

CONFIDENTIAL

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DESKBY 220800Z

FRAME ECONOMIC

FM UKREP BRUSSELS 211750Z JUN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2147 OF 21 JUNE

INFO IMMEDIATE PARIS

INFO PRIORITY COPENHAGEN THE HAGUE ROME DUBLIN BONN ATHENS
LUXEMBOURG

INFO SAVING BRUSSELS LISBON MADRID.

EUROPEAN COUNCIL : BUDGETARY IMBALANCES.

1. CONTACTS IN THORN'S ENTOURAGE ASSERT THAT THE COMMISSION IS NOT PREPARING ANY PROPOSAL OF ITS OWN, SINCE THEIR THINKING IS CLOSE TO THAT OF THE PRESIDENCY (DUMAS).

2. THE ONLY SIGNIFICANT WAY IN WHICH THEIR APPROACH DIFFERS IS THAT THE PRESIDENCY SEEM FIRMLY ATTACHED TO THE IDEA OF A SECOND AD HOC YEAR (OR SO MITTERRAND TOLD THORN ON 19 JUNE), WHILE THE COMMISSION BELIEVE THAT WOULD COMPLICATE THE NEGOTIATION POSSIBLY TO THE POINT OF MAKING AGREEMENT IMPOSSIBLE. ALTHOUGH THORN HIMSELF PROPOSED TWO AD HOC YEARS AT BRUSSELS, THAT WAS IN THE CONTEXT OF KOHL'S FIVE AD HOC YEAR PROPSAL, FROM WHICH THORN WAS TRYING TO BRING THE COUNCIL BACK.

3. THORN'S OFFICIALS SUGGEST THAT AT THIS STAGE THE ONLY CONTRIBUTION THEY ENVISAGE THORN MAKING TO THE NEGOTIATIONS IS TO ARGUE AGAINST THE SECOND AD HOC YEAR. HE WILL HOWEVER ONLY DO THIS IF WE HAVE INDICATED READINESS TO NEGOTIATE ON THE BASIS OF DUMAS' IDEAS. ONE ARGUMENT HE IS LIKELY TO ADDUCE IS THAT A SECOND AD HOC YEAR WOULD PRODUCE AN UNMANAGEBLY SUDDEN INCREASE IN U K COMPENSATION IN 1986, AND A SMOOTH PROGRESSION WOULD BE PREFERABLE.

FCO ADVANCE TO:

FCO - TICKELL RENWICK WALL
CAB - WILLIAMSON STAPLETON DURIE
TSY - UNWIN MORTIMER

FCO PASS SAVING TO LISBON AND MADRID.

BUTLER

FRANK ECONOMIC
FCD (I)

ADVANCED AS REQUESTED
COPIES TO: MR WILLIAMSON }
MR STAPLETON } CAB OFF
MR DURIE }

MR UNWIN } H.M. TSY.
MR MORTIMER }

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