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FRAME GENERAL

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FM UKREP BRUSSELS 201112Z JUN 83

TO IMMEDIATE F C O

TELEGRAM NUMBER 2448 OF 20 JUNE 1983

INFO IMMEDIATE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS

BONN LUXEMBOURG PRIORITY LISBON MADRID ROUTINE STRASBOURG

INFO SAVING UKMIS NEW YORK WASHINGTON UKMIS GENEVA UKDEL NATO

EUROPEAN COUNCIL STUTTGART: 17-19 JUNE 1983

1. THE EUROPEAN COUNCIL, AT WHICH YOU AND THE PRIME MINISTER REPRESENTED THE UK, REACHED AGREEMENT ON

- A. A FRAMEWORK FOR THE NEGOTIATION ON THE FUTURE FINANCING AND DEVELOPMENT OF THE COMMUNITY, THE RESULTS OF WHICH ARE TO BE REPORTED TO THE EUROPEAN COUNCIL IN ATHENS IN DECEMBER:
- B. A REFUND OF 750 MECU NET OF THE UK'S CONTRIBUTION IN 1983 THE CONSEQUENTIAL FIGURES TO BE PUT IN THE 1984 DRAFT BUDGET:
- C. THE SOLEMN DECLARATION ON EUROPEAN UNION PROMOTED BY GENSCHER AND COLOMBO, WHICH WAS SIGNED ON 19 JUNE BY ALL PRIME MINISTERS (MITTERRAND HAVING LEFT) AND FOREIGN MINISTERS.

2. CONCLUSIONS WERE ALSO AGREED ON ECONOMIC MATTERS (ECONOMIC RECOVERY, YOUTH UNEMPLOYMENT, ENVIRONMENT, INTERNAL MARKET, STEEL, TRANSPORT, THE GREEK MEMORANDUM AND UNCTAD VI) AND POLITICAL CO-OPERATION SUBJECTS (CSCE, POLAND, MIDDLE EAST AND CENTRAL AMERICA).

3. THE TEXTS RECORDING THESE AGREEMENTS HAVE BEEN REPORTED IN STUTTGART TELEGRAMS NOS 22 TO 25. (THE TEXT ON UNCTAD WAS TRANSMITTED SEPARATELY TO BELGRADE.) MORE DETAILED REPORTS ON SOME ASPECTS WILL BE SENT BY BAG.

4. THE EUROPEAN COUNCIL DECIDED (WITH GREECE ABSTAINING) THAT THE SECOND EC-ISRAEL FINANCIAL PROTOCOL SHOULD NOW BE SIGNED. IT ALSO CONFIRMED THAT THE STEEL COUNCIL SHOULD BE HELD AS PLANNED ON 21 JUNE, EVEN THOUGH NO ITALIAN MINISTER COULD BE PRESENT. LUXEMBOURG MADE A STATEMENT AS EXPECTED ON THE SEAT OF THE INSTITUTIONS.

5. FOR THE UK THE MAIN ACHIEVEMENT WAS AGREEMENT ON A REFUND FOR 1983 YIELDING A TOTAL REFUND OVER 1980-1983 ONLY FRACTIONALLY LOWER THAN TWO-THIRDS, WITHOUT CONCEDING THE FRENCH AND ITALIANS' DEMAND THAT THERE SHOULD BE NO SUCH REFUND WITHOUT AN AGREEMENT IN PRINCIPLE TO INCREASE OWN RESOURCES. THIS AGREEMENT WAS REACHED ONLY AFTER MANY HOURS OF NEGOTIATION. UK REFUNDS WERE BRIEFLY DISCUSSED IN THE FIRST SESSION, BEFORE BEING TAKEN UP IN DETAIL OVER THE FOREIGN MINISTERS' DINNER. FOREIGN MINISTERS REPORTED TO HEADS OF GOVERNMENT AT THE INFORMAL AFTER DINNER DISCUSSION THAT THEY HAD REACHED NO AGREEMENT. THIS WAS STILL THE POSITION

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BY THE END OF THE EVENING. BUT IT WAS BY THEN CLEAR THAT THE OTHER MEMBERS OF THE COUNCIL WANTED TO HEAR AN OPEN-MINDED STATEMENT OF THE UK'S POSITION ON OWN RESOURCES BEFORE THEY WOULD MOVE ON SHORT TERM. AT THE BEGINNING OF THE MORNING SESSION ON 18 JUNE THE PRIME MINISTER SAID:

QUOTE I THINK THAT WE ALL NEED TO RECOGNISE THAT THESE MATTERS MUST BE TAKEN FORWARD TOGETHER. THERE IS NO WAY IN WHICH IT WOULD BE SENSIBLE TO PREJUDGE ONE IN ADVANCE OF THE OTHERS. IN THE CONTEXT OF A LONG TERM SETTLEMENT OF ALL THESE PROBLEMS I WOULD BE PREPARED TO CONSIDER AN INCREASE IN OWN RESOURCES ((NEXT TWO WORDS UNDERLINED)) WE REACHED AGREEMENT ON AN EFFECTIVE CONTROL OF THE RATE OF INCREASE OF AGRICULTURAL AND OTHER EXPENDITURE AND ((NEXT TWO WORDS UNDERLINED)) PROVIDED THAT IT IS ACCOMPANIED BY AN ARRANGEMENT TO ENSURE A FAIR SHARING OF THE FINANCIAL BURDEN SO THAT NO COUNTRY HAS TO PAY A SHARE DISPROPORTIONATE TO ITS RELATIVE NATIONAL WEALTH. UNQUOTE

6. FOREIGN MINISTERS WERE THEN ASKED TO CONTINUE DISCUSSION OF THE UK PROBLEM, WHILE HEADS OF GOVERNMENT WENT ON WITH THE LONG-TERM. FIGURES AT LAST BEGAN TO APPEAR: BY THE END OF THE SESSION SOME SEEMED PREPARED TO OFFER 400 MECUS, THOUGH CHEYSSON WAS STILL STUCK AT ZERO. WHEN THE EUROPEAN COUNCIL RESUMED AT NOON, WITH GENSCHER NEAR TO REPORTING FAILURE TO AGREE, KOHL TOOK OVER THE TASK OF EASING MITTERRAND UP. DURING THE NEXT THREE HOURS THE COUNCIL WAS SUSPENDED SEVERAL TIMES FOR BILATERALS IN THE ROOM, DURING WHICH KOHL GOT HIM TO 600 AND THEN TO 700, WITH THE PRIME MINISTER UNWILLING TO GO MUCH BELOW 850. MITTERRAND THEN STUCK AND AT ONE TIME THREATENED TO LEAVE (PRESS REPORTS THAT THE PRIME MINISTER DID SO ARE NOT TRUE). KOHL SHOWED SIGNS OF BEGINNING TO DESPAIR, AND SO THE PRIME MINISTER INDICATED PRIVATELY A WILLINGNESS TO SPLIT THE DIFFERENCE AT 775 IF THAT WOULD SOLVE THE PROBLEM. MITTERRAND REMAINED NEGATIVE AND IN A SESSION OF THE COUNCIL ITSELF TURNED DOWN A DUTCH COMPROMISE OF 775. FINALLY, THE SETTLEMENT WAS MADE AT 750 MECUS. KOHL IMMEDIATELY ADJOURNED FOR A LATE LUNCH, LEAVING THE OTHER ASPECTS OF THE SHORT TERM SETTLEMENT FOR LATER DISCUSSION. AFTER LUNCH MITTERRAND RETURNED TO PARIS.

7. DISCUSSION CONTINUED ON THE PAPER ABOUT THE LONG TERM. A REVISED PRESIDENCY DRAFT WAS UNSATISFACTORY TO US SINCE IT CONTAINED NOT ONLY A COMMITMENT TO INCREASE OWN RESOURCES BUT A STATEMENT THAT THE 1 PER CENT VAT CEILING WOULD BE RAISED. THE PRIME MINISTER WAS ABLE TO GET AGREEMENT THAT YET ANOTHER DRAFT SHOULD BE PREPARED IN THE LIGHT OF THE DISCUSSION. LOBBYING BEHIND THE SCENES HELPED TO PRODUCE THE EXISTING SHORT PARAGRAPH ON OWN RESOURCES:-

QUOTE ON THE BASIS OF THE CONCLUSIONS REACHED ON DEVELOPMENT OF POLICIES, IMPROVING BUDGETARY DISCIPLINE AND THE EXAMINATION OF THE FINANCIAL SYSTEM, THE EXTENT AND TIMING OF THE COMMUNITY'S REQUIREMENTS IN TERMS OF OWN RESOURCES WILL BE DETERMINED. UNQUOTE THE PRIME MINISTER REGARDED THIS AS CONSISTENT WITH HER STATEMENT IN PARA 5 ABOVE AND WAS ABLE TO SEE OFF ALL ATTEMPTS TO AMEND IT.

8. THROUGHOUT THE FOREIGN MINISTERS' DISCUSSIONS OF THE INTERIM SOLUTION GENSCHER MAINTAINED THAT GERMANY WOULD ONLY CONTRIBUTE 50 PER CENT OF ITS NORMAL CONTRIBUTION AS IN 1982. HE SOUGHT TO PRESENT THIS AS AGREED IN REPORTING TO THE EUROPEAN COUNCIL, THOUGH THE MATTER WAS NOT SETTLED ON SATURDAY. THERE SEEMED TO BE AGREEMENT THAT THE GERMAN ALLEVIATION WOULD BE ACCEPTED BUT AT MITTERRAND'S REQUEST NOT MENTIONED IN WRITING (THOUGH THE DUTCH NEVER WITHDREW THEIR OPPOSITION AND THERE IS SOME DOUBT WHETHER THE 50 PER CENT WAS AGREED). THIS LED GERMAN OFFICIALS TO BE EXTREMELY RELUCTANT TO TABLE ANY WRITTEN TEXT TO REFLECT THE AGREEMENT ON 750 MECUS NET. WE INSISTED AT EVERY LEVEL, AIMING TO HAVE A SETTLEMENT ON THE OVER PAYMENT, THE RISK SHARING AND 1984, BUT THE GERMANS WERE EVASIVE. FINALLY, ON SUNDAY MORNING, THE PRESIDENCY TABLED THE 2 PARAGRAPHS IN SECTION (B) OF STUTTGART TELNO 23, PLUS A COMPLETELY NEW AND NONSENSICAL RISK SHARING FORMULA. WITH MAUROY NOW IN THE FRENCH CHAIR, SAYING THAT HE HAD NO LATITUDE WHATSOEVER TO DO ANYTHING EXCEPT CONFIRM THE 750 ECUS AGREEMENT AND SPECIFICALLY OPPOSING ANY RISK-SHARING, THE PRIME MINISTER DECIDED:-

A. TO DEAL WITH THE OVER-PAYMENT BY A FLAT STATEMENT IN THE EUROPEAN COUNCIL THAT AS FAR AS SHE WAS CONCERNED IT WAS FINALLY SETTLED. THIS WAS NOT CONTRADICTED:

B. TO ACCEPT THAT THERE SHOULD BE NO RISK SHARING FORMULA FOR 1984 (PARTICULARLY SINCE WE WERE TOLD PRIVATELY BY NOEL THAT THE CENTRE OF THE COMMISSION RANGE FOR THE UK UNADJUSTED NET CONTRIBUTION IS STILL COMING DOWN AND WAS 1850 MECUS ON 16 JUNE): AND

C. TO DEAL WITH 1984 BY SAYING THAT THE LONG TERM SOLUTION IS SUPPOSED TO BE AGREED BY THE END OF THIS YEAR AND SHOULD APPLY TO THE 1984 BUDGET. IF NOT, EVERYONE KNOWS THAT THE INTERIM WILL REQUIRE AN APPROPRIATE SOLUTION.

TOWARDS THE END OF THE MEETING, THE QUESTION OF THE GERMAN CONTRIBUTION TO OUR REFUND CAME UP AGAIN, WITH IRISH AND GREEKS TRYING AGAIN TO BE LET OFF CONTRIBUTING. LUBBERS SAID THAT THIS ISSUE SHOULD BE DISCUSSED LATER, AND KOHL DID NOT SUM UP.

9. THE FRENCH CONTINUED TO SAY THAT THE UK SHOULD NOT RECEIVE ITS REFUND UNTIL THE LONG TERM SETTLEMENT WAS AGREED, DESPITE THE FACT THAT THEY ACCEPTED YET AGAIN THAT QUOTE CONSEQUENTIAL FIGURES WILL BE INCORPORATED IN THE DRAFT COMMUNITY BUDGET FOR 1984 UNQUOTE. THE ITALIANS GAVE THEM SOME RATHER CLOUDY SUPPORT. CHEYSSON LATER GAVE ERSBOELL AN QUOTE ENTRY IN THE MINUTES UNQUOTE SETTING OUT THE FRENCH POSITION AND REFERRED TO THIS IN THE FRENCH PRESS CONFERENCE. (IT WOULD BE AN INNOVATION TO HAVE MINUTES OF THE EUROPEAN COUNCIL AND ERSBOELL HAS DISAPPEARED WITH THE TEXT. SO THE POSITION REMAINS OBSCURE).

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10. THERE IS ONE OTHER POINT TO NOTE. MITTERRAND WAS UNWILLING TO AGREE TO A POSITIVE PRESIDENCY TEXT ON ENLARGMENT AND IN PARTICULAR KNOCKED OUT A TARGET DATE OF MID-1984 FOR THE COMPLETION OF THE NEGOTIATIONS.

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