine to one situation the United Kingdom invoked the Luxembourg compromise in order to



prevent a vote on the Commission's proposal for a permanent increase from 10 per cent to 20 per cent in the permitted by-catch (ie the amount of generally immature white fish which the Danes may take) within the area of the North Sea known as the Norway pout box. As a result the negotiation resumed and the final agreement was that the increase should not be permanent but should be for one period of eight months; and that the figure should be 18 per cent, of which only 8 per cent could be of the most sensitive species. This is markedly better but Scottish fishermen have still strongly criticised the agreement.

RA

ROBERT ARMSTRONG

12 September 1984

NI1982 4 XXX 104

ms Prime Minister

CDD

12/9

EEC PROMISES "SPEEDY" REBATE
STRASBOURG, WEDNESDAY - THE EUROPEAN PARLIAMENT'S BUDGET
COMMITTEE TODAY PLEDGED SPEEDY PAYMENT TO BRITAIN OF A REFUND OWING
TO IT FROM LAST YEAR ONCE MEMBER STATES HAD AGREED ON AN EMERGENCY
BUDGET PACKAGE FOR THE CASH-STARVED COMMUNITY.

FRENCH SOCIALIST JEAN-PIERRE COT, BUDGET COMMITTEE CHAIRMAN, TOLD
A NEWS CONFERENCE THE MONEY WAS LIKELY TO BE RELEASED AS SOON AS
MEMBER STATES SUBMITTED THEIR BUDGET PROPOSALS TO THE PARLIAMENT.

"I AM NOT BEING OVER OPTIMISTIC IF I SAY THAT WE WILL BE IN A
POSITION TO AUTHORISE THE TRANSFER IN OCTOBER," HE SAID.

121957 SEP 84



FILE

RJ

cc: PC

10 DOWNING STREET

From the Private Secretary

12 September, 1984

BUDGET COUNCIL, 6/7 SEPTEMBER

The Prime Minister has read with interest Mr. Stewart's letter of 10 September reporting the outcome of the recent Budget Council.

I am sending copies of this letter to David Peretz (HM Treasury), Colin Budd (Foreign and Commonwealth Office), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

A. Ellis, Esq.,
HM Treasury

A handwritten signature in cursive script, likely belonging to the sender, C.D. Powell.

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GRS 600

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FRAME ECONOMIC

FM UKDEL STRASBOURG 112000Z SEP 84

TO PRIORITY FCO

TELEGRAM NUMBER 107 OF 11 SEPTEMBER

INFO PRIORITY UKREP BRUSSELS

INFO ROUTINE DUBLIN AND BONN

SAVING OTHER EC POSTS

FROM UKREP BRUSSELS

EUROPEAN PARLIAMENT AND THE UK REFUNDS

SUMMARY

1. NO FINAL DECISION ON 1983 REFUND IS LIKELY IN THE EUROPEAN PARLIAMENT PLENARY SESSION THIS WEEK. BUT DEBATE CONTINUES ON CONDITIONS UNDER WHICH THE REFUNDS WOULD BE RELEASED. HELPFUL STATEMENT BY O'KEEFE ON THE COUNCIL'S POSITION. A FURTHER POTENTIALLY UNHELPFUL GERMAN CD RESOLUTION HAS BEEN TABLED.

DETAIL

2. O'KEEFE REPORTED TO EUROPEAN PARLIAMENT PLENARY THIS EVENING ON THE COUNCIL POSITION ON THE 1984 AND 1985 BUDGETS. HE REFERRED TO THE PROGRESS IN THE COUNCIL AND DID NOT POINT THE FINGER AT THE UNITED KINGDOM. HE ENDED WITH THIS HELPFUL COMMENT ON THE UK REFUNDS -

BEGINS

FINALLY, I DO NOT WANT TO HARP ON THE PAST BUT I AM BOUND TO SAY THAT IT WOULD GREATLY HELP THE EFFORTS WHICH THE IRISH PRESIDENCY IS MAKING TO RESOLVE THESE PROBLEMS IF IT COULD BE AGREED THAT YOU WILL UNBLOCK THE BRITISH REFUNDS FOR 1983 WHEN THE DRAFT 1984 SUPPLEMENTARY IS ESTABLISHED AND TRANSMITTED TO YOU.

ENDS.

3. FOR THE COMMISSION, TUGENDHAT'S STATEMENT, IMMEDIATELY AFTERWARDS, WAS MUCH MORE GLOOMY AND PROVIDED THE PARLIAMENT WITH STICKS WITH WHICH TO BEAT THE COUNCIL. HE CLAIMED THAT FOR A SECOND TIME THE

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1 BUDGET

RESTRICTED

BUDGET COUNCIL HAD FAILED TO ESTABLISH EITHER A DRAFT SUPPLEMENTARY BUDGET FOR 1984 OR A DRAFT FOR 1985. THE COMMISSION CONSIDERED ITS REQUEST FOR A FURTHER 1983 MECU FOR FEOGA GUARANTEE EXPENDITURE TO BE OF THE RIGHT ORDER OF MAGNITUDE. IF A SUPPLEMENTARY BUDGET HAD NOT BEEN PASSED BY THE END OF OCTOBER RESPONSIBILITY WOULD HAVE TO BE PASSED TO NATIONAL INTERVENTION AGENCIES AND THIS WOULD REPRESENT "A PARTIAL RE-NATIONALISATION WHICH THE COMMISSION WOULD DEEPLY DEPRECATE". THE DRAFT SUPPLEMENTARY BUDGET HAD TO BE BASED ON REALISTIC AND NOT FICTITIOUS ASSUMPTIONS ON REVENUES. A 500 MECU SURPLUS FROM AGRICULTURE, SUGAR LEVIES AND CUSTOMS DUTIES WAS A FICTITIOUS ASSUMPTION WHICH THE COMMISSION COULD IN NO WAY ENDORSE.

4. THE BUDGET COMMITTEE MET BRIEFLY THIS AFTERNOON. LANGES (GERMAN CD) SAID THAT, WITH THE SUPPORT OF HIS GROUP, HE INTENDED TO TABLE A MOTION FOR RESOLUTION FOR PLENARY THIS WEEK ON 'RELEASING THE FUNDS FOR SUPPLEMENTARY MEASURES IN FAVOUR OF THE UNITED KINGDOM AND THE FEDERAL REPUBLIC OF GERMANY'. THIS WOULD READ AS FOLLOWS:

BEGINS

THE EUROPEAN PARLIAMENT,

- HAVING REGARD TO ITS RESOLUTION ON THE FUNDS FOR SUPPLEMENTARY MEASURES IN FAVOUR OF THE UNITED KINGDOM,

- HAVING REGARD TO THE CONDITIONS GOVERNING THE RELEASE OF THESE FUNDS FOR THE SUPPLEMENTARY MEASURES,

1. AGREES TO THE RELEASE OF THE FUNDS SUBJECT TO THE FOLLOWING CONDITIONS:

(A) THAT THE COUNCIL REACHES AGREEMENT ON THE MEASURES TO COVER THE BUDGET DEFICIT FOR 1984,

(B) THAT THIS SOLUTION DOES NOT JEOPARDIZE THE EUROPEAN PARLIAMENT'S BUDGETARY POWERS.

ENDS.

2.
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5. COT, THE NEW BUDGET COMMITTEE CHAIRMAN, SAID THAT HE WOULD PREFER THE BUDGET COMMITTEE AS A WHOLE TO REACH AGREEMENT ON THIS SUBJECT AND SAID HE WOULD TRY TO ARRANGE FOR IT TO BE DISCUSSED AT A FURTHER COMMITTEE MEETING TOMORROW AFTERNOON. THE EDG ARE TRYING TO SECURE AGREEMENT ON A TEXT WHICH WOULD OMIT 1(B) OF THE LANGES MOTION.

6. SIR MICHAEL BUTLER HAD USEFUL MEETINGS WITH PFLIMLIN AND COT, THE NEW PRESIDENT OF THE BUDGET COMMITTEE. PFLIMLIN SAID THAT HE THOUGHT THE MAJORITY OF MEPS WOULD FAVOUR THE RELEASE OF THE REFUNDS ONCE THE COUNCIL HAD PRESENTED A BUDGET WHICH 'BALANCED' THE COMMUNITY'S FINANCIAL REQUIREMENTS FOR 1984. COT ALSO APPEARED DISINCLINED TO SUPPORT MOVES IN THE PARLIAMENT WHICH WOULD FURTHER COMPLICATE THE RELEASE OF THE REFUNDS.

7. ON THE OTHER HAND, MME VEIL, THE LEADER OF THE LIBERAL GROUP SEEMED MORE DISPOSED TO MAINTAIN THE ARGUMENTS OVER THE FONTAINEBLEAU AGREEMENT, PRESUMABLY FOR FRENCH INTERNAL POLITICAL REASONS. SHE TOOK THE LINE WITH SIR MICHAEL BUTLER THAT THE ACTION ON THE UK REFUNDS WAS TO KEEP UP THE PRESSURE ON THE COUNCIL OVER AN UNSATISFACTORY AGREEMENT AT FONTAINEBLEAU. OTHER PARTIES, NOTABLY FRENCH AND ITALIAN COMMUNISTS, WILL CONTINUE TO SUPPORT MEASURES WHICH ARE DIFFICULT FOR US.

FCO ADVANCE TO:

FCO PS/SOS, PS/MR RIFKIND, RENWICK, FAIRWEATHER

CAB WILLIAMSON

BY UNWIN

FCO PLS PASS ALL

LUSH

FRAME Economic
ECO(L)

(REPEATED AS REQUESTED)

ADVANCED AS REQUESTED

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cc/AC



Foreign and Commonwealth Office

London SW1A 2AH

11 September 1984

CJP
11/9.

Dear Dinah,

Coastal Shipping in the Community

Lest new stories begin to circulate about the FCO attitude to the Community, I hasten to point out that the reference to "sabotage" in my Secretary of State's minute to Mr Ridley of 10 September should of course have been to "cabotage"! *with CAP?*

I am copying this letter to Charles Powell at No 10 and to the Private Secretaries of OD(E) members and to Richard Hatfield.

Yours Sincerely,
Colin Budd

(C R Budd)
Private Secretary

Miss Dinah Nichols
PS/Secretary of State for Transport

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

11 September, 1984.

1983 Refunds: Possible Legal Action

Thank you for your letter of 6 September about the legal merits of action to challenge the decision of the European Assembly to block our 1983 refunds. The Prime Minister has noted this.

Charles Powell

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

NR

CCP/1 230/24 (2)



Prime Minister
We've got things moving
but no realistic chance
of settling these issues at

Treasury Chambers, Parliament Street, SW1P 3AG

September Foreign Affairs
Council (17/10/84). We should
keep on applying
pressure to the others, above
all on budgetary discipline,
10 September 1984
as the October deadline
by which the Community
runs out of money gets
closer. CDD 11/9

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1

Dear Prime Minister

BUDGET COUNCIL, 6/7 SEPTEMBER

I attended the Budget Council in Brussels on 6 and 7 September. You may like an early report on how it went and on the further prospects.

During bilateral meetings and over lunch on the first day, I set out our position, as agreed at your meeting on 3 September, - namely that we would only be prepared to consider some supplementary finance in 1984 - and that on an exceptional and one-off basis - if the Community reached satisfactory solutions on all the other budgetary questions outstanding from Fontainebleau; that a second year of supplementary finance outside the own resources decision in 1985 was out of the question; and that all difficulties relating to our 1983 and 1984 refunds had to be removed.

There was some recognition by colleagues of the need to carry forward the work on budgetary discipline and on the own resources decision with some urgency. There was also some understanding of and sympathy for our problems on the 1983 and 1984 refunds. Indeed, on the latter, both the Germans and Dutch specifically said that the 1984 refunds could be provided for on the revenue side in 1985, apparently implying the possibility partial implementation (for that purpose only) of the new own resources decision. Some of this understanding was reflected in the subsequent Presidency texts which were discussed by the Council.

When the Council reconvened in plenary after very difficult discussions, I was eventually able to secure a significant reduction in the amount of supplementary finance required in 1984. It was provisionally agreed to reduce the Presidency compromise figure of 1,350 million ecu to 1,003 million ecu, (about half the Commission's latest proposal). I said this was a figure I could accept, provided all other related issues were resolved.

The Council also made some proposals on the form of a possible inter-governmental agreement for supplementary financing, though a number of difficult points - in particular that of ensuring its simultaneous implementation of all Member States - were unresolved.

The Council was deadlocked however on the questions of establishing the 1984 Supplementary Budget and the inter-Government agreement to finance it. All the others wanted these adopted immediately by the Council. I made it clear that we could not agree to this given the need to see progress made on the other Fontainebleau budgetary issues, and while some important legal and technical issues were unresolved. They also pressed for adoption of a declaration on the 1985 Budget, which would have had the effect, if the Germans and Dutch do not change their position on introducing new own resources in 1985 of committing us to a second year of supplementary financing through an inter-governmental agreement. I said that this was not acceptable and insisted that the Community must not develop a habit of raising revenue outside the own resources system.

A number of unhelpful points also emerged during the discussion of the rest of the Fontainebleau budget package still which diverge widely from our own. Specifically:

- i) The French said they would not agree to incorporate the strict financial guideline for agricultural expenditure in a regulation;
- ii) Both the Germans and Dutch continued to insist that new own resources should not be made available until 1 January 1986;
- iii) Both the French and Italians made it clear that they were opposed to providing for our 1984 refund through an inter-governmental agreement.

The Council therefore ended without agreement. There was general concern on the part of all the other Member States and the Commission that, unless the inter-governmental agreement is quickly approved, it will not be possible to process the supplementary budget through the Council and the European Parliament in time; and the UK's position was

quite sharply criticised by most others, notably France and Germany. The Presidency however summed up, that although it had not been possible to establish either draft budget, good progress had been made. They followed this line in their subsequent press briefing. Their draft conclusions (copy attached below) will remain on the table and be remitted to the Foreign Affairs Council on 17 September.

The provisional agreement to reduce the size of any supplementary budget for 1984 is a welcome step forward. But it is by no means clear that there will be sufficient progress on the rest of the post-Fontainebleau package to enable us to agree to establish the supplementary budget and to sign up to the inter-governmental agreement to finance it at next week's Foreign Affairs Council.

My assessment is that, although there is genuine urgency and it is in the UK's interests to reach agreement on the 1984 and 1985 budgets as soon as possible, it will not be easy for us to obtain adequate conclusions on the linked issues quickly enough to do a deal at the Foreign Affairs Council or shortly thereafter, as the budgetary timetable demands. The main stumbling blocks, so far as the draft text of the own resources decision and the 1984 and 1985 budget problems are concerned, are the German and Dutch refusal to bring forward new own resources before 1 January 1986 and (so long as they maintain this position) the difficulty of securing the payment of our 1984 refund during 1985. These issues are to be discussed in Brussels at official level during the course of this week.

There is also as yet no final agreement on either the detailed contents or legal form of budgetary discipline. This is to be discussed by officials this week and will be on the agenda of the Informal ECOFIN Council at the weekend.

In the light of the various meetings in Brussels on own resources and budgetary discipline further consideration will have to be given before the end of the week to the questions whether and in what circumstances the Foreign Secretary would be able to agree to a supplementary budget for 1984 on 17/18 September. I understand that, against the possible need for a further Ministerial discussion before the informal ECOFIN and General Affairs Council meetings, the Cabinet Office will aim to produce a note setting out the issues and the latest state of play in the next day or so.

I am sending copies of this letter to the Chancellor, the Foreign Secretary, the Minister of Agriculture and Sir Robert Armstrong.

*Kate Sheehy,
Adnan Elhi*

Approved by IAN STEWART
and signed in his absence

Brussels, 7 September 1984

2nd REVISION

DRAFT CONCLUSIONS
OF THE BUDGET COUNCIL
6/7 SEPTEMBER 1984

1. The Council established Draft Supplementary and Amending Budget N° 1/84 (Annexe I) and noted the agreement among Member States on the method to finance it (Annexe II (1) (2)).
2. The Council established the Draft Budget for 1985 (Annex III).
3. The Council confirmed that work on other budgetary questions, namely :
 - the adoption by the Council of the decision to increase own resources in conformity with the conclusions of the European Council of Fontainebleau, including in this context the detailed provisions for compensation to the United Kingdom for 1984 on the receipts side of the 1985 budget ;
 - the adoption by the Council of measures of budgetary discipline in conformity with the conclusions of the European Council

.../...

(1) Alternative proposed by UK : The Council agreed provisionally on the content of a Draft Supplementary and Amending Budget for 1984, the establishment of which depends on the implementation of the arrangements for its financing.

(2) The Council Legal Service confirms the opinion given orally by its representative that the text of this agreement as set out in Annexe II provides the Council with an adequate basis for establishing the Draft Supplementary and Amending Budget N°1/84.

∟ - The adoption of a decision on the method of financing an agreed figure for inclusion in a 1985 Supplementary Budget ∟ (1) ∟ to meet the additional budgetary requirements which will arise in 1985 despite rigorous market management ∟ (2)

would be completed as a matter of the utmost urgency.

4. The Council confirmed that compensation for the United Kingdom and Germany provided for in the 1984 budget should be executed without delay and it asked its President to intervene with the European Parliament to obtain Parliament's approval.

(1) UK proposal, replacing declaration n° 5 on the 1985 budget.

(2) Addition proposed by NL.

- 1 The Representatives of the Governments of the Member States, meeting within the Council, undertake to pay to the Community in 1984 to finance draft supplementary and amending budget N° 1 the following amounts in the form of reimbursable advances.

	%	Mio Ecus (1)
B	3,45	34,617
D	28,76	288,578
DK	1,99	19,968
G	1,53	15,352
F	22,79	228,675
IRL	0,86	8,629
I	15,33	153,820
L	0,25	2,509
N	4,99	50,070
UK	20,05	201,182
TOTAL	100	1.003,400

(1) Provisional amounts subject to final calculations to be made by Commission

2. The Representatives of the Governments of the Member States, while recognizing the need for payment of these amounts as soon as possible after the final adoption of the Supplementary and Amending Budget n° 1, note that in certain Member States the payment of these amounts in implementation of the undertaking requires the completion of certain internal procedures .

The Representatives of the Governments of the Member States understate that their governments will do everything in their power to complete their national procedures with all possible urgency. (1)

3. The Representatives of the Governments of the Member States take the view that the Council will adopt a regulation under Article 235 as the basis for the reimbursement of the above amounts to the Member States.

(1) D. DK. I. and UK. state that "internal procedures" involve parliamentary approval.

Outline of the contents of the draft supplementary
and amending budget No 1/1984 (3)

Budget heading	Heading	ECU	MECU
	<u>STATEMENT OF REVENUE</u>		
10	Agricultural levies	- 498.510.000	0
11	Sugar levies	- 27.010.000	0
111	Carry-forward of 1985 sugar levies	0	+ 200 (4)
12	Customs duties	- 34.500.000	0
13	VAT own resources (2)	+ 41.909.702	+ 41,909
20	GNP-based financial contribution - Greece (2)	- 6.668.203	- 6,6
300	Surplus available from the preceding financial year	+ 307.104.849	+ 307,1
302	Surplus available from the current financial year	+ 350.000.000	+ 500
310	1983 VAT balance	- 198.000.000	} - 207,3 (5)
311	Adjustment to VAT balances for 1979 to 1982	- 10.000.000	
40	Deductions from staff remuneration	+ 3.585.000	+ 0,7
807	EEC guarantee for transport infrastructure projects	+ p.m.	p.m.
820	Amount to be financed by refunds granted by the Member States in 1984	+ 2.071.467.011	1.003,4
	TOTAL	+ 1.999.378.359	1.839,2

(1) Excluding Greece.

(2) The figure of - 6.668.203 ECU represents the difference between VAT own resources in the initial budget and the financial contribution entered in this preliminary draft supplementary and amending budget.

(3) Amounts subject to correction during the final calculations.

(4) New regulation to be introduced.

(5) Taking into account the letter of amendment.

Outline of the contents of the draft supplementary
and amending budget No 1/1984 ⁽²⁾

ECU

Chapter Article Item	Non- comp	Comp	Heading	Appropriations for Commitment	Appropriations for Payment	MECU
			<u>STATEMENT OF EXPENDITURE</u>			
			<u>SECTION III/A:</u>			(Non-differen- tiated appropriation)
10	X		Expenditure relating to persons working with the institution	+ 27.714.000 ⁽¹⁾	+ 27.714.000 ⁽¹⁾	7,5 (Comp)
11	X	X				
12	X	X				
			<u>SECTION III/B:</u>			
Titles 1 and 2		X	EAGGF Guarantee Section	+ 1.983.000.000	+ 1.983.000.000	1833 ⁽³⁾
300		X	Flat-rate repayment to the Member States of costs incurred in collecting own resources	- 56.002.000	- 56.002.000	0
360		X	Refunds to Greece	- 1.333.641	- 1.333.641	- 1,3
963		X	Financial cooperation with Turkey	-	+ 46.000.000	0
			TOTAL	+ 1.953.378.359	+ 1.999.378.359	1839,2

⁽¹⁾ 7.500.000 ECU in compulsory expenditure and 20.214.000 ECU in non-compulsory expenditure.

⁽²⁾ Amounts subject to correction during the final calculations.

⁽³⁾ 150 MECU reduction for release from stocks.



CABINET OFFICE

~~Cabinet Office~~

70 Whitehall, London SW1A 2AS Telephone 01-233 7089

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pa.
Dubs
18/9

ms

W.0619

10 September 1984

The Hon Peter Brooke MP
PUSS
Department of Education and Science
Elizabeth House
York Road
London SE1

Prime Minister (2)

An attractive idea, provided it does not become as 'bureaucratic' as so many other European institutions. Peter Brooke is keen, and will float the idea in a speech shortly.

Dear Minister,

COUNCIL OF EUROPE MEETING OF MINISTERS FOR RESEARCH
A "EUROPEAN ROYAL SOCIETY"

In recent weeks I have been thinking about a "European Royal Society" or "European Academy of Sciences" and want to outline my thoughts to you with the suggestion that you might mention the concept in your speech at the Paris meeting.

Dubs
17/9

2. The lead-up discussions to the Council of Europe meeting have shown rather clearly that Europe as a scientific entity barely exists. Most European scientists regard the USA as their most important point of contact, with Japan coming up fast in second place. The discussions have pointed to no dramatic solution to this problem - it is a combination of history, psychology and prejudice - and will need imagination and perseverance to solve.
3. Yet solve it we must if Europe as a whole and the individual European nations are to become a scientific force which can compete with the USA and Japan and generate a competitive modern industry.
4. What I believe is needed is a prestigious pan-European scientific organisation which can provide a European identity in science and which would provide a focus for European scientists. Obviously neither the Council of Europe nor the European Community bureaucracies provide this. The European Science Foundation could do so in principle but unfortunately this was set up with membership of institutions (the Royal Society, Research Councils etc) rather than individuals and has hardly captured the imagination to date.

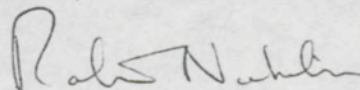
5. A "European Academy of Sciences" would be modelled on our own Royal Society, with a limited Fellowship by election, political independence from Governments but supported by Government grants and by subscription. It would organise exchanges of scientists within Europe, hold meetings and conferences and carry out the activities of a learned Society but on a European basis.
6. I have taken soundings (limited by the holiday period) on this subject and have received a somewhat mixed reaction with the negative comments coming from those associated with national institutions which might feel they have something to lose if the initiative went ahead.
7. I have mentioned the concept on an informal basis to my French colleagues who were extremely enthusiastic and wanted to write it in to the general conference papers. I restrained them on the grounds of UK ownership of the idea (!) and because you might wish to feature the concept in your speech.
8. More generally I am very concerned about the French bid for scientific and technological leadership in Europe which is being pushed so hard by the Mitterrand administration. In some ways it is laughable compared with our own and Germany's claims but if France goes on behaving as though she were leader and continues to fuel the claim with cash, people will eventually believe it and then it will happen. In my judgement this would have very adverse consequences on the UK's economic competitiveness in a future world dominated by science and technology led industries.
9. Thus, if the idea of a European Academy of Sciences has any merit, there are advantages in the UK taking a firm initiative at the start with a view to bidding to headquarter it in London. This will cost money and it is much too early to make any cost/benefit analysis. It is however relevant to the handling of the idea.
10. If you feel the idea has merit, my suggestion is that we draft for you a section of your speech in Paris which briefly analyses the problem, proposes a European Academy as an imaginative response to the situation, and announces a meeting later in the autumn in London, chaired by you, at which the concept will be examined in detail. Attendance at the meeting might be Heads of National Academies or their equivalents in countries without Academies.

You might also seek to involve the Prime Minister as the only scientist Head of Government in Europe.

11. Between now and the meeting it would be possible to take soundings, both nationally and in Europe, assess costs and identify benefits. If the idea seems desirable it is hard to see how another country can take it from us. If it seems undesirable there is an easy retreat in discussing it at your meeting and then allowing it to be developed through the existing European Science Foundation.

12. Perhaps you can let me know whether you would like a draft for your speech prepared. I am copying this minute to David Hancock, Sir David Phillips and David Tanner in your Department, to Crispin Tickell in FCO and for information to David Barclay in No 10 and Richard Hatfield here.

Yours ever,



ROBIN B NICHOLSON
Chief Scientific Adviser

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CHANCELLOR OF THE EXCHEQUER

Community Expenditure on R & D and Euro-PES Arrangements

1. Thank you for your minute of 30 July ^{PT 26} which I saw briefly before I went on leave. On my return I have had an opportunity to consider the issues you raise, with Norman Tebbit's letter of 7 August to you on the same question.
2. There is no question but that we must continue to attach the highest importance to controlling Community expenditure. But we have also to honour the commitments we have made on R & D over the past two years, including the agreement reached at the Brussels European Council in March on increasing the proportion of Community resources devoted to financing priority Community research and development activities.
3. The immediate question at issue is the line we should take in the run up to and at the Research Council on 16 October. I agree that we must decide among ourselves what would be an acceptable figure for the Community R & D programme. The Commission's proposed figure is absurdly high. We must seek to forge an alliance with those Member States who share our concern at the Commission's proposals. But even the Germans would not accept that the Brussels European Council commitment does not involve any increase in expenditure. We should handicap ourselves if we were to put forward proposals which stood no chance of acceptance.
4. At OD(E) on 3 October we shall need to consider an approach which might enable us to reach a common position with our potential allies and particularly the Germans in advance of the Research Council on 16 October. To do this, I believe we should pursue both your suggestion that we should reach an understanding between ourselves about the appropriate expenditure levels for

/Community



Community R & D in 1986 and beyond, and Norman Tebbit's proposal that we should decide our own programme priorities. I understand that officials have already begun to prepare the ground for our discussion at OD(E).

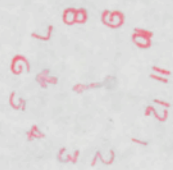
5. I am sending copies of this minute to OD(E) colleagues, the Prime Minister and Sir Robert Armstrong.

A handwritten signature in black ink, consisting of several sharp, angular strokes that form a stylized representation of the name 'Geoffrey Howe'.

GEOFFREY HOWE

Foreign and Commonwealth Office
7 September, 1984

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Budget



- 7 SEP 1984

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FRAME ECONOMIC

DESKBY 100730Z

FM UKREP BRUSSELS 071920Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2748 OF 07 SEPTEMBER 1984

INFO IMMEDIATE DUBLIN, PRIORITY BRUSSELS, COPENHAGEN, THE HAGUE, ROME, PARIS, BONN, LUXEMBOURG, ATHENS.

BUDGET COUNCIL: 6/7 SEPTEMBER 1984

SUMMARY

1. BUDGET COUNCIL CONCLUDED AT 1630 HOURS TODAY WITHOUT REACHING CONCLUSIONS ON THE 1984 SUPPLEMENTARY AND 1985 DRAFT BUDGETS AND RELATED BUDGETARY ISSUES. PRESIDENCY DRAFT CONCLUSIONS REMAIN ON THE TABLE AND FAC WILL BE ASKED TO ADOPT THEM ON 17 SEPTEMBER. PRESIDENCY TO CONDUCT BILATERALS WITH THE UK AND OTHER MEMBER STATES IN COMING DAYS.

DETAIL

2. PROVISIONAL AGREEMENT WAS REACHED ON THE CONTENTS OF A DRAFT SUPPLEMENTARY BUDGET FOR 1984. THE FIGURE FOR SUPPLEMENTARY FINANCING WAS SUBSTANTIALLY REDUCED TO 1,003 MECU. IT WAS ALSO CONFIRMED THAT ANY FINANCING WOULD BE BY MEANS OF AN INTER-GOVERNMENTAL AGREEMENT ON THE BASIS OF 1984 VAT SHARES (AS REVISED BY THE COMMISSION'S RECTIFYING LETTER).

3. A PROVISIONAL DRAFT BUDGET FOR 1985 WITHIN THE ONE PERCENT CEILING WAS CONFIRMED, BUT NO AGREEMENT WAS REACHED ON THE AMOUNT OR METHOD OF SUPPLEMENTARY FINANCING IN 1985. MR STEWART MADE CLEAR THAT WE COULD NOT ACCEPT ANYTHING OTHER THAN A LIMITED AMOUNT OF SUPPLEMENTARY FINANCING, DERIVED FROM BRINGING FORWARD NEW OWN RESOURCES. THE GERMANS AND DUTCH REMAINED OPPOSED TO INCREASING OWN RESOURCES BEFORE 1 JANUARY 1986.

4. REGARDING 1984 REFUNDS, TIETMEYER (GERMANY) SUGGESTED THAT THESE MIGHT BE PROVIDED FOR ON THE REVENUE SIDE IN 1985 BY PARTIAL IMPLEMENTATION OF NEW OWN RESOURCES. THIS IDEA DID NOT ATTRACT SUPPORT FROM MOST OTHERS SINCE IT OFFERED NO WAY FORWARD ON MEETING EXCESS AGRICULTURAL REQUIREMENTS IN 1985. (THERE WERE RUMOURS THAT GERMANY MIGHT REVIEW ITS POSITION ON THE INTRODUCTION OF EXTRA OWN RESOURCES NEXT SPRING).

5. MR STEWART STRESSED FROM THE OUTSET THAT THE UK COULD NOT AGREE TO ESTABLISHING THE 1984 SUPPLEMENTARY BUDGET WITHOUT FIRM CONCLUSIONS ON THE OTHER POST-FONTAINEBLEAU BUDGETARY ITEMS. AS THE MEETING PROGRESSED OTHER DELEGATIONS PROFESSED

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SURPRISE AND DISAPPOINTMENT THAT THE UK WAS NOT ABLE TO SETTLE THE 1984 BUDGET PROBLEM THERE AND THEN. OUR OFFER OF PROVISIONAL AND CONDITIONAL AGREEMENTS PROVED TOO MUCH FOR THEM TO SWALLOW, THOUGH THE MEETING REMAINED FAIRLY GOOD TEMPERED.

6. O'KEEFE (IRISH PRESIDENCY) SUMMED UP THAT THOUGHT IT HAD NOT BEEN POSSIBLE TO ESTABLISH EITHER DRAFT BUDGET, GOOD PROGRESS HAD BEEN MADE. THE PRESIDENCY'S DRAFT CONCLUSIONS REMAINED ON THE TABLE, AND FAC WOULD BE ASKED TO ADOPT THEM ON 17 SEPTEMBER. THE PRESIDENCY WOULD MEANWHILE CONDUCT BILATERALS WITH THE UK AND OTHER MEMBER STATES, AND WOULD ALSO CONSIDER THE POSSIBILITY (SUGGESTED BY ITALY) OF A JOINT FAC-BUDGET COUNCIL. O'KEEFE SPOKE TO THE PRESS IN FAIRLY HELPFUL TERMS AT THE END OF THE COUNCIL (SEE SEPARATE TEL).

7. DETAILED REPORT FOLLOWS.

FCO ADVANCE TO:-

FCO - RENWICK, FAIRWEATHER, WESTMACOTT

CAB - WILLIAMSON, STAPLETON, LAMBERT

MAFF - PERRINS

TSY - PS/EST, UNWIN, FITCHEW, MORTIMER, BOSTOCK, LENNON

TSY SOL - WHELDON

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(ADVANCED AS REQUESTED)

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COPIES TO:

ADVANCE ADDRESSEES

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

6 September 1984

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Dear Charles,

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1983 Refunds: Possible Legal Action

In my letter of 27 July, I described the background to possible action in the European Court of Justice over the refusal of the Parliament to transfer our 1983 refunds.

Further study has not changed our Legal Advisers' view that the legal merits of any action to challenge the decision of the Parliament are not strong. To take the matter to the European Court would be likely to result in a long delay with no uncertainty of success, and would not be compatible with the pursuit of negotiations. Our interests would probably be better served by pursuing the efforts now under way to resolve all the budget issues together. If we were unable to do so we should of course have to consider what action to take at the end of the year.

If we were to begin an action under Article 173 under the Treaty of Rome, we would have to do so by 27 September (action under that Article must be instituted within two months of the decision in question). The Foreign Secretary has, therefore, thought it right to seek the view of the Attorney General on the prospects of legal proceedings. Further advice will be submitted in the light of his conclusions.

Yours ever,

Colin Budd

(C R Budd)
Private SecretaryC D Powell Esq
10 Downing Street

Euro for Budget Pt 27

UNITED STATES GOVERNMENT

OFFICE OF THE COMPTROLLER OF THE CURRENCY

UNITED STATES GOVERNMENT

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FM UKREP BRUSSELS 051630Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2712 OF 05 SEPTEMBER 1984

INFO COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN,
LUXEMBOURG, ATHENS, STRASBOURG, INFO SAVING BRUSSELS.

EP BUDGETS COMMITTEE: 5 SEPTEMBER

SUMMARY

1. EP BUDGETS COMMITTEE TODAY AGREED A MOTION FOR RESOLUTION AND AMENDMENTS TO THE PROPOSED REGULATIONS ON SUPPLEMENTARY FINANCING (TEXT BY HAND OF PEET, TREASURY), COMMITTEE WILL CONSIDER NEXT WEEK A MOTION SETTING CONDITIONS FOR THE RELEASE OF 1983 REFUNDS.

DETAIL

REGULATIONS COVERING ADDITIONAL BUDGETARY REQUIREMENTS IN 1984 AND 1985

2. THE COMMITTEE'S PRINCIPAL AMENDMENTS TO THE PROPOSED REGULATIONS ARE:

(I) THERE SHOULD BE ONE REGULATION COVERING BOTH YEARS:

(II) THE REGULATION SHOULD BE BASED ON ARTICLES 5, 199 AND 203(10) OF THE TREATY:

(III) THERE SHOULD BE NO FIGURE IN THE REGULATION SETTING AN UPPER LIMIT ON THE ADVANCES: INSTEAD, THE AMOUNT IS TO BE DETERMINED ON THE FINAL ADOPTION OF THE BUDGETS FOR THE FINANCIAL YEARS CONCERNED:

(IV) REPAYMENTS OF ADVANCES SHALL BE MADE IN SIX-MONTHLY INSTALMENTS ACCORDING TO THE AVAILABILITY OF OWN RESOURCES BEGINNING IN THE NEXT FINANCIAL YEAR FOLLOWING THE ENTRY INTO FORCE OF THE DECISION INCREASING NEW OWN RESOURCES:

(V) ARTICLE 5 WHICH SAYS THAT THE COUNCIL ACTING BY QUALIFIED MAJORITY ON A PROPOSAL FROM THE COMMISSION SHALL LAY DOWN DETAILED RULES FOR IMPLEMENTING THE REGULATION, IS DELETED.

1983 REFUNDS

3. LANGES (GERMAN CHRISTIAN DEMOCRAT) SAID HE WOULD PUT A MOTION TO THE COMMITTEE FOR AGREEMENT IN STRASBOURG NEXT WEEK SETTING CONDITIONS FOR PARLIAMENT'S AGREEMENT TO THE RELEASE OF THE 1983 REFUNDS. THE PROPOSED CONDITIONS WOULD BE A COUNCIL AGREEMENT ON THE COVERAGE OF THE 1984 OVERRUN: AND THAT THIS AGREEMENT SHOULD NOT PUT IN JEOPARDY THE BUDGETARY RIGHTS OF THE PARLIAMENT. THERE WAS NO DISCUSSION.

FCO ADVANCE TO:-

FCO - FAIRWEATHER, MARSDEN

CAB - LAMBERT, BURR

TSY - FITCHEW, HOPKINSON, PEET, LENNON

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(ADVANCED AS REQUESTED)

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Foreign and Commonwealth Office

London SW1A 2AH

4 September 1984

T Flesher Esq
10 Downing Street
LONDON
SW1

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Ranf fco
to say OK
CS 10/9

Dear Mr Flesher

DEVELOPMENTS IN THE EUROPEAN COMMUNITY : JANUARY - JUNE 1984

We propose to publish on 28 September a White Paper on Developments in the European Community covering the period January-June 1984. The report is purely factual and one of a series normally produced every six months.

I should be grateful if you, and those to whom I am copying this letter, would kindly confirm that there is no objection to publication.

yours faithfully

for

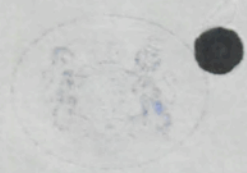
P H Johnson
Parliamentary Clerk

cc: D C R Heyhoe Esq
Office of the Lord Privy Seal and
Leader of the House
70 Whitehall
LONDON
SW1

C Roberts Esq
Chief Whips Office
12 Downing Street
LONDON
SW1

Foreign and Commonwealth Office

London, W1A 2AA



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- 4 SEP 1984

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FM BONN 050745Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 821 OF 05 SEPTEMBER

INFO PRIORITY UKREP BRUSSELS ATHENS EMBASSY BRUSSELS COPENHAGEN

DUBLIN LUXEMBOURG PARIS ROME THE HAGUE

FCO TELNO 463 TO BONN

MR RIFKIND'S TALKS WITH RUHFUS, 4 SEPTEMBER:

EC BUDGETARY ISSUES

1. THE MAIN DISCUSSION OF BUDGETARY ISSUES TOOK PLACE OVER DINNER.

2. THOUGH MR RIFKIND PRESSED HIM HARD, RUHFUS WAS VERY FIRM ON THE LINK BETWEEN NEW OWN RESOURCES AND THE COMPLETION OF ENLARGEMENT. THIS WAS AT ONCE AN ESSENTIAL LEVER TO MAINTAIN IMPETUS TOWARDS ENLARGEMENT, AND A FIRM GERMAN PARLIAMENTARY COMMITMENT. (THE ONLY HINT OF ANY FLEXIBILITY IN THIS POSITION WAS PROVIDED BY UNGERER, WHO SUGGESTED THAT RATIFICATION, RATHER THAN ENTRY INTO FORCE, OF THE ACCESSION TREATY MIGHT BE THE ESSENTIAL CONDITION. BUT IF NEW OWN RESOURCES WERE INTRODUCED BEFORE RATIFICATION, SOME COUNTRIES MIGHT NEVER RATIFY. THE EUROPEAN DEFENCE COMMUNITY WAS ONE PRECEDENT).

3. MR RIFKIND WORKED THROUGH THE PACKAGE SUMMARISED IN TUR EMPHASISING THE IMPORTANCE OF MAINTAINING THE MOMENTUM OF FONTAINEBLEAU. HE STRESSED, ABOVE ALL, THE NEED FOR EFFECTIVE IMPLEMENTATION OF THE DECISIONS ON BUDGETARY DISCIPLINE IF THERE WAS TO BE ANY HOPE OF PERSUADING THE BRITISH PARLIAMENT TO AGREE TO SOME SUPPLEMENTARY FINANCING. HE ARGUED THAT TREATY AMENDMENT WOULD HAVE BEEN OUR PREFERRED OPTION FOR INCORPORATING THE MARCH DECISION ON DISCIPLINE INTO THE BUDGETARY PROCEDURES. WE ACCEPTED THAT THIS COULD NOT BE NEGOTIATED. BUT WE DID NOT SEE HOW ANYTHING LESS THAN A REGULATION COULD BE EFFECTIVE IN PRACTICE.

4. RUHFUS, WHO OF COURSE IS RELATIVELY NEW TO HIS PRESENT JOB, APPEARED GENUINELY SURPRISED AT THE STRENGTH OF OUR ATTACHMENT TO BUDGETARY DISCIPLINE. HE CLAIMED NOT TO HAVE REALISED THAT THIS WAS AN ESSENTIAL PRECONDITION FOR PARLIAMENTARY APPROVAL OF ANY SUPPLEMENTARY FINANCING, JUST AS THE LINK BETWEEN ENLARGEMENT AND NEW OWN RESOURCES WAS FOR THE GERMANS. HE ASKED WHAT PROGRESS HAD BEEN ACHIEVED IN THE PREPARATIONS FOR ECOFIN. SURELY A REGULATION WAS UNATTAINABLE? WHAT WOULD IT SAY?

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5. MR RIFKIND RAN THROUGH THE TERMS OF THE MARCH DECISION OF PRINCIPLE. HE AGREED THAT PROGRESS IN ECOFIN HAD BEEN SLOW, BUT THIS WAS PARTLY A CONSEQUENCE OF GERMAN INDIFFERENCE. A REALLY TOUGH JOINT UK/GERMAN POSITION COULD HAVE A PROFOUND INFLUENCE ON THE FRENCH, IN PARTICULAR. RUHFUS SAID HE MUST FIRST DISCUSS THE MATTER AT ONCE WITH THE GERMAN FINANCE MINISTRY. HE COULD NOT BELIEVE THERE WOULD BE OBJECTIONS OF PRINCIPLE FROM THAT QUARTER.

6. COMMENT

ALTHOUGH NOT VERY HOPEFUL ABOUT THE OUTCOME, I SHOULD LIKE TO FOLLOW UP QUICKLY ON THIS EXCHANGE, BOTH BECAUSE OF THE IMPENDING BUDGET COUNCIL, AND BECAUSE RUHFUS IS GOING TO PARIS ON 10/11 SEPTEMBER FOR TALKS WITH DUMAS. MR RIFKIND HAS SUGGESTED THAT I SHOULD WRITE TO RUHFUS, IF POSSIBLE TODAY, GIVING A SUGGESTED TEXT OF THE REGULATION WE ARE PROPOSING, AND REPEATING THE CRUCIAL ELEMENTS IN OUR POSITION. GRATEFUL FOR INSTRUCTIONS: FOR THE DRAFT REGULATION WE MAY ONLY NEED TOP AND TAIL FOR THE MARCH DECISION ON DISCIPLINE.

BULLARD

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ECD (I)
ECD (E)
PLANNING STAFF
PS
PS/MR RIFKIND
PS/PJS
SIR C TICKELL
MR DEREK THOMAS
MR RENWICK

COPIES TO

MR UNWIN } TREASURY
MR FITCHEW }
MR ANDREWS MAFF
MR ATTRIDGE } CABINET
MR WILLIAMSON } OFFICE
MR POWELL, NO 10 DOWNING ST

EPS 950
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DESKBY 050800Z

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TO IMMEDIATE F C O

TELEGRAM NUMBER 2699 OF 4 SEPTEMBER,
INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
BONN LUXEMBOURG ATHENS.

E.C BUDGET NEGOTIATIONS

1. I HAVE GIVEN TUGENDHAT AN ACCOUNT OF THE PRIME MINISTER'S DISCUSSION WITH FITZGERALD AND URGED HIM TO TRY TO GET THE COMMISSION (AND THE PRESIDENCY) TO MAKE A MORE HELPFUL CONTRIBUTION, PARTICULARLY ABOUT BUDGET DISCIPLINE. HE (AND LEVER WHO WAS PRESENT) SAID THAT THE COMMISSION WERE PRONE TO ARGUE THAT IT WAS UP TO THE COUNCIL TO DECIDE HOW IT WANTED TO MAKE ITSELF EXERT BUDGET DISCIPLINE. I SAID THAT THE COMMISSION TOO MUST PLAY ITS ROLE, BOTH IN THE BUDGET PROCEDURE EACH YEAR AND, IN THE IMMEDIATE FUTURE, IN HELPING TO GET AGREEMENT ON A REGULATION. I HOPED THAT HE WOULD GET STRASSER TO CONTRIBUTE MORE CONSTRUCTIVELY IN THE RUN-UP TO THE INFORMAL ECOFIN MINISTERS MEETING IN 10 DAYS' TIME.

2. AS REGARDS THE 1984 OVERRUN, LEVER SAID THAT THEIR PRESENT ASSESSMENT WAS THAT THE REAL OVERRUN THIS YEAR WOULD STILL BE ABOUT 1800 OR 1900 MILLION ECUS. I SAID THAT IF THEY WANTED TO CONTRIBUTE TO AN AGREEMENT THEY SHOULD HELP US TO GET THE FIGURE DOWN WELL BELOW 1350 MILLION ECUS.

3. THEY WERE VERY CONCERNED ABOUT THE TIMING IF THE 1984/85 BUDGET PROBLEM WAS LINKED WITH BUDGET DISCIPLINE AND IF THERE WERE FURTHER DELAYS WHILE NATIONAL PARLIAMENTS CONSIDERED ANY POSSIBLE INTER-GOVERNMENTAL AGREEMENT. I SAID THAT:-

(A) WE WERE NOT ASKING FOR SUCH AN INTER-GOVERNMENTAL AGREEMENT: ON THE CONTRARY WE HAD PROPOSED A PERFECTLY VALID WAY OF DEALING WITH THE PROBLEM WITHIN THE OWN RESOURCES SYSTEM:

(B) THE OTHER EIGHT HAD RALLIED TO THE GERMAN PROPOSAL FOR AN INTER-GOVERNMENTAL AGREEMENT AND IT WOULD BE UP TO THEM TO MAKE ANY AGREEMENT WORK:

(C) THE PRIME MINISTER WAS QUITE CLEAR THAT AN ARTICLE 235 APPROACH WOULD UNDERMINE THE TREATY AND BUDGET DISCIPLINE: THERE WOULD BE NO STOPPING PEOPLE FROM GOING FOR AN ARTICLE 235 REGULATION TO FINANCE A 1985 OVERRUN OR FROM BEING RELAXED ABOUT AN OVERRUN ARISING WHEN THE 1.4% CEILING WAS REACHED. AN ARRANGEMENT ENTIRELY OUTSIDE THE TREATIES FOR 1984, WHICH

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COULD CERTAINLY NOT BE REPEATED, MIGHT BE POSSIBLE IF THE CONDITIONS WERE RIGHT BUT NOT AN ARTICLE 235 REGULATION.

4. AFTER SOME DISCUSSION BETWEEN THEMSELVES THEY SAID THAT THE INTER-GOVERNMENTAL APPROACH MIGHT PERHAPS JUST FIT IN WITH THE NEEDS OF THE TIMETABLE IF IT WAS AGREED, ONCE THE PACKAGE AS A WHOLE HAD BEEN SETTLED, THAT THE PRESIDENT OF THE COUNCIL SHOULD WRITE TO THE PRESIDENT OF THE PARLIAMENT SAYING THAT ALL MEMBER STATES NOW WERE READY TO HAVE A SUPPLEMENTARY 1984 BUDGET FOR 'X' HUNDRED MILLION ECUS. BUT THAT A DRAFT SUPPLEMENTARY BUDGET COULD NOT FORMALLY BE ESTABLISHED UNTIL MEMBER STATES HAD COMPLETED THEIR NATIONAL PROCEDURES FOR APPROVAL. THE COUNCIL WERE THEREFORE, IN VIEW OF THE URGENCY, SENDING THE DRAFT OF THE SUPPLEMENTARY BUDGET TO THE PARLIAMENT SO THAT THE PARLIAMENT COULD BEGIN ITS EXAMINATION OF IT AND SO THAT BOTH HALVES OF THE BUDGETARY AUTHORITY COULD MAKE THEMSELVES READY TO APPROVE IT AS SOON AS NATIONAL PROCEDURES FOR FINANCING IT WERE COMPLETED. TUGENDHAT THOUGHT THAT, EVEN IF THE COUNCIL PROCEEDED ON THESE LINES, THERE WAS A SERIOUS RISK OF FAILING TO GET THE SUPPLEMENTARY BUDGET APPROVED IN TIME AND OF DIFFICULTIES WITH THE PARLIAMENT. HE HANKERED AFTER GETTING BACK TO THE COMMISSION PROPOSAL FOR AN ARTICLE 235 REGULATION. I SAID THAT THE PRIME MINISTER WAS VERY FIRM ON THIS POINT AND HE WOULD BE DOING THE CAUSE OF AGREEMENT A DIS-SERVICE IF HE TRIED TO SWING THINGS BACK THAT WAY.

5. AS REGARDS OUR 1984 REBATE I SAID THAT THE PRESENT GERMAN ATTITUDE WAS INCONSISTENT WITH A PROPER IMPLEMENTATION OF THE FONTAINEBLEAU AGREEMENT. DEFINITE ARRANGEMENTS FOR OUR 1984 REBATE MUST BE MADE WHICH EXCLUDED THE EUROPEAN PARLIAMENT FROM MONKEYING ABOUT WITH IT. IT WOULD BE REASONABLE FOR ALL MEMBER GOVERNMENTS TO ACCEPT AS AN ALTERNATIVE TO THE FONTAINEBLEAU SOLUTION OF FINANCING OUT OF OWN RESOURCES IN 1985 THAT THE THOUSAND MILLION ECUS SHOULD BE FINANCED OUTSIDE THE BUDGET IN AN INTER-GOVERNMENTAL AGREEMENT AND PAID AT THE BEGINNING OF 1984 TO COMPENSATE US FOR THE VERY LATE PAYMENT OF THE 1983 REFUND. TUGENDHAT SAID THAT NEITHER THE PARLIAMENT NOR THE MEMBER GOVERNMENTS WOULD LIKE THAT. I SAID THAT THERE COULD BE NO QUESTION OF ALLOWING THE EUROPEAN PARLIAMENT A ROLE. HE SAID THAT THEY WOULD ARGUE STRONGLY FOR THE FONTAINEBLEAU AGREEMENT TO BE CHANGED TO PROVIDE FOR IMPLEMENTATION ON THE EXPENDITURE SIDE. I SAID THAT WAS OUT OF THE QUESTION.

6. TUGENDHAT AS USUAL COULD SEE ALL THE DIFFICULTIES. BUT HE IS CLEARLY ANXIOUS LEST, FAILING AGREEMENT, HE COMES UNDER

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PRESSURE IN THE COMMISSION BEFORE NOVEMBER TO PROPOSE A TRANSFER OF THE MONEY FOR THE U.K AND GERMAN REFUNDS TO THE AGRICULTURE LINE. HE SAYS THE COMMISSION WILL BE CERTAIN TO WANT TO DO THAT IF NO AGREEMENT IS REACHED BY NOVEMBER.

I SAID THAT WE SHOULD IN ANY CASE EXPECT THE PARLIAMENT TO RELEASE THE 1983 REFUNDS BEFORE WE SOUGHT OUR OWN PARLIAMENT'S APPROVAL OF ANY BUDGET PACKAGE. HE SAID THAT OUR JOINT TASK MUST BE TO GET A SETTLEMENT QUICKLY WHICH AVOIDED THIS SORT OF CONFRONTATION.

FCO ADVANCE TO :-

FCO - TICKELL RENWICK FAIRWEATHER.
CAB - WILLIAMSON STAPLETON LAMBERT.
MAFF- ANDREWS.
TSY - PS/EST UNWIN FITCHEW HOPKINSON.
T/SOL- GODWIN.

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TO IMMEDIATE BONN
TELEGRAM NUMBER 463 OF 4 SEPTEMBER
INFO IMMEDIATE UKREP BRUSSELS (PERSONAL FOR SIR M BUTLER)
INFO PRIORITY (PERSONAL FOR AMBASSADORS) OTHER EC POSTS
FOLLOWING PERSONAL FOR AMBASSADOR AND PS/MR RIFKIND
EC BUDGET NEGOTIATIONS

1. THE PRIME MINISTER HAS AGREED THAT IT SHOULD BE OUR AIM TO GET THE OUTSTANDING BUDGET ISSUES SETTLED AS SOON AS POSSIBLE AND IN RELATION TO ONE ANOTHER. WE SHOULD ONLY BE PREPARED TO CONSIDER MODIFYING OUR POSITION ON THE FINANCING OF THE 1984 OVERRUN IF CERTAIN CONDITIONS WERE FULFILLED.

2. IT WOULD BE HELPFUL IF MR RIFKIND WOULD EMPHASISE TO RUHFUS AND VAN EEKELEN:

(A) WE INTEND TO TRY TO SETTLE ALL THE OUTSTANDING POST-FONTAINEBLEAU QUESTIONS AS SOON AS POSSIBLE AND IN RELATION TO ONE ANOTHER - IE BUDGET DISCIPLINE (ABOVE ALL) AND THE OWN RESOURCES DECISION AS WELL AS THE 1984/85 BUDGET PROBLEMS (INCLUDING THE METHOD OF PAYMENT OF THE UK REBATE FOR 1984). THE PARLIAMENT MUST OF COURSE BE BROUGHT TO RELEASE OUR 1983 REFUNDS.

(B) THE TASK OF THE BUDGET COUNCIL MUST BE TO ACHIEVE AGREEMENT ON AN IRREDUCIBLE MINIMUM FOR THE 1984 OVERRUN. THE FIGURE PUT FORWARD BY THE IRISH PRESIDENCY (1350 MECU) MUST BE FURTHER REDUCED. WE NEVERTHELESS RECOGNISE THAT, EVEN AFTER FURTHER SAVINGS, THERE IS LIKELY STILL TO BE A RESIDUAL OVERRUN TO BE FINANCED.

(C) WE COULD CONSIDER ANY DIRECT FINANCING OF THE RESIDUAL 1984 DEFICIT BY A SUPPLEMENTARY BUDGET THROUGH INTER-GOVERNMENTAL AGREEMENT IF AND ONLY IF THE OTHER BUDGETARY ISSUES HAD ALSO BEEN RESOLVED (INCLUDING THE MEASURES NECESSARY TO GUARANTEE THE EFFECTIVE APPLICATION OF BUDGET DISCIPLINE, RELEASE OF OUR 1983 REFUNDS AND AGREEMENT ON THE ARRANGEMENTS FOR

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PAYMENT OF OUR 1984 REFUNDS.)

(D) THE PARLIAMENT'S ACTION IN HOLDING UP PAYMENT OF OUR 1983 REFUNDS HAS RENDERED THESE ISSUES HARDER TO RESOLVE. THE DUTCH AND GERMAN MEPS PLAYED A PROMINENT ROLE IN THAT ACTION. IF THE PARLIAMENT PERSISTED A VERY SERIOUS SITUATION WOULD ARISE.

(E) THERE WILL BE NO POSSIBILITY OF OUR OWN PARLIAMENT APPROVING THE NEW OWN RESOURCES DECISION, OR SUPPLEMENTARY FINANCING IN 1984, IN THE ABSENCE OF MEASURES GUARANTEEING THE EFFECTIVE APPLICATION OF BUDGET DISCIPLINE. IN PARTICULAR WE WANT A COUNCIL REGULATION EMBODYING THE CONCLUSIONS OF THE BRUSSELS EUROPEAN COUNCIL ON THE AGRICULTURAL GUIDELINE.

(F) IT WILL NOT BE POSSIBLE TO FIND A WAY THROUGH THE BUDGET ISSUES UNLESS THERE IS AGREEMENT TO BRING NEW OWN RESOURCES FORWARD IN 1985. WE ATTACH FUNDAMENTAL IMPORTANCE TO RESPECT FOR THE PROVISIONS OF THE TREATIES CONCERNING THE FINANCING OF THE BUDGET THROUGH THE OWN RESOURCES. THERE COULD BE NO QUESTION OF FINANCING ANY PART OF THE 1985 BUDGET OUTSIDE THE OWN RESOURCES SYSTEM.

3. FURTHER GUIDANCE WILL FOLLOW ON THE MANNER IN WHICH THESE POINTS SHOULD BE PUT ACROSS IN OTHER EC CAPITALS.

HOWE

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2

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10 DOWNING STREET
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From the Private Secretary

4 September, 1984

EUROPEAN COMMUNITY BUDGET

The Prime Minister held a meeting yesterday with the Foreign and Commonwealth Secretary, the Minister of Agriculture, Fisheries and Food, the Chief Whip and Economic Secretary, Treasury, in order to discuss outstanding Community budget issues. Sir Robert Armstrong, Sir Michael Butler and Mr. Williamson were also present.

The Prime Minister said that it was desirable that the main outstanding budgetary questions in the Community should now be quickly resolved together. She did not favour a piecemeal approach. It was the task of the Presidency to carry forward the implementation of the Fontainebleau agreement on the correction of the budget inequity, on the increase in the Community's own resources and on budget discipline and to ensure that any irreducible minimum 1984 overrun was dealt with in accordance with the Treaty. This was the message that she intended to give to Mr. Garret FitzGerald at her meeting with him later in the day.

The Foreign and Commonwealth Secretary said that this was the right approach with Mr. FitzGerald. The Presidency should now move all these issues forward and, in particular, they should not neglect budget discipline. On the 1984 budget overrun it was common ground that this should be reduced to the maximum feasible extent. The Council of Ministers (Budget) should complete this work on

6-7 September. There would, however, be some overrun remaining even after savings had been made. He considered that, if other conditions were met in a satisfactory package, we should be prepared as an exceptional and temporary measure to contribute to financing the overrun, preferably by a regulation under Article 235 of the Treaty. The conditions should ensure, however, that we obtained "the measures necessary to guarantee the effective application of the principles" of budgetary discipline agreed by the European Council. He also supported that idea put forward by the Economic Secretary in his Private Secretary's letter of 30 August that we should seek to obtain early payment in 1985 of the United Kingdom's 1984 refund of 1000 million ecu.

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The Economic Secretary, said that in his view the three options were as set out in paragraph 6 of Mr. Williamson's minute to Mr. Powell of 15 August but he had also suggested another quid pro quo for agreement to supplementary finance for 1984 which could be sought in the Budget Council, namely the early payment of the 1984 refund. The interest saved would largely offset the United Kingdom's net share of the supplementary finance for 1984. In the Budget Council he foresaw a difficulty of timing: the 1984 budget problem was urgent and we should probably have to make a provisional commitment on the 1984 budget overrun before the other elements were finally agreed.

In discussion of the options it was suggested that United Kingdom agreement that 1984 expenditure pushed into Community financing in 1985 would not count towards the United Kingdom rebate ("sterilisation") would not be likely to gain any significant counter-concessions from other member states. In addition, it would be a bad precedent to exclude any expenditure from rebate and it would provide no incentive for other member states to hold down expenditure. In the circumstances it might be better to concentrate on the conditions which should be satisfied if the United Kingdom were to agree to some supplementary financing in 1984. In particular, we must be satisfied on budget discipline and on our budget rebates. In advance of the Budget Council it was difficult to see the whole package. The Economic Secretary needed to explore with other member states at or in the margins of that Council the scope for progress on budget discipline and budget rebates on the lines of option (iii) in paragraph 6 of Mr. Williamson's minute of 15 August and of the idea put forward by the Economic Secretary himself (letter of 30 August from his private secretary to Mr. Powell). On the legal base for supplementary financing in 1984 - either an intergovernmental agreement or Article 235 of the Treaty - the present position was that the Germans were standing out for an intergovernmental agreement outside the Treaty. For the United Kingdom the main issue was to ensure that the arrangement should be genuinely exceptional and temporary. There was a very strong argument on this ground for an intergovernmental agreement outside the Treaty. On the other hand, it was argued that, in view of the agreement to increase the Community's own resources but the temporary financing problem in the interim, the Council and Commission legal services had already taken the view that Article 235 could be used. The use of this basis might make it easier for the United Kingdom to secure a regulation on budget discipline on the same legal base.

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In discussion of the 1985 situation it was pointed out that the Budget Council had already reached a provisional agreement to keep the 1985 budget within the 1 per cent value added tax ceiling. Any declaration about the financing of a possible overrun later in 1985 would need to protect the United Kingdom's position that such financing would have to be limited and would have to be implemented in accordance with the Treaty, i.e. through the proper procedures provided in the Treaty for an increase in the Community's own resources. This implied that the German (and Dutch) Governments should modify their position on the date of implementation of the increase in the 1 per cent value added tax ceiling.

With reference to the effects of enlargement it was noted that a recent Commission paper indicated that Spain would be a net contributor to the Community budget for up to eight years. Sir Michael Butler explained, however, that this was a theoretical position based on the present state of the negotiation without taking account of any proposal for dealing with the Spanish budget situation. It was expected that the Commission would propose some alleviation for Spain, probably on the lines of the phasing in of budget contributions which had been applied in earlier accessions.

Summing up the discussion, the Prime Minister said that it was now time - and the task of the Presidency - to bring the outstanding budgetary questions to an early conclusion. It was in the United Kingdom's interest to deal with a number of issues together. On the 1984 budget overrun the United Kingdom would be prepared to consider some supplementary finance in 1984 but only if we received satisfactory assurances on related budgetary questions. The Commission's proposal for the 1984 overrun must be cut back by the Budget Council to the irreducible minimum. It must be made clear to all member states that, at or before any supplementary budget, the European Parliament must release the United Kingdom's 1983 rebate. The European Council's instruction to the Council of Ministers to adopt the measures necessary to guarantee the effective application of the principles of budgetary discipline must be honoured. Even if these conditions were met, the United Kingdom's objective was that the supplementary financing in 1984 must be genuinely temporary and exceptional, and it would of course require the agreement of the United Kingdom Parliament. An intergovernmental agreement outside the Treaty was to be preferred and we also needed to protect our position for 1985; if, as expected, the Council of Ministers (Budget) agreed on a 1985 budget within the 1 per cent value added tax ceiling, any declaration on possible supplementary finance later in 1985 would need to be consistent with the United Kingdom's view that any such supplementary finance in

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-4-

1985 would have to be limited and to be provided in accordance with the Treaty by the proper procedures for increasing the Community's own resources. A clear understanding on the implementation of the 1984 refund of 1000 million ecu was also necessary and the meeting endorsed the Economic Secretary's suggestion that we should seek the earliest possible payment in 1985.

I am sending copies of this letter to David Peretz and Adrian Ellis (HM Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Murdo Maclean (Chief Whip's Office) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office.

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GR 520

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FRAME GENERAL/EXTERNAL

FM UKREP BRUSSELS 032220Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2695 OF 3 SEPTEMBER

INFO PRIORITY LISBON MADRID

INFO BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN

LUXEMBOURG ATHENS

INFO SAVING STRASBOURG.

FOREIGN AFFAIRS COUNCIL : 3 SEPTEMBER.

SUMMARY.

1. ONE DAY COUNCIL, DEVOTED ENTIRELY TO ENLARGEMENT, FOLLOWED BY BRIEF MINISTERIAL MEETINGS WITH PORTUGAL AND SPAIN. DESPITE OVER 9 HOURS' DELIBERATIONS THE COUNCIL PRODUCED VIRTUALLY NO MOVEMENT ON OUTSTANDING DOSSIERS. SOME DISCUSSION IN RESTRICTED SESSION ON POSSIBLE WAYS OF ACCELERATING NEGOTIATIONS. PORTUGUESE EXPRESSED DISMAY AT COMMUNITY'S FAILURE TO PRESENT SUBSTANTIVE POSITIONS. IN MEETING WITH SPAIN, BOTH SIDES AGREED TO INCREASED CONTACTS TO PREPARE FOR THE NEXT MINISTERIAL SESSION ON 17-18 SEPTEMBER.

2. MR RIFKIND REPRESENTED THE U K.

A POINTS.

3. AGREED.

SPANISH ACCESSION.

4. NO AGREEMENT ON VEGETABLE OILS. U K, GERMAN AND NETHERLANDS INSISTENCE ON THE GUARANTEE THRESHOLD HELD FIRM AGAINST ITALIAN AND GREEK OPPOSITION, AIDED BY COMMISSION. ALL PROTAGONISTS REJECTED AN UNSATISFACTORY PRESIDENCY COMPROMISE. FRANCE MOVED TO ACCEPTANCE OF THE GUARANTEE THRESHOLD. ITALY AND GREECE ARE CLOSE TO BEING ISOLATED AMONG MEMBER STATES.

5. ON SOCIAL AFFAIRS, GERMANY AND OTHERS PREVENTED AGREEMENT TO ANY OF THE THREE PROPOSED CONCESSIONS. NO DECLARATION TO SPAIN.

6. ON INSTITUTIONS, AGREEMENT ON DECLARATIONS TO SPAIN AND PORTUGAL, ESTABLISHING 54 AS THE NUMBER OF VOTES REQUIRED FOR A QUALIFIED MAJORITY. THE SIZE OF THE COMMISSION WAS LEFT FOR DISCUSSION AT A LATER DATE.

PORTUGUESE ACCESSION.

7. FAILURE TO AGREE ON SUGAR IN THE FACE OF FRENCH AND BELGIAN OPPOSITION TO AN INCREASE IN THE ACP QUOTA. PASSAGE ON SUGAR DELETED FROM COMMUNITY DECLARATION.

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8. HORIZONTAL DECLARATION COVERING OTHER AGRICULTURAL ISSUES AGREED, SUBJECT TO MINOR CHANGES.

9. AS FOR SPAIN ON VEGETABLE OILS.

10. DECLARATION ON SOCIAL AFFAIRS AGREED WITH OMISSION OF CLAUSES ON FAMILY BENEFITS FOR MIGRANT WORKERS.

11. APPROVAL OF DECLARATION TO PORTUGAL ON PATENTS, CUSTOMS UNION, EXTERNAL RELATIONS (JAPAN LIST) AND RIGHT OF ESTABLISHMENT (CREDIT INSTITUTIONS).

WORKING PROCEDURES - SPAIN AND PORTUGAL.

12. IN RESTRICTED SESSION, NATALI REPORTED THE IMPASSE WITH SPAIN (NOT WITH PORTUGAL) AND CALLED FOR A RESUMPTION OF DETAILED NEGOTIATION ON INDUSTRY AND AGRICULTURE. NETHERLANDS SUGGESTION OF INFORMAL MINISTERIAL MEETINGS OF THE TEN AND WITH CANDIDATES OBTAINED SUPPORT BUT HELD OVER BY PRESIDENCY FOR CONSIDERATION AFTER THE FAC. MEANWHILE INTENSIFICATION OF TECHNICAL NEGOTIATIONS.

WINE.

13. FRANCE MADE EXPECTED STATEMENT DEMANDING SWIFT REFORM OF WINE REGIME INCLUDING AGREEMENT TO A GUARANTEE THRESHOLD. ANY DELAY IN AGREEING PRODUCTION CONTROLS WOULD DELAY ENLARGEMENT NEGOTIATIONS. SPECIAL PROCEDURE NEEDED IN VIEW OF URGENCY. SOME SUPPORT FROM U K AND GERMANY. ITALY OPPOSED TO WINE QUOTAS. PRESIDENCY TO CONSIDER SPECIAL PROCEDURE.

MINISTERIAL MEETING WITH SPAIN.

14. SPANISH DECLARATIONS ON INDUSTRIAL TARIFF TRANSITION, AGRICULTURE AND ECSC GOT A CHILLY COMMUNITY REACTION. COMMUNITY PRESENTED DECLARATION ON INSTITUTIONS AND EXTERNAL RELATIONS ONLY. AGREEMENT TO PURSUE INTENSIVE TECHNICAL WORK IN PREPARATION FOR 17/18 SEPTEMBER MEETING.

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MINISTERIAL MEETING WITH PORTUGAL.

15. LOPES EXPRESSED QUOTE PROFOUND DISPLEASURE UNQUOTE AT THE LACK OF PROGRESS IN THE NEGOTIATIONS, URGING THAT THE COMMUNITY SHOULD FULFIL ITS RESPONSIBILITIES ENSUING FROM THE FONTAINEBLEAU COMMITMENT ON THE DATE FOR COMPLETION, AND THAT THE PORTUGUESE DOSSIER SHOULD BE TREATED ON IS MERITS.

FCO ADVANCE TO:

FCO - PS PS:MR RIFKIND PS/PUS TICKELL RENWICK
FAIRWEATHER CROWE WALL RICHARDS
CAB - WILLIAMSON STAPLETON DURIE LAMBERT
DTI - LACKEY ECIP DIV PS/MFT
MAFF - ATTRIDGE ANDREWS
TSY - BOSTOCK HOPKINSON UNWIN

FCO PASS SAVING TO STRASBOURG.

BUTLER

(ADVANCED AS REQUESTED)
(REPEATED AS REQUESTED)

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Qz 03852

MR POWELL

ad 4/9.

COMMUNITY BUDGET

1. I attach a draft record of the Prime Minister's meeting this morning.

D. F. Williamson

D F WILLIAMSON

3 September 1984

Encl.

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10 DOWNING STREET

From the Private Secretary

3 September 1984

Standards and Industrial
Collaboration

The Prime Minister has seen Sir Geoffrey Howe's minute of 31 August on this subject. She agrees that we should proceed with the proposals in Mr. Channon's letter of 2 August to Sir Geoffrey, on the assumption that this is followed up by a more substantial initiative as soon as possible. She looks forward to the further proposals promised in paragraph 4 of Sir Geoffrey's minute.

I am sending a copy of this letter to Steve Nicklen (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

M. J. POWELL

Colin Budd Esq
Foreign and Commonwealth Office.

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GRS 270
CONFIDENTIAL
FM BONN 311400Z AUG 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 804 OF 31 AUGUST
INFO IMMEDIATE UKREP BRUSSELS, DUBLIN
INFO ROUTINE PARIS

MY TEL NO 800: FITZGERALD/KOHL MEETING

SUMMARY

1. KOHL STUCK TO HIS GUNS ON CHAIRMANSHIP OF SPAAK COMMITTEE AND LINK BETWEEN ENTRY INTO FORCE OF ENLARGEMENT AND INTRODUCTION OF INCREASED OWN RESOURCES.

SPAAK COMMITTEE

2. ACCORDING TO STABREIT OF THE FEDERAL CHANCELLERY NO OFFICIALS WERE PRESENT AT THE MEETING. HE HAS GIVEN ME A SUMMARY ACCOUNT, ACCORDING TO WHICH THE GERMANS FORCEFULLY MAINTAINED THEIR PROPOSAL THAT CARSTENS SHOULD CHAIR THE SPAAK COMMITTEE. THE IRISH WERE VERY NEGATIVE. KOHL AND FITZGERALD AGREED THAT THE FIRST MEETING OF THE COMMITTEE, PLANNED FOR 6 SEPTEMBER, MUST BE POSTPONED AND THAT FOREIGN MINISTERS SHOULD DISCUSS THE QUESTION OF THE CHAIRMANSHIP AGAIN WHEN THEY MEET ON 11 SEPTEMBER.

3. STABREIT SAID THAT THE GERMANS HAD WIND BEFORE THE MEETING OF AN IRISH IDEA THAT DOOGE MIGHT HAVE THE CHAIRMANSHIP UNTIL THE END OF THE IRISH PRESIDENCY AND CARSTENS THEREAFTER. BUT FITZGERALD HAD NOT MENTIONED THIS TO KOHL. NOR HAD THERE BEEN MENTION OF A TWO-TIER CHAIRMANSHIP, SUCH AS TELTSCHIK MENTIONED TO ME ON 29 AUGUST (MY TUR).

1984 OVERRUN

4. STABREIT COULD ONLY TELL ME ONE THING ABOUT THE DISCUSSION OF THIS. KOHL HAD EMPHATICALLY REITERATED TO FITZGERALD THE GERMAN POSITION THAT THE LINK, ESTABLISHED AT STUTTGART AND CONFIRMED AT FONTAINEBLEAU (SIC), BETWEEN ENTRY INTO FORCE OF ENLARGEMENT AND THE INCREASE IN OWN RESOURCES MUST BE MAINTAINED, AND BOTH SHOULD HAPPEN ON 1 JANUARY 1986.

MALLABY

LIMITED
ECO(I)
WED
RJD
PS LADY YOUNG
PS MR RICKIND
SIR C. TICKELL
MR DEREK THOMAS
MR. RENWICK.

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PM/84/140

PRIME MINISTER

Prime Minister. *GPC*

MW →

We are having to ~~belabour~~
belabour the ~~DTI~~ *DI* & FCO to
get progress on this.

2. Mr. Channon's proposal
is a sensible one
provided it is followed up
by a more substantial
initiative,

A26

Standards and Industrial Collaboration

*as promised
in para. 4
C.D.P.
21/8*

1. Early in July you expressed disappointment (Mr Powell's letter of 5 July) at the results of OD(E)'s consideration of a possible UK initiative in this field. Further work is in hand which I hope will lead to substantive proposals being put to OD(E). Meanwhile, Paul Channon has suggested (his letter to me of 2 August) that we should prepare the way for our main initiative by seeking prior Community agreement to a proposal aiming at greater acceptance by each member state of others' standards in their own markets. The proposal builds in safeguards to ensure that member states' health and safety legislation is not undermined.

2. Paul Channon believes that Community agreement to his proposal is a necessary first step for us to make speedy progress on those specific standards which the DTI and British industry consider act as barriers to trade. John Gummer has warmly welcomed the proposal (his letter to Paul Channon of 17 August).

3. The Committee of Experts on Standards on which all Member States are represented and which is chaired by Mr Williams of the DTI has already begun its preparations for the 9 October Internal Market Council. During discussion of Paul Channon's proposal officials agreed that it would be desirable to make an input to the Williams Committee along the lines of the proposal in order that it might have a better chance of being adopted at the 9 October Council. David Barclay of your office agreed to this course of action, subject to my reporting the state of play to you on return.



4. I have now had an opportunity to consider the matter and I am satisfied that this is a good approach. We shall have a chance to review matters at the OD(E) meeting scheduled for 3 October, when we shall be considering a range of specific proposals which could be launched at the Internal Market Council on both standards and industrial collaboration.

A handwritten signature in blue ink, appearing to be 'G. Howe', written in a cursive style.

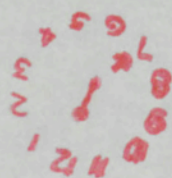
GEOFFREY HOWE

Foreign and Commonwealth Office

31 August, 1984

Euro PD Pt 27

Budget



31 AUG 1991

7a.
3/9.

PRIME MINISTER

E.C. BUDGET

There are voluminous papers on this for your meeting on Monday. It seems to me to boil down to this.

Our main interest is to get the Fontainebleau agreement signed and sealed in a form acceptable to Parliament. This means that there must be something adequate on budget discipline. And we must have an absolute assurance that our 1983 refunds will finally be released.

To obtain all this we are going to have to offer a concession. This will be to contribute to the financing of the 1984 overspend once we have pared it to a minimum (probably 1000 million ecus). There is no way to escape this in the end. But what we must do is tie up as many loose ends as possible at the same time - budget discipline, 1983 refunds - so that the concession is part of a final package. The Treasury idea of bringing forward payment of our 1984 refund can be tossed into the pot, but not as a substitute for getting an adequate arrangement for budget discipline. What we must avoid is making a concession on the 1984 overspend, with only vague promises on budget discipline and 1983 refunds.

There is not much chance that matters will be settled at this next Budget Council. But Mr. Stewart is going to need to be able to hold out the prospect of some flexibility on the 1984 problem if he is to make progress on paring the overspend and establishing the link with budget discipline. Otherwise it just becomes a kamikaze mission. He needs to be enabled to report back on what is likely to be the best obtainable package. You will then need to decide whether it

is within the bounds of what is acceptable; or whether we have to revert to thoughts of withholding.

In practice this means that Mr. Stewart's instructions from Monday's meeting should be:

- to insist on further economies in 1984
- to make clear that we cannot contemplate contributing to financing the residual overspend unless arrangements on budget discipline and the regulation implementing the Fontainebleau agreement are also agreed and our 1983 refunds released as an overall package;
- but to let it be known that if all these issues can be settled simultaneously and satisfactorily - but only if - we would be ready to pay our share of the 1984 over-run.

C.D.P.
31 August 1984

DSGABF

PRIME MINISTER

Meeting on Community Budget:
Monday 3 September at 1030

The meeting is to settle the UK line for the Budget Council on 6 September. Also what you should say to Dr. FitzGerald later on Monday morning.

Geoffrey Howe, Michael Jopling, Chief Whip, Economic Secretary, Sir M. Butler and David Williamson will attend.

Papers are:-

- A Mr. Williamson's note
- B FCS' minute
- C Economic Secretary's letter.

C.D.P.

30 August 1984



Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG

An ingenious idea from the Treasury. But I think it would be a mistake not to go all

30 August 1984

out for satisfactory arrangements on budget discipline as to price of agreeing any supplementary funds for 1984. C.D.P. 20/8

I agree not

C Powell Esq
10 Downing Street
LONDON SW1

Dear Charles.

1984 COMMUNITY SUPPLEMENTARY BUDGET

The Economic Secretary has discussed with officials here the options for next week's Budget Council and has asked me to let you have some comments before next Monday's meeting. In addition to the substance, he is particularly concerned about the presentation of the outcome to the House of Commons.

He agrees that the options which will need to be discussed at the meeting are the three identified at paragraph 6 of Mr Williamson's note. Option (i) - standing firm on our present position - would ensure that the 1 per cent ceiling was not evaded and would almost certainly drive the other Member States into national pre-financing before the end of the year. However, apart from universal antagonism, the corollary would be that the European Parliament would continue its refusal to release our 1983 refund of 750 mecu.

Either option (ii) or (iii) would involve significant concessions on our part. Although limited sterilisation would enable us to claim that the 1 per cent ceiling had been respected and might be defensible to Parliament in those terms, the Economic Secretary agrees with Mr Williamson that it is questionable whether sterilisation would be sufficient to get agreement from other Member States and is anxious about the potential dangers of the precedent. If we are to consider option (iii), involving supplementary finance this year, the Economic Secretary's view is that we would need elements in the deal sufficiently satisfactory to sell it to our own Parliament. In particular, we would have to:-

- (i) reduce the supplementary financing requirements to the minimum;
- (ii) continue to press for the strictest possible budget discipline arrangements;

(iii) insist that we only pay over our share of the supplementary budget on receipt of our 1983 refund. If the German proposal, which is supported by the other Member States, for finance through an inter-governmental agreement is adopted (and this seems preferable to an Article 235 Regulation), then the Government could hardly ask the House to approve the supplementary payment until the 1983 refunds had been released by the European Parliament.

As regards budget discipline, although the Economic Secretary agrees that there would be advantage vis-a-vis Parliament if we could get the strict financial guideline for agricultural expenditure in a regulation, he has commented that the Government's domestic position would be made more difficult, both with regard to the 1984-5 budget problem and in securing ratification of the Fontainebleau agreement, if it became publicly committed to securing a binding Regulation for the agricultural guideline as a condition of agreement to a supplementary budget and then failed to deliver it. Until now not only the French but several other Member States have been most strongly opposed to a Regulation. There is also a timing problem since the budget discipline discussions are unlikely to be resolved before the October ECOFIN and Foreign Affairs Councils whereas the other Member States will want agreement on the supplementary budget next week or as soon as possible thereafter.

In view of these difficulties the Economic Secretary thinks it would be worth considering at Monday's meeting whether ^{there} is any other quid pro quo that could be sought in the context of reaching a compromise at the Budget Council.

One possibility could be to propose to our partners that our 1000 million ecu refund in respect of 1984 should be brought forward, say to 1 January 1985, and financed outside the EC budget as part of the same inter-governmental agreement as the Germans have proposed should be used to provide the supplementary finance for 1984. The interest saved by bringing forward our refund in this way from October 1985 (or even 1986) would be not far short of our net share of the supplementary finance for 1984. A more detailed note setting out the mechanics of this arrangement and its pros and cons is annexed.

Early payment of the 1000 mecu would also no doubt be difficult to negotiate with other Member States and the European Parliament could still be difficult over the 1983 refund. But the Economic Secretary believes it is worth considering an option along these lines either as an addition or as an alternative to progress on budgetary discipline.

I am copying this to the Private Secretaries to the Foreign Secretary, Government Chief Whip and Minister of Agriculture.

Yours Sincerely

T.M. Stubbington

T M Stubbington
Assistant Private Secretary

ANNEX

EARLY PAYMENT OF UK'S 1000 MECU REFUND IN RESPECT OF 1984

If it is judged necessary to concede some supplementary finance to cover the agricultural overrun in 1984, a possible quid pro quo which the Government might seek would be to bring forward to 1 January 1985 the date for payment of our 1000 mecu refund in respect of 1984. At present the Commission has proposed that this payment should be made as a deduction from our VAT payments when the new Own Resources Decision comes into effect. On the Commission's own proposal this would not be until October 1985 and could be later if the Germans refuse to agree to new Own Resources before 1986. If the refund were paid instead on 1 January 1985, HMG would have the benefit of 9 or 10 months' interest on the money. At likely Government short-term borrowing rates this would be worth some £45-50m. The interest gain would not constitute a saving on planned public expenditure totals, but there would be a below-the-line saving in interest costs which would represent a genuine economic gain. The PSBR for 1984-5 would be reduced by the full 1000 mecu (£590m), though the present PSBR for 1985-6 would be increased pro tanto.

It would be essential that the early payment of the 1000 mecu should form part and parcel of the agreement on supplementary finance for the 1984 Budget and be implemented in the same way. The German proposal at present before the Budget Council is that supplementary finance for 1984 should be made available outside the EC Treaty in the form of "advances" by means of an inter-governmental agreement between the Member States. Such an agreement would have to be endorsed by all the national Parliaments, (including the House of Commons) and the necessary money voted by them. The "advances" would subsequently be repaid from the Community Budget beginning in 1986 under an Article 235 Regulation.

It is suggested that a provision to pay the 1000 mecu on 1 January 1985 could be written into the same inter-governmental agreement and be subject to the same process of endorsement by national Parliaments. The payment of the 1000 mecu to the UK would not, however, have to be entered into the 1984 or 1985 budgets or be agreed by the European Parliament. The money would be paid over to the UK by the other nine Member States either directly or through a "clearing account" held by the Commission. It would be for decision whether, as in the case of the 1984

supplementary finance, the payment to the UK would be subsequently "reimbursed" from the Community Budget in a later year. If this were to be done, it would be essential to ensure that the UK should not contribute towards the reimbursement.

Apart from the interest-saving the main advantages of this option are, first, that the inter-governmental agreement would be easier to sell to the House of Commons if it also contained provision for the 1000 mecu refund as well. (The converse would hold in other Member States). Second, the European Parliament would have no means of interfering. The main risk is that we would have to pay over our contribution to the 1984 Supplementary Budget, before we received the 1000 mecu. If one or more Member States then failed to deliver their share of the 1000 mecu on 1 January 1985, we would have no means of proceeding against them within the Community. A minor objection is that this arrangement is not fully consistent with the terms of the Fontainebleau conclusions, which provides for the 1000 mecu to be paid by deduction from our normal VAT payments. But there seems no reason why a special ad hoc method for payment of the 1000 mecu should prejudice the arrangements for the 66 per cent rebate in later years; the Fontainebleau conclusions are explicit that the latter should form part of the new Own Resources Decision.

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FRAME EXTERNAL

FM UKREP BRUSSELS 301430Z AUG 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2676 OF 30 AUGUST

INFO PRIORITY ROME PARIS BONN LISBON MADRID

BUDGETARY POSITIONS OF SPAIN AND PORTUGAL AFTER ACCESSION

SUMMARY

1. A CONFIDENTIAL COMMISSION REPORT ESTIMATES THAT SPAIN WILL BE A NET CONTRIBUTOR TO THE BUDGET FOR THE FIRST 8 YEARS AFTER ACCESSION.

DETAIL

2. GOODCHILD (DG1, COMMISSION) HAS TOLD US IN STRICT CONFIDENCE THAT A COMMISSION DOCUMENT WITH VERY RESTRICTED CIRCULATION SHOWS THAT ON THE LATEST ASSESSMENT SPAIN IS LIKELY TO BE A NET CONTRIBUTOR TO THE COMMUNITY BUDGET FOR THE FIRST EIGHT YEARS AFTER ACCESSION. HER NET CONTRIBUTION WOULD BE ABOUT 1 BILLION ECU IN THE FIRST YEAR, DIMINISHING GRADUALLY UNTIL SHE BECAME A NET BENEFICIARY IN YEAR 9. THIS IS BASED ON THE COMMUNITY POSITION SO FAR ON AGRICULTURE, ASSUMES NO (NO) REFUND ON PAYMENTS SIMILAR TO ARTICLE 127 OF THE GREEK TREATY AND COULD BE A LITTLE IMPROVED FOR SPAIN IF THE COMMUNITY IS GENEROUS ON RESTRUCTURING AID ON FISHERIES. BUT A MAJOR PROBLEM WOULD REMAIN.

3. ACCORDING TO THE ASSESSMENT, THE POSITION FOR PORTUGAL IS DIFFERENT, BECAUSE THE COMMUNITY HAD AGREED MORE GENEROUS TERMS ON AGRICULTURE GUIDANCE EXPENDITURE, AND ERDF AND ESF RECEIPTS WILL BE OF PROPORTIONATELY MORE BENEFIT TO THE PORTUGUESE. PORTUGAL IS ESTIMATED TO BE A NET CONTRIBUTOR ONLY IN THE FIRST YEAR OF TRANSITION AND A MODEST BENEFICIARY FOR THE REST. THE ASSESSMENT IS BASED ON ERDF RECEIPTS OF ABOUT 90 MECU IN THE FIRST YEAR GOING UP TO AROUND 300 MECU.

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4. THE COMMISSION PAPER IS BEING TREATED WITH MORE CARE THAN USUAL, AND IT IS IMPORTANT TO RESPECT GOODCHILD'S CONFIDENCE. WE SHALL TRY TO OBTAIN A COPY, AND YOU WILL NOT WISH TO DRAW ANY CONCLUSIONS WITHOUT CHECKING THE FIGURES. BUT IF THE ASSESSMENT IS CONFIRMED AND BECOMES PUBLIC IN ITS PRESENT FORM WHILE THE POST-FONTAINEBLEAU DISCUSSION OF THE REVISED 'OWN RESOURCES' DECISION IS STILL INCOMPLETE, THERE IS A RISK THAT OTHER MEMBER STATES WILL TRY TO FORCE US TO CONTRIBUTE NORMALLY TO ALLEVIATION OF SPAIN'S BUDGET PROBLEMS BY BRINGING THEM (AND THE PORTUGUESE) INTO THE SCOPE OF THE FONTAINEBLEAU ARRANGEMENT OR (LESS DIFFICULT FOR US TO RESIST) PROPOSE THAT WE CONTRIBUTE NORMALLY TO A GREEK-TYPE ARRANGEMENT. ON THE OTHER HAND EXPENDITURE IN SPAIN WILL AUTOMATICALLY QUALIFY FOR UK REBATE UNDER THE FONTAINEBLEAU AGREEMENT.

FCO ADVANCE TO:

FCO - RENWICK, CROWE, MISS EVANS ECD(E)
CAB - WILLIAMSON, MS LAMBERT
DTI - MISS LACKEY, BROTHERTON
MAFF - MRS ATTRIDGE, ANDREWS, MELVILLE
TSY - UNWIN, FITCHEW, INGHAM

BUTLER
FRAME EXTERNAL
ECD(e)

[REPEATED AS REQUESTED]

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TO IMMEDIATE FCO
TELEGRAM NUMBER 800 OF 29 AUGUST
INFO IMMEDIATE DUBLIN
INFO ROUTINE UKREP BRUSSELS PARIS

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DUBLIN TELNO 419: CHAIRMANSHIP OF AD HOC SELECT COMMITTEE ON
EEC INSTITUTIONAL AFFAIRS

SUMMARY

1. TELTSCHIK SAYS THAT KOHL IS DETERMINED TO SECURE THE
CHAIRMANSHIP OF THE COMMITTEE FOR CARSTENS.

DETAIL

2. TELTSCHIK RAISED THIS WITH ME DURING A LUNCH A DEUX TODAY.
HE SAID THAT KOHL WOULD NOT GIVE UP HIS ATTEMPT TO SECURE THE
CHAIRMANSHIP FOR CARSTENS. GIVEN THE SAGA OF THE CHOICE OF THE
NEW COMMISSION PRESIDENT, WHICH TELTSCHIK ADMITTED KOHL HAD
MISHANDLED, IT WAS NECESSARY TO THE CHANCELLOR TO PRODUCE A
SUCCESS ON THIS MATTER. HE SAID THAT IT WAS A PITY THAT THE
GERMANS HAD PUT FORWARD THEIR CANDIDATE SO LATE. HE REPEATED
THE KEY POINTS IN YOUR TELNO 449. TELTSCHIK SAID THAT GENSCHER
HAD NO RECOLLECTION OF AGREEMENT ON DOOGE HAVING BEEN REACHED
AT THE GENERAL AFFAIRS COUNCIL ON 23/24 JULY. THE FRENCH (COMPARE
PARAGRAPH 4 OF TUR) HAD YESTERDAY TOLD THE GERMANS THAT THEY HAD
ADVISED THE IRISH TO ACCEPT THE PROPOSAL OF CARSTENS. TELTSCHIK
ARGUED THAT IRELAND OUGHT TO BE ABLE TO GIVE IN WITHOUT LOSS OF
FACE, GIVEN THE IMMENSELY GREATER SENIORITY OF CARSTENS AND HIS LONG
EXPERIENCE OF EC MATTERS AS STATE SECRETARY IN THE AUSWAERTIGES AMT.

3. TELTSCHIK SAID THAT, IF CARSTENS WAS NOT ACCEPTED, THE GERMANS
WOULD NOT PARTICIPATE IN THE ~~BRXXXKX~~ SPAAK COMMITTEE. HE EXPRESSED
ASTONISHMENT. SURELY ADVANCING THE DEVELOPMENT OF EUROPEAN
COOPERATION WAS ONE OF KOHL'S MAJOR INTERESTS? SURELY THE GERMANS
COULD FIND ANOTHER CANDIDATE FOR MEMBERSHIP OF THE COMMITTEE, IF
CARSTENS DID NOT GET THE CHAIRMANSHIP? TELTSCHIK RETREATED
SLIGHTLY: HE SAID HE DID NOT EXCLUDE THE LATTER WAY OUT BUT
HAD WANTED TO EMPHASISE THE SERIOUSNESS WITH WHICH THE CHANCELLOR
VIEWED THE CANDIDATURE OF CARSTENS. TELTSCHIK LET
DROP THE THOUGHT, ON A PERSONAL BASIS, THAT IT MIGHT BE POSSIBLE
FOR CARSTENS TO HAVE THE CHAIRMANSHIP AND DOOGE THE "EXECUTIVE
CHAIRMANSHIP" OF THE COMMITTEE.

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/COMMENT.

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COMMENT

4. TELTSCHIK MADE NO ATTEMPT TO COMPLAIN ABOUT THE BRITISH POSITION ON THIS MATTER.

5. KOHL EVIDENTLY WANTS TO GET A PROMINENT POSITION FOR A TOP GERMAN IN ORDER TO RESTORE HIS REPUTATION DOMESTICALLY IN MATTERS CONCERNING APPOINTMENTS. HE APPARENTLY HOPES TO RAILROAD THE EC. PRESUMABLY THERE WILL BE STRONG RESISTANCE FROM THE IRISH AND OTHERS. WE SUGGEST THAT WE SHOULD TAKE A BACK SEAT.

6. WE WILL ASK THE FEDERAL CHANCELLERY FOR AN ACCOUNT OF KOHL'S MEETING WITH FITZGERALD TOMORROW.

MALLABY

LIMITED

ECD (1)

WED

RID

PS/LADY YOUNG

PS/MR RIFKIND

SIR C TICKELL

MR DEREK THOMAS

MR RENWICK

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No. 10 DOWNING STREET

²
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ec Budget
file



10 DOWNING STREET

Prime Minister

I don't think
that you had time
to read David
Williamson's note. You
might like to
have it by you.

CJP

29/8.

Williamson

PRIME MINISTER

COMMUNITY BUDGET : EXPENDITURE IN 1984

There is a meeting of Ministers next Monday to decide the line to take on this with Dr FitzGerald and at the Budget Council on 4 September.

You will want to see and reflect before then on Mr Williamson's thoughtful piece attached. (Flag A).

You saw Geoffrey Howe's minute on the subject (Flag B) before the holidays and were sceptical.

C.D.P.

C D POWELL

28 August 1984

cc/pc



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5144
GTN 215 5144
(Switchboard) 215 7877

From the Minister for Trade

NBPM
CDP
29/8

John Selwyn Gummer MP
Minister of State
Department of Employment
Caxton House
Tothill Street
London SW1H 9NF

28 August 1983

Dear John,

EUROPEAN COMMUNITY: STANDARDS

Thank you for your letter of 17 August. I am pleased to learn that you support the main thrust of the proposed initiative.

I agree that we must not compromise our essential standards of health and safety at work and can appreciate the concerns tht you express. I understand that my officials have discussed with officials of the Health and Safety Executive the most effective way of meeting these concerns. The meeting of officials on 30/31 August will not be a formal negotiating session, but it will be a useful opportunity for the UK to stress its twin objectives of opening up the internalmarket and preserving essential health and safety standards. The best way of achieving this, while meeting your concern about tactics and not tabling the Annex B paper, would be for the UK delegation to use it instead as a speaking note, feeding UK ideas into the discussion as appropriate. The Health and Safety Executive are, I understand, to be represented on this delegation.

I would hope that this course of action would meet both your concerns. The negotiations brief for the Working Group will simply comprise Annexes A and B to my letter, which have of course already been made available to Ministerial colleagues and cleared by officials.

Copies of this letter go to recipients of yours.

Yours, Paul

PAUL CHANNON

Evo - Pst : Budget A27



10 DOWNING STREET

From the Private Secretary

24 August 1984

CHAIRMANSHIP OF THE AD HOC COMMITTEE ON
EC INSTITUTIONAL QUESTIONS

Thank you for your letter of 23 August about the chairmanship of the Ad Hoc Committee on EC Institutional Questions. The Prime Minister recalled that she had indeed endorsed Chancellor Kohl's suggestion that ex-President Carstens would be a good Chairman of the Committee. She recognises, however, that we had previously welcomed Dr. FitzGerald's suggestion that the chairmanship should be held by Senator Dooge of Ireland and, in these circumstances, agrees that the Embassy in Bonn should be asked to clear up any possible misunderstanding in the way you suggest.

(TIM FLESHER)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

23 August 1984

Dear Tim,

Chairmanship of the Ad Hoc Committee on EC Institutional
Questions (Spaak Committee)

Michael Alexander's record of the conversation between the Prime Minister and Chancellor Kohl on 14 August shows that the Prime Minister reacted favourably when the Chancellor suggested that ex-President Carstens should chair the Ad Hoc Committee on EC Institutional Questions set up by the Fontainebleau European Council. This poses the following problem.

On the basis of discussion at the General Affairs Council on 23-24 July, we had assumed that it was generally accepted that Senator Dooge of Ireland would be Chairman of this Committee. The Prime Minister was therefore not briefed on the issue for her discussion with Chancellor Kohl; as a result she seems to have overlooked the fact that Dr FitzGerald wrote to her on 11 July proposing that Senator Dooge should chair the Committee and that she replied on 20 July welcoming this suggestion. Copies of this exchange are enclosed for ease of reference.

Dooge is already making arrangements for the first meeting of the Committee, which may take place as early as 6 September. It is likely therefore that the Germans will know by now that an effort to secure the Chairmanship for Carstens comes too late.

Nevertheless, you may think it worthwhile for us to instruct the Embassy in Bonn to speak to the Federal Chancellery to clear up any possible misunderstanding. I enclose a draft telegram.

*Yours Sincerely,
Colin Budd*

(C R Budd)
Private Secretary

Timothy Flesher Esq
10 Downing Street

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 TELEGRAM NUMBER 135 OF 20 JULY
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 AND EC POSTS

M. P. Fitzgerald
Dr. G. Fitzgerald

EUROPEAN COMMUNITY: AD HOC COMMITTEES ON INSTITUTIONAL QUESTIONS AND ON A PEOPLE'S EUROPE

1. PLEASE PASS THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO DR FITZGERALD, IN REPLY TO HIS LETTER TO THE PRIME MINISTER OF 11 JULY (COPY TO YOU BY BAG).

BEGINS QUOTE:

THANK YOU FOR YOUR LETTER OF 11 JULY ABOUT THE COMPOSITION AND TERMS OF REFERENCE OF THE TWO COMMITTEES WHICH ARE TO BE SET UP AS A RESULT OF THE PONTAINEBLEAU EUROPEAN COUNCIL.

AS I MENTIONED WHEN WE SPOKE ON THE TELEPHONE, I WELCOME YOUR SUGGESTION THAT SENATOR DOOGE SHOULD CHAIR THE AD HOC COMMITTEE ON INSTITUTIONAL AFFAIRS. OUR REPRESENTATIVE WILL BE MR MALCOLM RIFKIND MP, MINISTER OF STATE AT THE FOREIGN AND COMMONWEALTH OFFICE.

AS TO THE TERMS OF REFERENCE OF THE COMMITTEE, I SEE ITS TASK AS BEING, FIRST OF ALL, TO MAKE RECOMMENDATIONS ABOUT THINGS WHICH WE OUGHT TO DO TOGETHER. SOME OF THESE THINGS ARE IDENTIFIED IN YOUR LETTER: SOME OF THEM ARE SUBJECTS WHICH WERE MENTIONED IN THE BRITISH GOVERNMENT'S PAPER 'EUROPE - THE FUTURE', WHICH I SENT TO YOU AND OTHER COLLEAGUES BEFORE PONTAINEBLEAU AND WHICH WE SHALL WANT TO FOLLOW UP IN THE AD HOC COMMITTEES AND IN SPECIALIST COUNCILS WHERE APPROPRIATE. ONCE THE COMMITTEE HAS REACHED AGREEMENT ON SUBJECTS WHERE ACTION IN COMMON IS THOUGHT TO BE DESIRABLE, IT CAN GO ON TO CONSIDER WHETHER THEY SHOULD BE DONE UNDER THE EXISTING TREATIES, OR WHETHER ACTION SHOULD BE UNDERTAKEN OUTSIDE THE TREATIES. I AM

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CONVINCED THAT THIS WOULD BE A BETTER WAY FOR THE COMMITTEE TO PROCEED THAN FOR IT TO START BY CONSIDERING POSSIBLE EXTENSIONS OF COMMUNITY COMPETENCE. I THINK THE TERMS OF REFERENCE SHOULD REFLECT THIS APPROACH, BY INVITING THE COMMITTEE TO EXAMINE WHETHER, 'COMMON ACTION WOULD BE DESIRABLE IN, FOR EXAMPLE, THE FIELDS OF EDUCATION, CULTURE, HEALTH, JUSTICE AND THE FIGHT AGAINST TERRORISM'. THE REMAINING ITEMS ON YOUR PROPOSED AGENDA WOULD ALSO REMAIN WITHIN THE GROUP'S REMIT.

FOR THE COMMITTEE ON 'A PEOPLE'S EUROPE' OUR REPRESENTATIVE WILL BE MR DAVID WILLIAMSON, DEPUTY SECRETARY AND HEAD OF THE EUROPEAN SECRETARIAT IN THE CABINET OFFICE. I AGREE WITH YOUR SUGGESTION FOR THE TERMS OF REFERENCE OF THIS SECOND COMMITTEE.

YOU SUGGEST THAT THE CHAIRMAN OF THE SECOND COMMITTEE SHOULD BE A PERSON OF EUROPEAN STANDING WHO COULD KEEP IN DIRECT CONTACT WITH THE PRESIDENCY IN OFFICE. SINCE YOU ENVISAGE THAT THE COMMITTEE WILL REPORT TO THE EUROPEAN COUNCIL IN DECEMBER, I THINK IT WOULD BE VERY APPROPRIATE IF YOUR GOVERNMENT WERE TO TAKE ON THE CHAIRMANSHIP OF THIS COMMITTEE, AS WELL AS THAT OF THE COMMITTEE ON INSTITUTIONAL AFFAIRS. THIS WOULD MEAN THAT BOTH COMMITTEES COULD GET DOWN TO WORK WITH THE MINIMUM DELAY.

I LOOK FORWARD TO HEARING FROM YOU AGAIN WHEN YOU HAVE COMPLETED YOUR CONSULTATION WITH OTHER MEMBER STATES. UNQUOTE.
ENDS.

2. SIGNED ORIGINAL WILL FOLLOW BY BAG.

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11th July 1984

The Rt Hon Mrs Margaret Thatcher MP
Prime Minister

Following our telephone conversation today and my discussions with our colleagues about the establishment of the committees mentioned in the Presidency Conclusions of our meeting in Fontainebleau, I would propose that the terms of reference of the high level committee on the further development of the Community should be -

"To consider and make recommendations to the European Council on the extension and deepening of European integration, and for that purpose to examine

- (1) The possibility of extending the competence of the Community in relation to education, culture, health, justice and the fight against terrorism, and the technological future of Europe, and of developing the European Monetary System.
- (2) The functioning and decision-making arrangements of the institutions and the inter-relationships between them."

I would propose that Senator James Dooge, who is Government Leader in the Senate and a former Minister for Foreign Affairs, would Chair the Committee for the duration of its work, and that the Head of State or Government of each country would each nominate a representative, as could the Commission. I would envisage that the members of the Committee would be persons of high political standing. I would intend asking the Secretary General of the Council to ensure the provision of the necessary Secretariat for the Committee, which would normally meet in Brussels.

I am writing to you to request your agreement to these proposed arrangements as soon as possible and to ask you to nominate the person whom you would propose to act as your representative on the Committee.

/...

I would suggest that the terms of reference of the other Committee mentioned in the Fontainebleau conclusions should be

"To consider and make recommendations on measures to strengthen and promote the identity of the Community and its image both for its citizens and for the rest of the world, taking into account, to that end, the measures suggested in the Presidency Conclusions of the European Council at Fontainebleau and other appropriate measures."

According to the Fontainebleau Conclusions, the Committee is to comprise representatives of the Heads of State or Government of the member States. I would suggest that, in view of the terms of reference, persons of high or the highest standing associated with the administration of each country could appropriately be nominated. The suggestion has been made that the Chairman should be a person of European standing and could keep in direct contact with the President in Office.

I suggest that the Commission should be represented also on this Committee while the Secretary General of the Council might appropriately be asked to ensure the provision of a Secretariat. The Committee would normally meet in Brussels and would also be asked to report to the European Council in Dublin in December.

If you find that the foregoing suggestions are acceptable to you, I would propose to proceed with the arrangements for the establishment of the two Committees, having received from you and our colleagues your proposed nomination of representatives for the Committees.

Garret FitzGerald TD
Taoiseach

OUT TELEGRAM

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11 CHAIRMANSHIP OF THE AD HOC SELECT COMMITTEE ON EC INSTITUTIONAL
12 AFFAIRS (SPAAK COMMITTEE)
13 1. During the Prime Minister's conversation with Chancellor
14 Kohl in Austria on 14 August, he asked for ~~the Prime Minister's~~^{her}
15 support for the candidature of former President Carstens for the
16 Chairmanship of this Committee. The Prime Minister said that she
17 thought ex-President Carstens was an excellent candidate and that
18 he should have the job.
19 2. There was some discussion of the Chairmanship of the
20 Committee at the General Affairs Council on 23-24 July (UKRep
21 Brussels telnos 2508 and 2529 to FCO). Although one or two
22 Member States (not including the Germans, who were still unable
23 to name their representative) and the Commission suggested that
24 the choice of Chairman should be left to the Committee when it
25 met for the first time, the consensus seems to have been that the

NNNN ends telegram	BLANK	Catchword Irish
File number	Dept ECD(I)	Distribution Limited WED PS No 10 PS/Lady Young Mr Williamson, PS/Mr Rifkind Cabinet Office Sir C Tickell
Drafted by (Block capitals) P S Fairweather		Mr D Thomas Mr J Thomas
Telephone number 233 5612		Mr Renwick
Authorised for despatch		ECD(I)
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OUT TELEGRAM (CONT)

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Irish nominee, Senator Dooge, should get the job. We should be surprised if German officials are in any doubt about this, particularly as the Irish, and indeed Dooge personally, are now making arrangements for the first meeting of the Committee in early September. It would probably be best that this question were not re-opened. However, we should not wish the Germans, and particularly Chancellor Kohl himself, to be left with the impression that we have gone back on a commitment made to the Chancellor personally by the Prime Minister on 14 August. You should therefore approach the Federal Chancellery at whatever level you consider appropriate and speak along the following lines:

(a) Officials have just been made aware of the exchange between the Chancellor and the Prime Minister on 14 August about the Chairmanship of the Ad Hoc Committee on Institutional Questions (Spaak Committee). We understand the Prime Minister reacted favourably when the Chancellor suggested that ex-President Carstens would make an excellent Chairman of the Committee.

(b) We had understood that the question of the Chairmanship was decided at the General Affairs Council on 23-24 July. At that meeting one or two Member States (not including the Germans) suggested that the Committee should choose a Chairman from its own ranks when it met, but most seem to have gone along with Dr Fitzgerald's nomination of Senator Dooge.

(c) The UK was one of these. In response to Irish lobbying, the Prime Minister had indeed undertaken to support Senator Dooge in a letter to Dr Fitzgerald a few days before the Council.

(d) Believing that the matter was settled, we had not expected it to be discussed at the Prime Minister's meeting with the Chancellor. She was therefore unbriefed. We regret any misunderstanding which may have arisen as a result of her

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 response. How should the confusion now be sorted out?
 (e) [If they say that they assume that Carstens is a candidate for the chairmanship] Will have to report back. Have the Germans spoken to the Irish? We believe that they are assuming that Dooge will chair. But if there is a general disposition among Member States to re-open the question in favour of ex-President Carstens, we would certainly agree.
 (f) Hope officials can sort out the muddle without the Prime Minister needing to raise this issue directly with the Chancellor.
 3. It is just possible that the Chancellor had in mind the Chairmanship of the second Ad Hoc Committee set up by the Fontainebleau European Council: the Committee for A People's Europe. The Irish Presidency said at the Council on 24 July, they would welcome suggestions as to the Chairmanship of this second Committee. If the Germans raise this question, you should say that the People's Europe Committee is evidently a lower level Committee which will be staffed mainly by officials (David Williamson is our representative). Professor Carstens would out-gun his colleagues if he were to be the German representative in the Group. However, if the Germans were to propose that he chair this group we would certainly raise no objections though the Prime Minister has told Dr Fitzgerald that we would be prepared to see an Irish Chairman of this Committee also.

YOUNG
 NNNN

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 /

NNNN ends telegram	BLANK	Catchword
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cc PC

Foreign and Commonwealth Office

London SW1A 2AH

22 August 1984

Dear David,

~~pse~~

JR 24/8-

European Community: Standards

Thank you for sending me a copy of your letter of 20 August to Steve Nicklen.

Like the Prime Minister, the Foreign Secretary is conscious of the need to secure progress at the 9 October Internal Market Council. Though I have not been able to consult him, I believe he too would want officials to proceed on the basis of Mr Channon's initiative in advance of that meeting. I therefore agree we should proceed along the lines proposed by Steve Nicklen.

I shall arrange for Sir Geoffrey to minute the Prime Minister on the state of play after his return from leave on 3 September.

Copies of this letter go to Richard Hatfield (Cabinet Office) and Steve Nicklen.

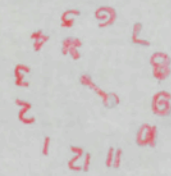
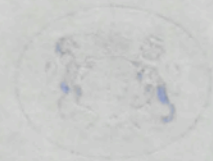
Yours Sincerely,
Colin Budd

(C R Budd)
Private Secretary

David Barclay Esq
10 Downing Street

EC Budget.

Foreign and Commonwealth Office
London SW1A 2AH



22 AUG 1984



10 DOWNING STREET

PRIME MINISTER

A handwritten signature in blue ink, appearing to be 'M. J. G.', located to the right of the address.

Basil de Ferranti asked me
to show you the attached.

Handwritten initials in blue ink, appearing to be 'CR', located below the typed message.

20 August, 1984

MT

EUROPE: "WE AND THEM"

The European Parliament's decision over Britain's rebate has been soundly denounced by the Prime Minister, Malcolm Rifkind - Minister of State at The Foreign and Commonwealth Office, and Geoffrey Rippon MP.

Is there a danger that Community countries on the other side of the Channel will always be "THEM" to US?

Apart from the English (?) Channel, there is a division between us and them. We believe that agricultural spending should be properly controlled. They believe that we, the British, are trying to ruin the continental farmer. It all comes down to the oldest problem in human affairs - lack of communication. We do not want to ruin the continental farmers because obviously we do not want to ruin our own farmers. What we do want to do is to reduce agricultural surpluses and keep up a steady pressure to bring down the price of food in the shops. Thanks to the continuous improvement in the efficiency of farmers here and indeed throughout the Community, it is perfectly possible to do this without ruining the farming industry.

We do not want, quite rightly, to agree to help pay for this year's excess expenditure by the Commission over its income until there is in place an effective system to control agricultural expenditure. They interpret this as our determination to ruin their farmers.

It is of such immense benefit to the consumer to have a free market in foodstuffs and to ensure that farmers continue to be able to invest in the new methods and machinery that enable them to increase their efficiency, that it would be crazy for us to want to bring about the sort of things which some of the continentals fear that we wish to do.

There is a lot, therefore, to communicate about and the problem is how to do it. For largely historical reasons, the British Conservative MEPs form a political group in the Parliament together with four Danish Members but with no other Members of the equivalent Parties to ourselves present from the other eight countries. Of course, communication in the Parliament is only one part of the problem, but it is an important part and it has been particularly unfortunate that the communication between us and them is inevitably bad because of these political groupings. The stage has been reached now where they are so suspicious of the British Conservatives that they might not even allow us to join in their discussions, even if we wanted to. "They" in this case, are the Christian Democrat Parties from all the other countries who form a group in the Parliament called the European Peoples' Party. We are suspicious of them and they are suspicious of us and we are all, therefore, failing our constituents by not having better arrangements to solve problems together. The Labour Members from Britain do sit with their Socialist opposite numbers in a single political group. The Labour Members though, really are anti-farmers. They are pro keeping uneconomic pits open but totally opposed to uneconomic farms. They have no hope,

therefore, of communicating because their ideas are so palpably absurd.

If by some miracle, the British public were to give itself a good shake and start to really concern itself with the future of Britain in the context of the European Community, the most important conclusion they could reach is that the British Conservatives really must spend more time with the European Peoples' Party and the European Peoples' Party really must understand that our interests are common. The Centre Right Parties had a marvellous demonstration of acting together when we all voted for M. Pflimlin to be the President of the Parliament. We must now move on to the even more important task of having a common view on the future of the agricultural industry, for that would be the key to making further progress in Europe towards the great single market that companies throughout Europe require if they are to compete with the Japanese and Americans in the marketplace.

Competitive companies means jobs on the one hand and a better deal for housewives on the other. 80 pence in every £10 we spend could be saved by making the Common Market a reality. But above all, demonstrating to ourselves that we can do those things together, instead of endless petty nationalistic squabbling, will give Europe the confidence to keep the world stable and progressing.

Basil de Ferranti MEP
1 August 1984



10 DOWNING STREET

From the Private Secretary

20 August 1984

European Community: Standards

Thank you for sending me a copy of your letter of 20 August to Peter Ricketts.

The procedure suggested in Charles Powell's letter of 2 August seemed convenient at the time. But I do not think that the Prime Minister would wish the opportunity to be lost to make progress on this matter in Europe, because of the difficulty in consulting her at the present time.

Accordingly, if the Foreign Secretary is content with the proposal in the last paragraph of your letter, and if there are no objections from other members of OD(E), I believe that the Prime Minister would be content for officials to proceed with their preparations.

I should be grateful if Peter Ricketts could arrange for the Foreign Secretary to report the state of play to the Prime Minister on her return.

(David Barclay)

Steve Nicklen, Esq.,
Department of Trade and Industry.

JK

Europe Budget

2/12



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215)
GTN 215)
(Switchboard) 215 7877

From the Minister for Trade

P Ricketts Esq
Private Secretary to the
Foreign and Commonwealth Secretary
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AL

20 August 1984

Dear Peter

EUROPEAN COMMUNITY: STANDARDS

Charles Powell's minute of 2 August to Colin Budd effectively asks for a stay of action until the Prime Minister can have further advice from the Foreign Secretary on the Minister for Trade's proposals, since they touch on an area in which she has expressed keen personal interest. In particular he suggests that besides awaiting the views of OD(E) and an explanation of the significance of the proposals, she would wish to consider them in the knowledge of whether additional United Kingdom initiatives will be forthcoming.

Mr Channon's letter was intended to ensure that there were no policy obstacles to United Kingdom experts advocating Community procedures for recognising national standards in a way which would improve trading opportunities while at the same time safeguarding legitimate health and safety aspects of standards requirements. Once in place such procedures would clear the way for us to present shopping lists of specific product areas in which the Community could quickly agree that national product standards can co-exist without creating barriers to trade. This clearance is necessary to enable United Kingdom experts to participate to best effect, and in ways which promote United Kingdom interests, in official meetings in Brussels later this month to prepare the standards dossier for the Internal Market Council on 9 October, the only such Council before the Dublin European Council at the beginning of December.

The Prime Minister's known wish to press ahead in the matter of standards was, of course, the occasion for bringing this correspondence to Number 10's attention. It is in the expectation that, if such procedures can be agreed, the initiatives sought by the Prime Minister can be more readily pursued.



Mr Channon hopes in the circumstances not only of substance but even more particularly of timing, the Foreign Secretary can agree that, unless views of members of OD(E) are to the contrary, our experts should go ahead, on the basis proposed by him, in the official preparatory group later this month.

Copies of this letter go to Charles Powell and to Richard Hatfield.

Yours sincerely
Stephen Nicklen

STEPHEN NICKLEN
Private Secretary to the
Minister for Trade (Mr Channon)



Minister of State

Department of Employment
 Caxton House Tothill Street London SW1H 9NF
 Telephone Direct Line 01-213.....6670.....
 Switchboard 01-213 3000

The Rt Hon Paul Channon MP
 Minister of State for Trade
 Department of Trade and Industry
 1 Victoria Street
 LONDON
 SW1H 0ET

*Await further letter
 from DTI.*

17 August 1984

EUROPEAN COMMUNITY: STANDARDS

I am most grateful for the opportunity to comment on the proposed UK line on the CEC Standards Initiative, which was described in your letter of 2 August to Geoffrey Howe.

I fully support the main thrust of the proposed UK response, which I believe strikes just the right balance between the need to open up the internal market and the need to avoid compromising our existing standards of health and safety at work.

I have two concerns relating to questions of handling. The first relates to the transmission to Brussels of the material relating to the UK position on areas which are not covered by harmonised standards. The carefully balanced arrangements described in Annex B of your letter, rightly seek to avoid major and unjustified resource costs to the enforcement authorities. They represent the final outcome which officials should seek to achieve. Anything less would run an unacceptable risk of compromising existing British Standards of health and safety at work. I therefore suggest that it would be tactically unwise to reveal the details of our position at the outset of the negotiations, since this would run the risk of officials having to compromise further in order to reach a consensus. I hope you will agree therefore that the material in Annex B should not be transmitted to Brussels.

Secondly, given the importance of this Initiative and the fact that the next meeting of the Working Group on 30/31 August will be discussing position papers submitted by other Member

States and by the Commission itself, I think it is important for the UK negotiating brief to be prepared and agreed before then through the normal channels.

I am copying this letter to the recipients of yours, ie the Prime Minister, Members of OD(E), Peter Walker and Sir Robert Armstrong.

U/
John Selwyn Gummer
John

JOHN SELWYN GUMMER

CP 0/1

CONFIDENTIAL

Qz.03844

MR POWELL

COMMUNITY BUDGET: EXPENDITURE IN 1984

The Prime Minister is holding a meeting with the Foreign and Commonwealth Secretary and the Economic Secretary, Treasury, at 10.30 am on 3 September in order to discuss the next steps on the proposed Community supplementary budget for 1984. This meeting will immediately precede the Prime Minister's discussion with Dr FitzGerald and will determine the United Kingdom's position for the Council of Ministers (Budget) on 6-7 September. Your letter of 6 August to Mr Budd records the Prime Minister's doubts that we should simply seek a solution (the so-called "sterilisation") by agreeing that 1984 expenditure pushed into 1985 would not qualify for United Kingdom rebate. I think that there is more than one option open to us and it may be helpful therefore to have these comments before the meeting on 3 September.

2. The present dispute on the 1984 and 1985 budgets is about three things: savings, the timing of expenditure and not giving in to the European Parliament's blackmail. We cannot accept any link whatever between the 1984/1985 budgets on the one hand and the United Kingdom's 1983 refund on the other. Our approach should remain that in any event the Council of Ministers (Budget) ought to reach some understanding about the handling of the 1984 overrun. This would be consistent with the Prime Minister's statement to President Mitterrand at Fontainebleau that there was a will to settle this point, without any commitment on the means. There is no refusal to deal with the problem. The question at issue is how it is to be dealt with.

3. On savings and the timing of expenditure the situation now is -

(i) savings. The Economic Secretary has clearly done a good job in chopping away at the Commission's original request for an additional 2.3 billion ecu of additional finance in 1984. From personal experience I am very surprised that the Commission has not been able to hold down agricultural expenditure better in 1984, since a number of external factors (principally the strong dollar) have been favourable. Nonetheless, it will be very difficult for the Economic Secretary on 6-7 September to get the agreement of other member states to any figure below the Presidency's suggestion of 1350 million ecu. What we are seeking is genuine savings because agricultural expenditure is simply too high. Any solution, however, which forces some deferral of expenditure into 1985 would - at least under options 1 and 3 below - also benefit the United Kingdom because the favourable rebate system begins to operate in 1985. It is important to keep in mind that our agreed negotiating position is to go for the maximum savings but to recognise that an "irreducible minimum" of 1984 overrun may remain, which we are willing to see financed nationally with reimbursement from the Community budget in 1985;

(ii) timing. Subject to our intention to maximise the savings, the issue is more about timing than substance. The irreducible minimum 1984 overrun will either be pushed into Community financing in 1985 when some new own resources could be made available (United Kingdom suggestion) or will be financed by a supplementary budget in 1984 (other member states' suggestion). On the 1985 budget there is already agreement in the Council of Ministers (Budget) that it must be within the 1 per cent VAT ceiling and there is a wide measure of agreement (Germany at present dissenting) that extra own resources should become available later in 1985.

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4. The solutions on the table now are -

(i) temporary financing with reimbursement (United Kingdom proposal). The United Kingdom proposal is that, after the maximum savings have been agreed upon, any irreducible minimum 1984 overrun would be financed nationally, with reimbursement from the Community budget in 1985. The arguments in favour of this proposal are, first, that it would allow all legitimate Community policies to go ahead and, secondly, that it would respect the Treaty and the system of own resources. There would be no supplementary Community budget in 1984 above the 1 per cent VAT ceiling. Other member states have not given this proposal any serious consideration because it would be favourable to the United Kingdom (all additional expenditure being on the 1985 budget when the United Kingdom will receive the benefits of the new favourable refund system) and because they have a strong theological objection to even temporary national financing. The political importance of this second argument to other member states should not be underrated, although its application to the United Kingdom proposal is marginal because provision would already have been made in the 1985 budget ^{reimbursing} for/any national payments in the last few weeks of 1984. In fact, a number of Community actions are already not pre-financed by the Community. An example is the basic agricultural support mechanism of purchase of produce by intervention agencies; this is financed nationally in the first instance, the Community bearing the storage and other costs and reimbursing any losses on resale;

(ii) supplementary budget in 1984 on basis of a Community regulation (Commission and eight member states, Germany against). In our view the Treaty and the Own Resources Decision already provide fully for the system, mechanism and limits on the Community's financing. This proposal

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would be contrary to the Community's own resources system and a bad precedent when the 1.4 per cent VAT ceiling is reached. So long as Germany stands by its present position, the other eight member states rally to solution (iii);

(iii) supplementary budget in 1984 on basis of an agreement between member states (German proposal supported by eight other member states). This has been proposed by the Germans because they do not want the precedent of a Community regulation being used to bypass the own resources ceiling. The German proposal is being presented in the Council of Ministers and in the European Parliament as the right approach and we have been attacked for our present position. In fact, the German proposal is bizarre and uncommunautaire but it is not illegal.

Options

5. The 1984 budget problem is not going to go away. In my view it is a case for surgery, not for a prolonged course of treatment. The quicker we can tackle it, the more likely we are to take up the Fontainebleau package quickly and to get it into a good final legal form. I very much hope that the Economic Secretary, Treasury will be given the necessary authority to settle at the Budget Council on 6-7 September.

6. There are three main options for us -

(i) no change. In view of the reactions of other member states, however ill-considered, we shall not now get their agreement to this course. In the absence of agreement on Community financing in 1984, however, the practical result will be similar to our proposal. In the climate of confrontation the negotiation of the text of the revised Own Resources Decision to implement the Fontainebleau agreement will be difficult; other member states will be even more obstinate on budget discipline for the future; and the European Parliament will continue to disregard previous agreements;

/(ii)

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(ii) "sterilisation". This is the proposal, referred to in the Foreign and Commonwealth Secretary's minute of 3 August, under which we would agree that 1984 expenditure pushed into Community financing in 1985 would not count towards the United Kingdom rebate. There is a certain element of equity in this proposal, since the expenditure being made in 1985 would identifiably relate to 1984. It would reduce some of the criticism of the United Kingdom position. There would be a net cost to the United Kingdom by comparison with course (i) but there would be no supplementary budget in 1984. It is, however, far from certain that other member states will agree. The element of national financing during 1984, to which other member states take objection, remains. Furthermore, as there will be no supplementary budget, the European Parliament may continue to block the 1983 refund. It is also doubtful whether it will get us much more than we currently have on budget discipline for the future;

(iii) legally binding budget discipline for the future in exchange for a 1984 settlement. Under this option also our basic intention to get the maximum savings (and, if necessary, deferrals) remains, so that the 1984 budget overrun would be cut to the irreducible minimum. We would then be willing to finance this by a supplementary budget in 1984 (for example, on the lines of the German proposal above) on condition that the Brussels and Fontainebleau agreements on budget discipline are genuinely incorporated in the Community's budgetary procedures. It would be a real advantage for us if we could get the strict financial guideline for agricultural expenditure in a formal regulation, both in substance and in relation to the United Kingdom Parliament when the Fontainebleau package is presented for ratification.

/7.

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7. I would recommend that
- it is in the United Kingdom's interest to resolve the handling of the 1984 budget overrun quickly;
 - we should not tie ourselves to a single solution but that the Foreign and Commonwealth Secretary and the Economic Secretary, Treasury in the contacts before and in the Council of Ministers (Budget) should indicate that, subject to the conditions on savings and budgetary discipline set out above, we would be prepared to adopt course (ii) or course (iii) in paragraph 6.
8. I am sending a copy to Sir Robert Armstrong.

D.F. Williamson

D F WILLIAMSON

15 August 1984

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FRAME GENERAL

FM PARIS 071540Z AUG 84

TO PRIORITY FCO

TELEGRAM NUMBER 960 OF 7TH AUGUST

INFO ROUTINE UKREP BRUSSELS, DUBLIN,

INFO SAVING ATHENS, BONN, BRUSSELS, COPENHAGEN, THE HAGUE,

LUXENBOURG, ROME, LISBON, MADRID.

Prime Minister

YOUR TELNO 142 TO DUBLIN: 1983 REFUNDS.

[Handwritten signature]

SUMMARY.

1. BRICHAMBAUT (DUMAS' DIRECTEUR DE CABINET) TO WHOM IN PARTICULAR WE PUT THE POINTS IN TUR STRESSED BOTH THE NEED AND THE DIFFICULTY TO GET AN AGREED COUNCIL POSITION TO DEAL WITH THE PARLIAMENT. HE DOUBTED WHETHER NATIONAL ATTEMPTS TO INFLUENCE MEPS TO CHANGE THEIR STANCE ON 1983 REFUNDS WOULD BE PRODUCTIVE IF NOT LINKED TO A PACKAGE AGREEMENT COVERING 1984 AND 1985 BUDGET ISSUES.

DETAIL.

2. BRICHAMBAUT SAID THAT PARLIAMENT'S VOTE TO BLOCK THE 1983 REFUNDS HAD BEEN UNEXPECTED, CERTAINLY FOR THE FRENCH. STATEMENTS FROM THE PRESIDENT, THE PRIME MINISTER AND DUMAS HAD MADE CLEAR THE FRENCH GOVERNMENT'S VIEW. BUT THE VOTE HAD PROMPTED THEM TO REFLECT ON HOW COMPLEX A SITUATION WAS DEVELOPING IN RELATION TO THE 1984/85 BUDGETS. THE NEWLY ELECTED PARLIAMENT WAS FLEXING ITS MUSCLES: IT WOULD BE UNWISE TO BELIEVE THAT IT WOULD BACK DOWN FROM ITS POSITION IN SEPTEMBER SIMPLY BECAUSE MEMBER STATES WANTED IT TO DO SO. THE DISPUTE WAS ESSENTIALLY ABOUT PARLIAMENT'S BUDGETARY POWERS, AND ONLY INCIDENTALLY ABOUT 1983 REFUNDS. FINDING A SOLUTION ACCEPTABLE TO AN UNPREDICTABLE PARTNER SUCH AS THE PARLIAMENT WOULD BE MORE DIFFICULT THEN DEVISING COMPROMISES AMONGST MEMBER STATES.

3. BRICHAMBAUT SAID THAT RECONCILING THE BRITISH POSITION ON 1984 BUDGET OVERRUN WITH THAT OF OTHER MEMBER STATES: AGREEING A TEXT ON BUDGET DISCIPLINE: AND PERSUADING THE GERMANS TO MOVE ON THE DATE OF NEW OWN RESOURCES WAS A COMPLEX NEGOTIATION IN ITSELF. THE PARLIAMENT'S VOTE NOW ADDED A FURTHER POLITICAL DIMENSION, AND HEIGHTENED THE TEMPERATURE OF THE DEBATE. IT WAS IMCONCEIVABLE THAT THESE INTERESTS COULD BE RECONCILED WITHOUT SOME CONCESSIONS ON ALL SIDES: THE QUESTION WAS HOW FAR THE COUNCIL SHOULD GO TO PERSUADE THE PARLIAMENT TO CLIMB DOWN ON 1983 REFUNDS, WITHOUT WHETTING ITS APPETITE FOR CREATING FURTHER BUDGETARY OBSTACLES. THE NEGOTIATION OF AN ACCEPTABLE PACKAGE WOULD BE THE JOB OF THE BUDGET COUNCIL IN SEPTEMBER. IF THAT DID NOT SUCCEED, THE TIMETABLE WOULD GET EXTREMELY TIGHT.

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4. COMMENTING ON THE UK VIEW THAT IT WOULD BE OUTSIDE THE TREATY TO FINANCE 1984 EXPENDITURE BEYOND THE OWN RESOURCES CEILING, BRICHAMBAUT COMMENTED THAT ONE COULD NOT REST ON THE LETTER OF THE TREATY IF MEANWHILE THE COMMUNITY WAS UNABLE TO FUNCTION. THERE WAS SURELY AN OBLIGATION TO HONOUR COMMITMENTS TO FARMERS ENTERED INTO BY THE AGRICULTURE COUNCIL JUST AS THERE WAS TO OBSERVE THE OWN RESOURCES CEILING. A WAY HAD TO BE FOUND, AND IT WAS NOT NECESSARILY HELPFUL FOR THE UK TO INSIST ON THE LEGAL FORMALITIES. WHILST THE FRENCH WERE PREPARED TO LOOK AT THE SCOPE FOR SAVINGS AND AT CARRY-OVER, THE SOLUTION TO 1984 OVERRUN COULD NOT BE ACHIEVED BY THOSE MEANS ALONE. NATIONAL FINANCING, ON HOWEVER TEMPORARY A BASIS, WAS OUT OF THE QUESTION, BOTH ON PRINCIPLE AND FOR PRACTICAL REASONS. THE SMALLER MEMBER STATES, SOME OF THE LARGER TOO, WOULD FIND THE FINANCIAL BURDEN TOO GREAT.

5. ASKED WHETHER THE IMPORTANCE TO THE UK OF A FIRM COMMITMENT ON BUDGET DISCIPLINE WAS RECOGNISED, BRICHAMBAUT COMMENTED THAT THE QUESTION OF ACCEPTABILITY TO THE BRITISH PARLIAMENT WAS UNDERSTOOD. BUT HE COUNSELLED CAUTION. OTHER MEMBER STATES WERE LESS RIGOROUS ON THE POINT THAN THE UK, AND LESS INCLINED TO SEE THIS AS AN INDISPENSIBLE ELEMENT, ESPECIALLY IN THE PRESENT IMPASSE. MOREOVER, THERE COULD BE NO GUARANTEE THAT THE PARLIAMENT WOULD ACCEPT BUDGET DISCIPLINE IN THE TERMS EVENTUALLY AGREED BY THE COUNCIL, SINCE IT WAS BOUND TO AFFECT ITS OWN BUDGETARY POWERS.

6. DISCUSSING THE GERMAN POSITION ON THE INTRODUCTION OF NEW OWN RESOURCES, BRICHAMBAUT COMMENTED THAT THE GERMANS HAD STRUCK AN UNHELPFUL POLITICAL ATTITUDE BASED, IN HIS VIEW, MORE ON METAPHYSICS THAN LAW. IT WAS AS IMPORTANT FOR THEM TO MOVE AS IT WAS FOR THE BRITISH TO TAKE A LESS RIGID STANCE ON 1984 OVERRUN. IF NOT, IT WAS PROBABLE THAT THE PARLIAMENT WOULD CREATE JUST AS SERIOUS A PROBLEM ON THE 1985 BUDGET AS ON 1984.

7. BRICHAMBAUT SAW LITTLE MILEAGE IN TRYING TO INFLUENCE FRENCH MEPS TO CHANGE THEIR MINDS ON 1983 REFUNDS UNTIL THE COUNCIL ITSELF KNEW WHERE IT WAS GOING. PARLIAMENT HAD ALREADY ACTED IN AN UNEXPECTED FASHION. OBVIOUS PRESSURE FROM GOVERNMENTS MIGHT MAKE IT EVEN MORE WAYWARD. (THERE IS ALSO OF COURSE THE POINT THAT MOST FRENCH MEP'S ARE FROM THE OPPOSITION, WHO ARE UNWILLING TO GIVE CREDIT TO MITTERRAND FOR THE FONTAINEBLEAU SETTLEMENT).

FCO PLEASE PASS SAVING ADDRESSEES.

[REPEATED AS REQUESTED]

PETRIE

FRAME GENERAL

ECD(1)

-2-
CONFIDENTIAL

Me JKR



cc FCO

10 DOWNING STREET

THE PRIME MINISTER

7 August 1984

Dear Henry

Thank you for your letter of 31 July. I am most grateful for all that you and your British colleagues did last week to try to head off the European Parliament's vote delaying our 1983 refunds.

As you will be aware, the reaction in Britain to the Parliament's action has been one of bafflement and anger that an agreement reached by Heads of Government in the European Council, and which met the Parliament's own conditions, should be unilaterally set aside. There is no doubt that the Parliament's action will make it more, not less, difficult to reach agreement on the 1984 and 1985 budgets. Nor does it improve public confidence in the Community to see one of its institutions reneging on an agreement.

I note your warning about the attitude of other governments. We are in touch with all of them. I think most of them understand that the Parliament's vote challenged not just our refunds but the Fontainebleau conclusions as a whole. The French Government has issued two statements, one of them in the name of President Mitterrand, reaffirming its commitment to honouring the agreement on 1983 refunds reached by the European Council and deploring the Parliament's action.

ECU

We have also had assurances from the Federal German Government that they advised leading CDU MEPs against supporting the motion on the grounds that this would make agreement on the 1984 budget more difficult.

It is true that other Community governments disagree with our approach to the problem of Community financing in 1984 and 1985. But we have no quarrel with them as far as our 1983 refunds are concerned. Even after the discussions in the Budget Council on 19/20 July and the General Affairs Council on 23/24 July, the Advisory Committees of representatives of Member States met and approved the Commission's draft decisions for implementing our refunds. It is therefore only the Parliament which is holding up the transfer.

We want a constructive relationship with the European Parliament and hope that this issue can be resolved in the autumn. We are urging other Community governments to use their influence with their MEPs before the Parliament's September plenary. We will, of course, continue to rely very much on your help. Malcolm Rifkind will be in Munich for the EDG's Autumn Study Days in early September and will have an opportunity to discuss all this with you then.

Yours ever

Raymond

Sir Henry Plumb, DL, MEP.

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file

SS

10 DOWNING STREET

From the Private Secretary

MR WILLIAMSON
CABINET OFFICE

Community Budget Negotiations

I am afraid that we have had to move the Meeting of Ministers arranged for 4 September on EC Budget Negotiations, so that it can precede the Prime Minister's meeting with Dr Fitzgerald. The new time is 10.30 am on Monday 3 September - I hope this is convenient for you.

David Barclay

7 August 1984

SS



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

7 August 1984

Charles Powell Esq
10 Downing Street

*B/f for meeting on
3 Sep*

Dear Charles,

**EUROPEAN COMMUNITY: 1984 BUDGET OVERRUN:
MEETING WITH DR FITZGERALD**

*DMB
8/8*

Thank you for copying to us your letter of 1 August about the proposed meeting between the Prime Minister and Dr Fitzgerald on 3 September.

The Chancellor has asked me to say that in his view one of the main objectives at this meeting should be to persuade Dr Fitzgerald that the Presidency must take the question of budgetary discipline much more seriously than they have done hitherto. Finance Ministers are due to discuss budgetary discipline at their informal meeting in Ireland on 15-16 September. But the Irish have shown no signs of being ready to prepare for a serious discussion then, despite strong pressure on them from Treasury representatives at the High Level Official Group on Budgetary Discipline in Brussels on 27 July.

The Chancellor thinks it unlikely that, even with Presidency support, we shall be able to secure in this round the legally binding measures we are advocating. But Presidency support is vital if we are to carry the negotiations beyond their present stage and secure budgetary discipline arrangements to which we could at least agree to give a trial. Hence the need to impress on Dr Fitzgerald the high priority we attach to this and our disappointment at the Irish performance so far.

I am copying this letter to Colin Budd (FCO), Ivor Llewellyn (MAFF) and Richard Hatfield (Sir Robert Armstrong's office).

Yours ever

Ad:lt

MISS J C SIMPSON
Private Secretary

Euro Pol: Budget: Pt 27



ans for budget

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 215 7877

Secretary of State for Trade and Industry

JE7100

7 August 1984

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

NBSM

*AT
7/8*

D. Nigel

COMMUNITY EXPENDITURE ON R&D

*W. Lee
A 26*

I was on the point of commenting on Geoffrey Howe's minute to you of 18 July when I received your own reaction dated 30 July.

2 OD(E) is committed to return in September/October to the Prime Minister's request for a report on possible UK initiatives in the Community, among other things for industrial co-operation in high technology: in such a setting we must look at useful and available joint research and development work. I do not wish to anticipate my response at this stage - and I imagine that other colleagues with close interests in Community R&D will in any case have their own suggestions - but I should wish to make three points:

3 First, your minute assumes that Community expenditure for R&D can be looked at on the same footing as "equivalent domestic expenditure". As Geoffrey Howe has pointed out, however, the Community's programmes focus essentially on the pre-competitive stage of research and development. This contrasts somewhat with our own domestic programmes and we may do well to keep the distinction in mind.

4 Second, the absolute constraints of the Euro-PES baseline and attribution will inevitably colour any proposals which I and other colleagues are able to make in response to the Prime Minister's request. In securing effective Community R&D expenditure above all we need reasoned - and not simply accountancy - disciplines which will over time make it possible to eliminate the less cost-effective programmes and allow the growth of more beneficial items. To achieve this we need to identify our own priorities.



5 Third, it follows from what I said above that I do not believe the right way of approaching this problem is by exclusive regard to either financial mechanisms (whether domestic or Community) or to political pressures in Brussels. This would come close to the Commission's own unstructured approach towards building up priorities in the R&D framework programme which we have criticised so strongly to date. If we want to have "cost effective" Community expenditure then we must reach first base with a set of specific programme priorities of our own. We shall then be in an effective position to see what we can negotiate within what we regard as a "cost-acceptable" framework. Only in this way can we hope to have a rational relationship between domestic and Community programmes.

6 As you yourself point out the nature of everyone's "commitment" to Community R&D is for the moment short of financial commitment to particular figures. Our own insistence on priorities has drawn increasing support not only from the Germans but more recently, if grudgingly, from the French. Both are evidently increasingly alert to the burden of Community expenditure as present and future net contributors. All this means we have a little breathing space to formulate our position on worthwhile Community R&D.

7 If I and my colleagues can be ready to advise OD(E) of our position on priorities in connection with the Prime Minister's request in the early autumn, I hope that Treasury can meanwhile have sorted out with Departments realistic mechanisms on the adjustments required following Fontainebleau and on the problem of Community programmes not properly attributable to the responsibility of any single Department.

8 Copies of this letter go to the Prime Minister, Geoffrey Howe and our other colleagues in OD(E) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Tebbit', with a horizontal line underneath the name.

NORMAN TEBBIT

EURO PA. Budget.

8 AUG 1984

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CEPC



Foreign and Commonwealth Office

London SW1A 2AH

6 August, 1984

Dear Charles,

European Parliament: 1983 Refund

Thank you for your letter of 1 August, enclosing Sir Henry Plumb's letter to the Prime Minister about last week's vote in the European Parliament. I enclose a draft reply.

Sir Henry Plumb draws attention to the attitude of other Community Governments who may, he believes, have contributed to the problem by turning a blind eye to the activities of their MEPs. He suggests that the problem of persuading the European Parliament to approve the transfer of our 1983 refund in the autumn therefore lies as much with other Community Governments as with the Parliament itself.

Whatever the attitude taken by Member States last week, they are in no doubt now of the damaging nature of the Parliament's action and of the extent to which it challenges the Fontainebleau conclusions in general as well as payment of our 1983 refund in particular. The French Government have taken a robust line in condemning the Parliament's action. M. Dumas issued a statement on 29 June saying that the Parliament's vote risked creating serious difficulties for the functioning of the Community and did not contribute in a constructive way to the solution of the budget problem for 1984. The French Prime Minister, M. Fabius described the votes as 'wrong and disastrous'. After the weekly meeting of the French Council of Ministers on 1 August, M. Dumas issued another statement in which he quoted President Mitterrand as recalling that an agreement had been reached at Fontainebleau on the major Community questions and saying that "we must watch over the proper implementation of agreements thus entered into".

Although none of the other Community Governments has issued official statements deploring the Parliament's action, the Federal German Chancellery have confirmed that they advised leading CDU MEPs against supporting the motion on the grounds that the refunds had been promised to Britain and that our readiness to reach an agreement on the 1984 budget problem would only be reduced by the proposed move. These reports confirm the assurance given to you by Herr Ruhfus on 26 July that following your representations on behalf of the Prime Minister, Chancellor Kohl's Parliamentary Private Secretary had been in touch with Herr Klepsch, the



leader of the Christian Democrats in the European Parliament.

We have already made approaches to all Community governments in the aftermath of the vote, pointing out the damaging implications for the Community as a whole if the Parliament persist in their opposition to the refunds. The implications for handling the negotiations on the 1984/85 overrun and on the implementation of the Fontainebleau agreement have been set out in the Foreign Secretary's minute to the Prime Minister of 3 August.

I am copying this letter and enclosure to David Peretz (HM Treasury), Ivor Llewelyn (MAFF) and Richard Hatfield (Cabinet Office).

Yours,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street



10 DOWNING STREET

MR. ~~BARCLAY~~

We shall need to fix this meeting before the Prime Minister sees Dr. FitzGerald, probably on 3 September. Can you look at the possibilities in the diary please.

Sir NB
will now
come
OK.

CDP

Mr Powell (ok)

Now at 10-30
on 3 Sep. But we
have a problem with
Sir M Butler, who
cannot come.

Noted by CR
29/8

JMB
7/8

CONFIDENTIAL

JKRADH



bc P.C.
DB

10 DOWNING STREET

From the Private Secretary

6 August 1984

COMMUNITY BUDGET NEGOTIATIONS

The Prime Minister has considered the Foreign and Commonwealth Secretary's minute of 3 August about the way forward on the Community's 1984 Budget.

The Prime Minister is dubious of the proposal that we should agree to "sterilise" our share of the 1984 Budget overrun if it is pushed into 1985, so that it does not count for the sixty-six per cent abatement under the Fontainebleau agreement. Nor is she convinced by the conclusion that there is only limited scope for real savings in 1984/85. However, she wishes to reflect on the issues and discuss them with her colleagues on her return from holiday and before she meets Dr. FitzGerald. I shall be in touch to set a time for such a meeting.

I am sending a copy of this letter to David Peretz (HM Treasury), Ivor Llewelyn (MAFF), Andrew Hudson (HM Treasury) and to Richard Hatfield (Cabinet Office).

(CHARLES POWELL)

C. Budd, Esq.,
Foreign and Commonwealth Office.

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MS

10 DOWNING STREET

Prime Minister

This is the solution
which I mentioned to
you: 'sterilising' our
share of the 1984 over-run.

It's far from a happy
solution: but probably in
the end a worthwhile
price to pay if it
settles the 1984 problem
and gets agreement to bring
forward new own resources
to 1 October 1985 and gets an
acceptable text on budget
discipline. We must go for
a package. C.D.P 3/8



PM/84/139

PRIME MINISTER

Prime Minister
 You don't have to decide this
 now. There's no-one much about
 in the Community in August: and
 anyway we don't want to
 show our hand too soon.
 Discuss with Ministers
 concerned for your return from
 Community Budget Negotiations
 leave?
 Yes no
 CDP
 3/P
 M

1. In my minute of 24 July I reported on the discussions in Brussels on the 1984 budget overrun. Since then the European Parliament has blocked the transfer of our 1983 refunds, stating that it would re-examine this on the occasion of the submission of a supplementary budget. When we met yesterday afternoon, I promised you a further note about all this.

2. The Parliament's action is irresponsible and indefensible. If they maintained their refusal to release the refunds until budgetary provision for them lapses at the end of the year, a serious situation would arise. In this respect our quarrel is with the Parliament and not other Member States, but there is clear evidence that some of them were more than ready to encourage their Parliamentary representatives. There is no doubt, therefore, that we face a general difficulty in relation to the 1984 budget. This is because the others realise that we wrested from them a good agreement on budget imbalances at Fontainebleau, while they failed to get from us any specific commitment to any supplementary finance this year.

3. I have discussed the way forward with the Chancellor, the Minister of Agriculture and Ian Stewart. We agreed that the handling of this problem in September needs to be considered in relation to the negotiations on budget discipline and the new own resources decision. Our aim must be to devise a strategy which would enable us to complete the Fontainebleau negotiations by October by securing:

- (a) satisfactory texts on budget discipline;
- (b) embodiment of the new own resources decision in a form acceptable to us (including German acceptance of



the need to bring new own resources forward into the latter part of 1985, providing for our refunds to be paid on the revenue side in 1985 and the avoidance of further difficulties of the kind we are now experiencing with the Parliament).

4. We had some success at last month's Budget Council in reducing the agreed estimate of the amount of the overrun for which supplementary finance was being requested. It has come down from the Commission's initial estimate of 2.3 billion € to the Irish Presidency's nominal figure of 1350 mecus (though the latter was an arbitrary figure not based on agreed savings and probably underestimates the real shortfall by 3-400 mecus). But deadlock was reached over the method and timing of any financing. The Chancellor pointed out at our meeting today that our stand of principle on the need to remain consistent with the Treaties and the own resources system is contested by other Member States in part because they think our real motive is to defer the overrun into 1985 so that it will count towards our abatements.

5. We considered whether it would be feasible to stick to this position but concluded that this could result in the continued blockage of our 1983 refunds, putting at risk implementation of the Fontainebleau agreement and forcing us to consider again the issue of withholding. Nor would the rest of the Community stand still in the meantime. Michael Jopling reported renewed signs, as a result of the budget deadlock, that the Commission are trying to bring forward their consideration of FEOGA accounts for 1980 with a view to pressing a claim against us for milk disallowance which could be very costly.

6. We agreed therefore that simply sticking to our present position will not suffice to secure our overall objectives:



- (a) because other Member States will continue to contend that we are concerned to push the overrun into 1985 so that our contribution would then be covered by the Fontainebleau agreement; but also
- (b) because they are determined to try to avoid national pre-financing of the overrun.

7. If we continue to insist that no additional finance should be provided, other Member States could of course be pushed into pre-financing as FEOGA money runs out, probably in October. But they realise that they do not have to agree to anything for that to happen (since if nothing is agreed it will happen anyway); and once they are pushed into that position we shall lose some of our leverage over them for the rest of this year. Other Member States need our agreement to the increase in own resources, and that remains a powerful lever in our hands; but, since Fontainebleau, they know that we also need to bring that decision into effect in order to provide for the automatic correction of our budget contribution and the avoidance of the kind of difficulties we are experiencing now.

8. The Chancellor and I agreed that it would strengthen our position in relation to the general handling of the overrun if we were to indicate that if the shortfall is pushed into 1985, we should be prepared to agree that our contribution to financing it should not count for the sixty six per cent abatement under the Fontainebleau agreement. We should of course seek to minimise the amount involved. At the least we should limit it to the Presidency figure of 1350. The Presidency figure would mean a contribution by us of 270 mecu gross. Since we should expect to get just over half of that back on the expenditure side by way of agricultural receipts, the net cost to us of waiving the reliefs would thus be of the order of 80-90 mecu (some £50 million). If we could secure such an arrangement it would avoid the need for any supplementary finance this year, with obvious advantage vis-a-vis Parliament and in other respects.



9. We agreed, therefore, that we should take soundings of the key Member States, whose support would be crucial to success at the Budget Council, namely France, Germany, the Netherlands (all of whom have an interest in budget discipline) and the Irish as Presidency. Your meeting with Dr Fitzgerald on 3 September would be extremely important in this respect. At those meetings we should emphasise the importance we attach to trying further to reduce the estimated figure for the overrun. We should let it be known that if an acceptable figure were agreed and that expenditure were deferred into 1985, we should be prepared to consider agreeing that it should not count towards our reliefs. We should make clear that this would only be feasible if the increased own resources came into effect in 1985 to pay for both our 1984 refund and any irreducible amount of overrun expenditure for 1985. We should also stress the link with implementation of the Fontainebleau text on budget discipline, ie that measures must be adopted which would guarantee effective budget discipline. It would be useful if you could in due course emphasise this point in your talks with Dr Fitzgerald.

10. However, even if we strain every sinew it will be very difficult to secure general agreement to a solution on this basis. As I said in my minute of 24 July it will, in particular, be difficult to get the other Member States to agree that all the overrun should be pushed into 1985, as a primary concern of theirs is to avoid national pre-financing. This would be necessary if all the overrun were pushed into 1985 since, as Michael Jopling has pointed out, there is limited scope for real savings in relation to 1984/85, given that the rate of agricultural expenditure was agreed in this year's price-fixing. Meanwhile the Parliament is liable to go on trying to block the 1983 refunds in the absence of a supplementary budget raising additional finance this year.

11. Nevertheless, our preferred course would avoid the need for finance outside the own resources system and should therefore



be the line to follow so long as we can thereby be sure of securing our overall objectives - completion of the budget negotiations and implementation of the Fontainebleau agreement. We should review the position in the light of our soundings of the key Member States. Our aim must be to get these matters settled together, on terms acceptable to us, and to seek to complete the Fontainebleau negotiations by the time Parliament resumes in late October.

12. I am copying this minute to the Chancellor of the Exchequer, the Minister of Agriculture, the Economic Secretary, and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office
3 August, 1984

CONFIDENTIAL

MR POWELL

3 August 1984

EUROPEAN COMMUNITY: STANDARDS

Paul Channon has proposed a way of breaking the log-jam on product harmonisation, which has impeded the development of a genuine Common Market.

The current approach tries to achieve unanimously agreed harmonisation of technical requirements. This is a painfully slow process and its outcome - Eurosausages or lawnmowers or whatever - invite well-deserved ridicule. DTI propose instead that member states should unanimously agree the health and safety objectives and requirements for each product area, leaving open the question of how conformity is achieved. Where harmonised standards exist, fine. Where they are needed, qualified majority voting would prevent one member blocking a directive, as at present. Where standards are a long way off, the onus would then be placed on the member state(s) bent on blocking imports to show why others' standards do not meet their own health and safety requirements. Qualified minority voting would, for example, require France to secure the agreement of Italy, or Germany, in order to sustain their objections to others' products.

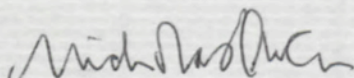
This approach is better suited to British ways. Our disadvantage in the harmonisation business is that as a country, we place less emphasis on standards in health and

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safety regulations than do some of our continental colleagues and for this reason, have fewer standards to offer as a basis for harmonisation. The exercise launched by the Prime Minister to identify product areas which would be of most benefit in opening up the internal market will help us choose which directives to go for. It may not yield many specific British standards which we could propose for them. In contrast, France and Germany have agreed around 100 standards in their bilateral exercise. Even if we were included in a trilateral discussion, we would not have much to put on the table. Hence the importance of this initiative, which puts the onus on the importing country to show that others have not achieved equivalent levels of safety.

We recommend that the Prime Minister approve what is proposed and encourage the FCO and DTI to attempt to win acceptance in time for the Dublin Council in December.


NICHOLAS OWEN

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bc pc

10 DOWNING STREET

From the Private Secretary

2 August 1984

EUROPEAN COMMUNITY: STANDARDS

We spoke about the Minister for Trade's letter of 2 August to the Foreign and Commonwealth Secretary outlining a UK proposal to the European Community on standards.

BAF
You will recall the personal interest which the Prime Minister has taken in this subject. She will clearly need to be consulted about the proposal in Mr Channon's letter. I should prefer to wait for the views of OD(E) to be established before doing this. I suggest that your Secretary of State might thereafter minute the Prime Minister, explaining the significance of the proposal and whether further UK initiatives in this field are in the pipeline.

I am copying this letter to the Private Secretary to the Minister for Trade and to Richard Hatfield.

Colin Budd, Esq.,
Foreign and Commonwealth Office

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CCNO



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From the Minister for Trade

The Rt Hon Sir Geoffrey Howe MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign & Commonwealth Office
Whitehall
London
SW1H

2 August 1984

Dear Geoffrey.

EUROPEAN COMMUNITY: STANDARDS

121.684

Brussels

OD(E) 3rd meeting considered an interim report by officials on the scope for a UK initiative in the Community on standards which the Prime Minister had asked to be set in hand in the aftermath of Fontainebleau.

2. In opening up the internal market by simplifying standardisation requirements we must avoid inadvertently exposing consumers, workers and others to imports of dangerous products. Equally, however, I am convinced that, if we are seriously to tackle technical barriers in the internal market, we have both to improve and speed up the harmonisation of product standards and get a framework in which Member States' accept others' standards in their markets, provided always that these do not undermine their health and safety legislation. I propose a UK proposal to the Community (set out in more detail in Annex's A and B) to:

- i. Develop lists of national standards that are presumed to conform to the Community health and safety objectives set out in the Directive;
- ii. Oblige Member States to give free access to their markets for products complying with such national standards unless and until they are shown not to meet the health and safety objectives;



iii. Oblige Member States wishing to withdraw free access on the grounds that the health and safety objectives are not being met, to seek the support of a qualified minority of votes. This would mean in the case of the UK, pre-Enlargement, persuading one other large Member State or two/three smaller ones that the safety doubts about the standards were justified. I believe such a voting system to be necessary to prevent Member States from invoking the safeguard clause frequently and for protectionist reasons.

3. This proposal seems to me to be an improvement on the present situation. It also will avoid the criticism from industry that in order to get free access to the internal market they have to agree to a Single Technical Standard imposed after Community discussion and compromise and which can stifle innovation and impose unnecessary extra costs.

4. My officials have already set in hand a wide ranging consultation with industry to determine the product areas which would be of most benefit in opening up the internal market. The CBI's recent letter to you is also a useful general list of non-tariff barriers which officials are following up. I hope that you and other OD(E) colleagues will take the opportunity in your contacts with industry to help push home the need for a positive and considered reaction from them if the UK is to take full advantage of the opportunity that now exists.

5. As you know the French and Germans have for some time now held discussions designed to open up their markets to each others' exporters by giving full legal equivalence to each others' standards across a wide range of products. These now appear to be beginning to bear fruit. This means that time is not on our side. We must try to head-off a Franco-German agreement covering the market and obliging us to adopt their standards.

6. I understand that my proposal has met with broad agreement at official level. I am satisfied that it contains adequate safeguards for health and safety to serve as a suitable basis for more detailed discussion in the Community. I hope that you and other OD(E) colleagues will agree to my making this proposal in the Internal Market Council on 9 October seeking to get an agreed framework for standardisation directives to enable the Dublin European Council to set a timetable for the first list of new-style directives to be presented to the Internal Market Council during the first part of 1985.



7. Copies of this letter go to the Prime Minister, Members of OD(E), Peter Walker and to Sir Robert Armstrong.

Yours,

PAUL CHANNON

Paul



UK CONTRIBUTION TO THE COMMISSION WORKING GROUP ON GENERAL REFERENCE
TO STANDARDS

The United Kingdom attaches great importance to the completion of the Community internal market which implies the creation of an homogeneous regulatory environment throughout the Community so as to facilitate free competition between suppliers of industrial products, to the benefit of the consumer and wider international competitiveness. To this end the United Kingdom has consistently maintained its commitment to harmonising standards within the Community in support of the programme for the elimination of technical barriers to trade under Article 100 of the Treaty of Rome. Recognising, however, that existing procedures for harmonising legislation with a view to eliminating disparities in regulations and standards have not produced results sufficiently quickly, the United Kingdom welcomed the comprehensive initiative set out in Document 10888/83 of 28 November aimed at accelerating and strengthening standardisation in the Community.

2 In endorsing the principles contained in Document 10888/83 the United Kingdom clarified its understanding of the fourth indent viz that in future Article 100 Directives would establish the necessary conditions of health and safety and protection of consumers to which technical standards adopted in respect of products covered by those Directives would have to conform. This reflects the United Kingdom Government's firm view that it is for the national authorities to establish and maintain levels of health and safety and that this responsibility cannot be delegated to private standards bodies. More precisely, it reflects the fact that national governments are responsible to their own citizens for the maintenance of health and safety levels. This being the case, any new Article 100 procedures must not entail a lowering of existing levels of health and safety in Member States. Harmonisation must therefore take place at the higher end of the spectrum of safety levels existing within the Community - levelling up as opposed to levelling down.



3 It is noted also that at its first meeting on 18 May the Working Group decided to interpret its terms of reference (which mention only the technique of general reference to standards) broadly and that its task should in fact be to examine how standards might be used in Article 100 Directives and to recommend a model Directive.

The UK Approach

4 The present approach to harmonisation of Member States' technical laws is fragmented, in terms both of product coverage and of the structure of individual Directives. Commitment to an homogeneous internal market suggests the need for an overall framework which deals with the widest possible range of products; which provides a menu of uniform mechanisms capable of coping with the wide variety of product types and the uneven degree of consensus among Member States on the appropriate technical requirements to protect health and safety and the environment; and which facilitates and provides an impetus towards early harmonisation of these requirements.

Overall Framework

5 The UK suggests that a Model Directive should include articles covering product scope, general safety objectives, essential mandatory safety requirements, references to harmonised standards, provisions for dealing with the situation where harmonised standards do not yet exist, arrangements for demonstrating conformity with the safety objectives and a safeguard clause embodying procedures for resolving difficulties. Such a model Directive when agreed can be applied sector by sector according to priorities.

Scope

6 Each sector Directive will need to identify clearly the product range concerned and the hazards which were being addressed. In some circumstances a narrow product range might be covered in relation to a wide range of hazards whilst in others it might be more appropriate to cover a wider product sector but for a narrower range of dangers.



In addition each sector Directive would need to recognise that additional precautions might be required by the competent national authorities to be provided at the workplace in order to provide adequate protection of workers using or exposed to the products covered by the Directive. Such additional precautions - eg extra guarding - would have to be in respect of matters not already covered by the Directive or the standards which it called up (for example the special requirements of a particularly harsh working environment). Although these extra aspects would not impinge upon any right to free circulation conferred by the sector Directive vis a vis matters covered therein, the existence of the Sector Directive would not prevent competent national authorities within Member States from taking steps to prevent the articles use in unimproved form.

General Safety Objectives

7 The pattern of Article 2 of the Low Voltage Directive provides a suitable model. In the light of paragraph 3 above, however, it is considered that the phrase "good engineering practice in safety matters in force in the Community" would need modification or rather definition so as to make clear that what was meant was practice which produced levels of safety sufficient to satisfy the requirements of all Member States. Practice acceptable to one Member State which produced levels of safety considered inadequate by other Member States would not come within the definition.

Essential Safety Requirements

8 It would be permissible but not obligatory within a sector Directive to specify essential safety requirements either in the Directive itself or in a technical annex. Such requirements would require unanimous agreement for their adoption or modification. The extent to which such requirements should be identified would need to be decided on an ad hoc basis.



Harmonised Standards

9 Clearly the general safety objectives and essential safety requirements need to be complemented by harmonised standards. Such standards may on some areas already exist but where they do not it will be necessary for the appropriate Directive working group to give guidance (in the form of a mandate) to the European Standards Bodies on the safety characteristics relating to the products concerned, to be covered. Member States would then decide whether or not each such harmonised standard or its subsequent revision should be listed under the Directive as meeting the safety objectives and embodying the essential safety requirements. Reference to such standards would therefore be to dated editions in all cases. Given national governments direct responsibility to their citizens for levels of health and safety their position in this respect must be safeguarded. It is not suggested however that this requires the procedure for harmonising standards mandated under a sector Directive to be based on unanimity. An adoption procedure based on qualified majority voting should be sufficient provided that there was an effective safeguard procedure (see later section on the safeguard clause). The qualified majority voting procedure would reduce the chances that one Member State might prevent harmonisation in order to protect its narrow trading interests.

10 Where harmonised standards are not available from the outset for the whole of a selected sector the first priority will be to commission these. Probably however it will be desirable to adopt Directives in advance of the availability of comprehensive coverage by harmonised standards. In these cases the sector Directive would need to provide that where standards have not been harmonised the general safety requirement would be interpreted by reference to safety levels in force in the Member States, subject always to the constraints of Article 36. However each sector Directive would also confirm the right to free circulation of products providing an equivalent level of safety by another technical means including where the importing Member State had existing mandatory technical requirements.



Demonstration of Conformity

11 A model Directive would list various possible methods of demonstrating product conformity. Each sector Directive would, by unanimous agreement, define which of these were applicable in the particular case and the legal significance to be attached to them. Any bodies designated for the purpose of demonstrating conformity with the safety objectives should comply with appropriate published international guides such as ISO Guide 40 (Conditions for the acceptance of Certification Bodies).

Safeguard Clause

12 Each sector Directive would contain a safeguard procedure allowing a Member State to challenge a harmonised standard which had been or might be adopted. The basis for challenge would be either that the standard did not conform to the general safety objectives and essential safety requirements or that it did not afford an equivalent level of safety to that currently existing in the Member States own territory. Disagreement on either issue would be referred to a committee comprising representatives of the competent authorities of Member States.

13 The safeguard procedure would be available at any time. Thus a Member State could challenge a harmonised standard that had been established for some time on the basis that it no longer reflected good engineering practice.

14 Each sector Directive would contain further safeguard provisions which would permit Member States to suspend admission to their internal market and the marketing of a product known not to conform with an adopted standard or with the general or specific safety objectives even if, for example, it had been accorded a certificate of conformity, test mark etc as provided. Similarly disagreement on any of these issues would also be referred to the committee of representatives of competent authorities referred to above.

Department of Trade and Industry

999-80

July 1984



UK CONTRIBUTION TO WORKING GROUP ON GENERAL REFERENCE TO STANDARDS
AREAS NOT COVERED BY HARMONISED REQUIREMENTS

1 Each sector Directive would establish that where requirements had not been harmonised the general health and safety objectives would be interpreted by reference to the health and safety levels in force in the importing Member State, subject always to the constraints of Article 36. However the sector Directive would also establish the right of free circulation of products providing an equivalent level of health and safety by other technical means (including where the importing Member State had introduced mandatory technical requirements).

2 Establishing the right of access for products affording equivalent safety would inevitably lead each Member State to an assessment of the standards applied by other Member States. This in turn would open up the possibility of moving towards giving some status to suitable national standards. Any system to put this into effect should not however call for the immediate assessment of all those national standards applicable to a particular sector Directive since this could impose unmanageable resource problems on Member State authorities.

3 The UK therefore suggests a system whereby, for a defined product range and specified hazards within scope of the sector Directive, each Member State might list the standards and other technical requirements which it applied. There would be no immediate requirement for Member States to approve or vote on standards so listed, but the safeguard procedure would be available to Member States at any time. Standards would remain on the list unless or until challenged by a Member State. The basis for challenge, as for harmonised standards, would be either that the particular national standard did not conform to the general safety requirements (if appropriate, as interpreted by means of essential safety requirements specified in the sector Directive) or that it did not afford an equivalent level of health and safety to that

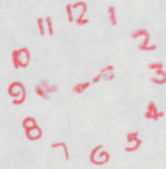


currently existing in the Member State's own territory. A challenge to a standard would be referred to the Committee comprising representatives of the competent authorities of Member States and would trigger a voting procedure whereby the standard would be removed from the list if a "qualified minority" objected to it.

4 Subject to any outstanding challenge made by a Member State under the safeguard procedure any product conforming to a listed standard would be afforded free circulation by the sector Directive. The Directive would specify the period after the listing of a standard within which Member States should take the necessary measures to remove any legal or administrative obstacles to the free circulation of such products. If however the enforcement authorities doubted the safety of a product it would be impracticable and unreasonable to require the product to be tested against all the applicable standards which might have been listed. UK suggests the following procedures depending on whether a manufacturer claimed conformity with a listed standard or the product was marketed without any claim to conformity. In the first case the authorities should test the product to the standard it purported to conform with and if it were found not to conform the authorities might require its removal from the market or take other steps to safeguard the health and safety of their citizens for example to require modifications to the product. If it were found to conform but the authorities still believed, by reference to their national levels of health and safety in force, that it failed to meet the health and safety objectives in the Directive, it would be open to them to take urgent safeguard action and they would then have to challenge the listed standard within a specified time. If there was no claim of conformity with a listed standard the authorities need only show that the product fell below their national levels of health and safety in force before they acted against the product.

Department of Trade and Industry
July 1984

- 2 AUG 1984



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TO IMMEDIATE F C O

TELEGRAM NUMBER 944 OF 1 AUGUST

INFO UKREP BRUSSELS

INFO SAVING ATHENS, BONN, BRUSSELS, COPENHAGEN, DUBLIN,
THE HAGUE, LUXEMBOURG, AND ROME

1983 BUDGET REFUNDS: VOTE BY EUROPEAN PARLIAMENT

1. AFTER TODAY'S WEEKLY MEETING OF THE COUNCIL OF MINISTERS
DUMAS, IN HIS CAPACITY AS GOVERNMENT SPOKESMAN, ISSUED THE
FOLLOWING STATEMENT (OUR TRANSLATION):

2. "I MYSELF RAISED THE SUBJECT OF THE VOTE ON A MOTION BY
THE STRASBOURG PARLIAMENT WHICH HAS LED, AS YOU KNOW, TO THE
BLOCKING OF SUMS WHICH SHOULD BE PAID TO GREAT BRITAIN, ACCORDING
TO THE STUTTGART AGREEMENTS, IN RESPECT OF 1983. THE PRESIDENT OF
THE REPUBLIC INTERVENED AT LENGTH ON THIS SUBJECT, RECALLING THAT
AN AGREEMENT HAD BEEN ACHIEVED AT FONTAINEBLEAU ON THE MAJOR
COMMUNITY QUESTIONS, AND SAID AND I QUOTE "WE MUST WATCH OVER
THE PROPER IMPLEMENTATION OF AGREEMENTS THUS ENTERED INTO".

(IL FAUT VEILLER A LA BONNE EXECUTION DES ACCORDS AINSI CONCLUS).
3. DE BRICHAMBAUT (DUMAS' DIRECTEUR DE CABINET CONFIRMED THIS BUT
HAD NOTHING TO ADD.

FCO PASS SAVINGS

PETRIE

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Ref. A084/2207

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the action taken by the new European Parliament on 27 July to block the United Kingdom's 1983 refunds. Following the agreement at Fontainebleau the only substantial step needed before the refunds could be paid was the European Parliament to approve the necessary transfer. This was done by the Parliament's Budgets Committee on 12 July. Following that, the Advisory Committees of member states approved on 26 July the decisions actually implementing payment of the refunds on projects in the United Kingdom. This completed the procedures to enable the refunds to be paid. The new European Parliament, however, chose to link payment of the refunds with the Supplementary Budget the Commission is seeking to finance the 1984 budget overrun. Its action has been roundly condemned in this country and criticised by the French Government as being inconsistent with the Fontainebleau conclusions and as making agreement on the 1984 budget problem more difficult. Preliminary legal advice is that there would be procedural and legal difficulties to legal action against the Parliament or the Commission, and that payment of our refunds would be delayed further while proceedings were under way. You have made it clear that we expect the 1983 refunds to be paid, that we are working with other member states on the detailed implementation of the Fontainebleau conclusions, in particular of the agreement on budget discipline, and that our Parliament will not be asked to approve an increase in own resources until measures guaranteeing budget discipline have been adopted. A more recent potential complication is pressure within the Commission to put our 1983



refunds into the 1984 Supplementary Budget. Commissioner Tugendhat is seeking to block this at least until the full Commission can discuss it after the holidays. The Foreign and Commonwealth Secretary will note that all the outstanding budgetary issues - the 1984/85 budget overrun, budget discipline and the new own resources decision - will come up for decision at the Budget Council on 6-7 September. You have asked him to let you have his further thoughts on the handling of these issues before you go away on 9 August, for discussion on 4 September with the Ministers most closely concerned.

RIA

ROBERT ARMSTRONG

1 August 1984

Part 27.888

File



10 DOWNING STREET

From the Private Secretary

1 August 1984

Dear Colin,

EUROPEAN COMMUNITY: 1984 BUDGET OVERRUN: MEETING WITH DR. FITZGERALD

We have had a message from the Taoiseach's office that he believes it essential to have a meeting with the Prime Minister to discuss European Community business before the Budget Council in early September. This would be part of a series of meetings he will hold with other Community Heads of Government in the days immediately before the Budget Council, with the aim of trying to obtain an early solution of the 1984 Budget problem.

The Prime Minister would have preferred to see Dr. Fitzgerald somewhat later, for instance between the Budget Council and the September Foreign Affairs Council, but does not feel it is possible to refuse the pressing request for an earlier meeting. Since a reply was requested before the Taoiseach's departure on holiday on 2 August, a message is being sent to his office, offering a meeting at 1200 on 3 September, followed by lunch. I should be grateful if this arrangement can be confirmed by HM Ambassador at Dublin. It will be difficult for the Prime Minister to offer alternative dates in this period. The Ambassador might also say that, to avoid speculation, we shall want to make clear that the visit is concerned with Community affairs and is part of a pattern of meetings with other Member States. He might also say that the Prime Minister would prefer it if participation could be kept small on both sides.

We shall probably need to bring forward the internal meeting planned for 4 September to discuss the 1984 Budget overrun. I shall be in touch with you separately about that.

I am sending copies of this letter to David Peretz (HM Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Charles Powell

Colin Budd, Esq.,
 Foreign and Commonwealth Office.

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cepc

10 DOWNING STREET

From the Private Secretary

1 August 1984

EUROPEAN PARLIAMENT: 1983 REFUND

BS1
I enclose a copy of a letter to the Prime Minister from Sir Henry Plumb about the background to last week's vote in the European Parliament to block our 1983 refund. (I note that it has also been copied to Sir Geoffrey Howe). I should be grateful for a draft reply.

I am sending a copy of this letter and enclosure to David Peretz (HM Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

C D Powell

Colin Budd, Esq.,
Foreign and Commonwealth Office

W/O

PART 26 ends:-

L. H. Plumb to PM 31-7-84

~~Hansard Extract 30/7/84~~

PART 27 begins:-

COP to Geo 1/8/84

