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RECORD OF A DISCUSSION BETWEEN THE CHANCELLOR AND THE
FEDERAL GERMAN FINANCE MINISTER AT CHEQUERS AT 11.30 am
ON 2 MAY 1984

Present:

Chancellor
Mr Unwin
Mr Peretz

Dr Stoltenberg
Dr Heck

COMMUNITY MATTERS

The Chancellor said that he found the Commission request for extra funds to meet the prospective 1984 overspend extremely unattractive. Dr Stoltenberg said that the question had not yet been discussed in the German Cabinet, but his personal view was that:-

(a) the Commission's estimate of their financing needed very careful checking;

(b) the savings proposed by the Commission were too low, and they should be pressed to find further savings for 1984 and 1985;

(c) nevertheless, he feared that at the end of the day there would be a gap. His view was that for domestic reasons it would not be possible to allow the CAP to collapse. He would be recommending against the Commission request for a loan; but thought that in the end it might be necessary to consider national finance to meet agricultural needs.

2. The Chancellor agreed with (a) and (b), and added that he personally believed that there was no prospect at all of the UK Parliament approving any extra money for the Community



while Britain's 1983 refunds remained blocked, and before agreement had been reached on the budgetary imbalance problem.

3. Dr Stoltenberg expected that, were no action taken, the Commission would run out of funds for agricultural intervention by October or November. The Chancellor agreed that it would be desirable to discuss such problems between Finance Ministers well in advance.

4. Turning to the other budgetary matters, Dr Stoltenberg noted that these were largely for discussion between Foreign Ministers and Heads of State. He noted that the outlines of a potential agreement were already in place, and that the two important outstanding questions were about the reference rate for the new budgetary imbalances system, and the question of the correct compensatory rate.

5. Dr Stoltenberg also said an important question for the Germans was whether, right from the start of the new system, some modest financial relief for Germany could be allowed for. When the Chancellor doubted whether this would be possible to negotiate, he referred to the German assumption of a two-thirds financial participation in the UK rebate.

6. The Chancellor said that it was important that the system should start in 1985. He also agreed with Dr Stoltenberg it was desirable for the problems to be solved during the French Presidency.

7. On budgetary discipline, Dr Stoltenberg thought (and the Chancellor agreed) that it would be important for ECOFIN to do some further work. The Chancellor thought the objective should be to tighten up the present proposals: for example to ensure that the financial guideline for agriculture was binding, and that so also was overall financial control on the Commission.



8. Dr Stoltenberg was in favour of a discussion of this issue at the May ECOFIN. No progress had been made on it since just before the Athens summit; indeed to some extent matters were less advanced than they were then. What was missing was regular consideration of Community budgetary matters by Finance Ministers, in the way that individual Finance Ministers operated with regard to domestic expenditure. Depending on how the discussion at the May ECOFIN went, it might either be appropriate to remit the subject to a group of senior Community Finance Ministry officials to look at the details; or to pursue it at official level bilaterally or tri-laterally (with the French) first. It was also agreed that there should be further bilateral discussion between UK and German officials before the May ECOFIN.

DLCP

D L C PERETZ

Distribution:

PS/Chief Secretary
PS/Economic Secretary
Sir P Middleton
Mr Littler
Mr Unwin
Mr Fitchew
Mr Lovelle
Mr Bostock
Mr Mortimer
Mr Hopkinson
Mr Ridley
Mr Coles, No 10
Mr Appleyard, FCO
Mr Williamson, Cabinet Office
Sir J Taylor, British Embassy, Bonn
Sir M Butler, UKRep, Brussels