

FRAME GENERAL/Economic 31 YEARS 1984

PS  
LADY YOUNG  
MR. BISHOP  
S/PUS  
MR. C. TIDWELL  
R. BARNBY

RESIDENT CLERK  
ED/ECD (1) (3)  
ED/NEFS  
ED/ERD  
ED/  
ED/

MR. H. (H)  
Ecd (E)

ADDED OFFICE  
D. WILLIAMS  
R. STAPLETON  
MISS S. J. LAMBERT  
R. DUNN MR. PEARSON

DOT 1310  
MR. R. GRAY  
MR. R. HILLS (WES)

FILED OFF  
MR. KENT  
HM. CUSTOMS  
& EXCISE

SECRETARY  
MR. J. G. LITTLE  
MR. J. B. TURNER  
MISS JE COURT  
MR. MORTIMER  
MR. FITCHEN

PS  
SECRETARY  
MR. FRANKLIN  
MR. ANDREWS

MR. COLES  
No. 10.

IMMEDIATE

CONFIDENTIAL  
FRAME GENERAL/FRAME ECONOMIC  
DESKBY 280800Z  
FROM UKREP BRUSSELS 271920Z MAR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1124 OF 27 MARCH  
INFO IMMEDIATE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS  
BONN LUXEMBOURG ATHENS LISBON MADRID STRASBOURG  
ROUTINE WASHINGTON  
INFO SAVING UKDEL NATO

ADVANCE COPY

FOREIGN AFFAIRS COUNCIL 27 MARCH 1984

SUMMARY

1. LITTLE OR NO DISCUSSION OF SUBJECTS OTHER THAN BUDGETARY  
IMBALANCES. NO PROGRESS ON FIGURE, BUT SOME USEFUL POINTS  
SEEM MORE OR LESS AGREED, NOTABLY THAT THERE SHOULD BE ONLY  
ONE YEAR OF AD HOC COMPENSATION TO THE UK BEFORE THE INTRODUCTION  
OF A FULL BUDGETARY CORRECTIVE SYSTEM. A NUMBER OF MEMBER STATES  
TRIED TO ARGUE FOR A CHANGE IN THE BASE YEAR FOR THE SYSTEM,  
AWAY FROM 1983.

2. MAIN DISCUSSION CONCENTRATED ON THE FIGURE FOR THE BASE OF  
THE SYSTEM. ALL DELEGATIONS OTHER THAN UK PROVED UNWILLING TO  
MAKE ANY MOVE TO BRIDGE THE GAP (BETWEEN THE 1,000 MECU ON OFFER  
AND THE 1250 MECU WHICH THE PRIME MINISTER HAD INDICATED SHE  
WOULD ACCEPT).

3. AT A LATE STAGE IN THE DISCUSSION, THE COMMISSION WITHDREW TO SEE IF THEY COULD COME UP WITH A PROPOSAL BUT FAILED TO DO SO AND THE MEETING DEGENERATED INTO A NINE TO ONE LINE-UP, WITH SEVERAL DELEGATIONS INDICATING THAT CONCESSIONS MADE WOULD NOT REMAIN ON THE TABLE.

4. COMMISSION HAVE NOW BEEN ASKED TO COME FORWARD WITH FURTHER IDEAS AND FIGURES, POSSIBLY AFTER SOME DISCUSSION IN ECOFIN COUNCIL ON 2 APRIL, IN PREPARATION FOR A FURTHER ATTEMPT TO REACH AGREEMENT AT THE 9/10 APRIL FOREIGN AFFAIRS COUNCIL. IN THE MEANTIME GUIDELINES NOT DISPUTED EVEN IF NOT AGREED WOULD BE PUT TO SPECIALIST COUNCILS AS APPROPRIATE, THOUGH NO ONE WAS BOUND BY THEM.

5. FOR DETAIL SEE MY TWO IFTS.

FCO ADVANCE TO:

FCO - PS PS/MR RIFKIND PS/PUS TICKELL HANNAY WALL  
CAB - WILLIAMSON STAPLETON DURIE  
MAFF - PS FRANKLIN ANDREWS  
TSY - URWIN FITCHEW MORTIMER  
NO.10. - COLES

BUTLER

NNNN

100  
 PS  
 PS/LADY YOUNG  
 PS/ME RIFFORD  
 PS/PJS  
~~PS/...~~  
 SER. C TICKELL  
 MR BARRY

RESIDENT CLERK  
 D/ECD (1) (3)  
 D/REFS  
 D/ ERD  
 D/  
 D/

Mr Heath  
 ECD(I)

<p><u>CABINET OFFICE</u>                  MR D WILLIAMSON                  MR STAPLETON                  MISS S J LAMBERT                  MR DURIE MR PEARSON</p>	<p><u>D O T</u> 1310                  MR R GRAY                  MR R WELLS (WEG)</p>	<p><u>FILES OF</u>                  MR KENT                  HM. CUSTOMS                  &amp; EXCISE</p>
<p><u>HM TREASURY</u>                  MR J G LITTLE                  MR J B UNWIN                  MISS JE COURT                  MR NORTHAM                  MR FITZHEW</p>	<p><u>M A F F</u>                  PS                  SECRETARY                  MR FRANKLIN                  MR ANDREWS</p>	<p>MR COLES                  No. 10.</p>

CONFIDENTIAL  
 FRAME GENERAL/ECONOMIC  
 DESKBY 280800Z  
 FM UKREP BRUSSELS 271923Z MAR 84  
 TO IMMEDIATE FCO  
 TELEGRAM NUMBER 1125 OF 27 MARCH  
 INFO IMMEDIATE ALL EC POSTS, LISBON MADRID STRASBOURG  
 INFO ROUTINE WASHINGTON  
 INFO SAVING UKDEL NATO

**IMMEDIATE**

ADVANCE COPY

MIPT FOREIGN AFFAIRS COUNCIL 27 MARCH 1984

DETAIL (SUMMARY IN MIPT)

1. CHEYSSON (CHAIRMAN) OPENED THE DISCUSSION OF THE NEXT STEPS FOLLOWING THE EUROPEAN COUNCIL BY PROPOSING THAT THE FOREIGN AFFAIRS COUNCIL SHOULD CONCENTRATE ITS WORK AS FOLLOWS. FIRST, THE FOREIGN AFFAIRS COUNCIL SHOULD LOOK AT THE POINTS WHERE THERE WAS NO AGREEMENT. WHERE THERE WAS AGREEMENT, THE POINTS SHOULD BE REMITTED TO THE SPECIALISED COUNCILS ON THE BASIS OF THE TEXTS WHICH HAD BEEN IN FRONT OF THE EUROPEAN COUNCIL. THERE HAD BEEN VERY STRONG REACTIONS IN THE COMMUNITY TO THE FAILURE TO AGREE LAST WEEK. THE DIFFICULTIES WOULD INCREASE. IF THE FOREIGN AFFAIRS COUNCIL COULD NOT TAKE POSITIVE STEPS NOW, IT WOULD NOT BE POSSIBLE TO SAY THAT THESE STEPS WERE THE CONCLUSIONS OF THE EUROPEAN COUNCIL. NEW DEMANDS WOULD BE MADE. THE BASIC PRINCIPLE OF THE PRESIDENCY IN DISCUSSION WOULD BE THAT THERE SHOULD BE NO CHANGES IN THE TEXTS WHICH WERE BEFORE THE EUROPEAN COUNCIL IN ITS FINAL STAGES.

2. DURING THIS INTRODUCTION, THE PRESIDENCY DISTRIBUTED SIX DRAFT RESOLUTIONS OF THE COUNCILS (BY BAG TO ECD(1), BASED ON THE 20 MARCH (1700) VERSION OF THE DRAFT EUROPEAN COUNCIL CONCLUSIONS (WHICH WERE IN FACT BARELY DISCUSSED.) THEY COVERED NEW POLICIES,

(WHICH WERE IN FACT BARELY DISCUSSED.) THEY COVERED NEW POLICIES, STRUCTURAL FUNDS, CAP (COMMERCIAL POLICY), OWN RESOURCES AND ENLARGEMENTS, BUDGETARY DISCIPLINE AND "CERTAIN CASH DIFFICULTIES IN 1984". THERE WAS NO NEW TEXT ON BUDGETARY IMBALANCES.

3. YOU SAID THAT THE FIRST PRIORITY MUST BE TO CONSOLIDATE THE GROUND WHICH HAD BEEN MADE SINCE THE EUROPEAN COUNCIL AT ATHENS. THE SECOND PRIORITY SHOULD BE TO TRY TO MAKE DECISIVE PROGRESS BEYOND THE POINT REACHED IN THE EUROPEAN COUNCIL LAST WEEK AND, IF POSSIBLE, TO BRING MATTERS TO A CONCLUSION. THE NOTES FROM WHICH YOU SPOKE ARE IN MY IMMEDIATE FOLLOWING TELEGRAM.

4. GENSCHER (GERMANY) SAID THAT GERMANY ENVISAGED NO MODIFICATIONS AT ALL IN THE DOCUMENT WHICH HAD BEEN AVAILABLE AT 1700 HOURS ON 20 MARCH IN THE EUROPEAN COUNCIL. HE RECOMMENDED THAT THE DISCUSSION SHOULD NOW MOVE STRAIGHT TO THE CENTRAL PROBLEM OF THE BRITISH BUDGET REFUNDS.

5. AT THIS POINT PANGALOS (GREECE) MADE A FULL STATEMENT STRESSING THAT ALL ISSUES WERE OPEN AND IMPLYING THAT THE TEXT, IN PARTICULAR ON STRUCTURAL POLICIES AND INTEGRATED MEDITERRANEAN PROGRAMMES, WAS NOT SATISFACTORY. IN PARTICULAR, HE SAID THAT INTEGRATED MEDITERRANEAN PROGRAMMES WOULD HAVE TO BE ADOPTED DURING 1984 AND IT WAS QUITE WRONG TO SAY THAT THESE PROGRAMMES WERE TO BE FINANCED FROM MONEY AVAILABLE IN THE STRUCTURAL FUNDS. IT WAS QUITE CLEAR IN GREECE'S VIEW THAT THERE MUST BE ADDITIONAL FINANCING FOR INTEGRATED MEDITERRANEAN PROGRAMMES AND A NEW PARAGRAPH MUST BE INCLUDED IN THE TEXT. CHEYSSON REITERATED THAT THERE WAS TO BE NO CHANGE IN THE BASIC TEXTS BUT THAT A GREEK STATEMENT COULD BE INCLUDED IN THE MINUTES. HE WOULD BE WILLING, HOWEVER, TO SUGGEST A SHORT PROCEDURAL CONCLUSION ABOUT THE FURTHER HANDLING OF THE IMPS. GENSCHER SAID THAT HE COULD NOT ACCEPT THAT INTERPRETATIONS WOULD BE READ INTO THE TEXT. THE TEXT MUST STAND.

6. YOU STRESSED THAT ALL THE CONCLUSIONS MUST BE SUBJECT TO THE GENERAL RESERVE WHICH REQUIRED THAT ALL DECISION MUST BE TAKEN AS A PACKAGE. YOU DREW ATTENTION TO TWO POINTS ON THE TEXTS DISTRIBUTED AT THIS MEETING. THE FIRST PARAGRAPH OF THE NEW "RESOLUTION" ON BUDGETARY DISCIPLINE SHOULD REFER TO "IN THE FRAMEWORK OF THEIR RESPECTIVE POWERS". THE UNITED KINGDOM ALSO TOOK THE VIEW THAT THE SECOND INDENT OF PARAGRAPH 2 ON BUDGETARY DISCIPLINE SHOULD REFER TO PROVISIONS "ON THE BASIS OF THE " COMMISSION DOCUMENT ON FINANCIAL GUIDELINES.

7. THE REMAINDER OF THE MORNING WAS SPENT ON A DISCUSSION OF THE QUESTION OF BUDGETARY IMBALANCES. GENSCHER SAID THAT, ALTHOUGH CHANCELLOR KOHL HAD MADE SOMEWHAT DIFFERENT PROPOSALS IN THE EUROPEAN COUNCIL, HE WISHED TO EMPHASISE THAT THE GERMANS WANTED TO SEE THE REVISED SYSTEM IN EFFECT AS EARLY AS POSSIBLE, WHICH WOULD BE IN LINE WITH THE VIEWS OF THE EUROPEAN PARLIAMENT. HE WAS THEREFORE READY TO PROPOSE THAT THERE SHOULD BE AN AD HOC REBATE FOR THE UNITED KINGDOM OF 1000 MILLION ECU FOR ONE YEAR ONLY: GERMANY WOULD CONTRIBUTE TWO-THIRDS OF ITS NORMAL SHARE TO THIS REBATE. THEREAFTER THE NEW SYSTEM, AS PROPOSED IN THE PRESIDENCY DOCUMENT, WOULD BE IN EFFECT. THE BASIC FIGURE WITHIN THE SYSTEM WOULD BE A REBATE OF 1000 MILLION ECU. GERMANY COULD ACCEPT THAT

DOCUMENT, WOULD BE IN EFFECT. THE BASIC FIGURE WITHIN THE SYSTEM SHOULD BE A REBATE OF 1000 MILLION ECU. GERMANY COULD ACCEPT THAT THIS WOULD BE RELATED TO EITHER 1983 OR 1984 AS THE REFERENCE YEAR.

8. YOU THOUGHT IT WAS ONLY ON THE BASIS OF EARLY INTRODUCTION OF THE SYSTEM THAT THE MATTER COULD BE RESOLVED. IT WOULD BE A STEP FORWARD IF THE COMMISSION COULD AGREE ON THE DATE OF ENTRY INTO FORCE OF THE CORRECTIVE MECHANISM IN THE PRESIDENCY PAPER. THE UNITED KINGDOM WOULD LIKE IT TO HAPPEN IMMEDIATELY. THE NEW OWN RESOURCES DECISION WOULD ENTER INTO FORCE ON 1 JANUARY 1986 AT THE LATEST. THE CORRECTIVE MECHANISM WOULD FORM PART OF THE DECISION, AS THE TEXT STATED. IT WOULD NOT BE POSSIBLE TO TELL OUR PARLIAMENT THAT THE INCREASE IN OWN RESOURCES WOULD COME INTO FORCE WITHOUT THE CORRECTIVE MECHANISM DOING SO AT THE SAME TIME. THAT WAS WHY OUR FINAL COMPROMISE PROPOSAL OF LAST TUESDAY OF ONE AD HOC YEAR BEFORE THE CORRECTIVE MECHANISM ENTERED INTO FORCE WAS AS FAR AS WE COULD GO. THE 1984 COMPENSATION WOULD THEN BE PAID IN 1985 ON AN AD HOC BASIS. THE 1985 COMPENSATION WOULD BE DEDUCTED FROM OUR VAT CONTRIBUTION IN 1986 WHEN THE NEW OWN RESOURCES DECISION WOULD BE IN PLACE. IF AGREEMENT COULD BE REACHED ON THIS THERE WOULD THEN REMAIN ONLY THE FIGURE TO BE INSERTED IN THE LAST PARAGRAPH OF THE TEXT.

9. TURNING TO THE FIGURES, YOU WENT THROUGH THE SEQUENCE OF DISCUSSION IN THE EUROPEAN COUNCIL. AT AN EARLY STAGE PRESIDENT MITTERRAND HAD SUGGESTED A REFUND OF 1000 MILLION ECU BUT ADDED THAT HE PERSONALLY COULD ENVISAGE GOING TO 1100 MILLION ECU. THE PRIME MINISTER HAD REPEATED HER VIEW THAT A NET CONTRIBUTION FOR THE UNITED KINGDOM OF 4-500 MILLION ECU WOULD BE REASONABLE. THE UNITED KINGDOM HAD THEN MADE TWO IMPORTANT CONCESSIONS. WE HAD AGREED TO WORK ON THE BASIS OF THE VAT SHARE/EXPENDITURE SHARE GAP AS PROPOSED BY THE PRESIDENCY, THUS REDUCING THE APPARENT GAP BY 330 MILLION ECU ON THE AVERAGE OF THE LAST FIVE YEARS. WE HAD THEN PUT FORWARD A FIGURE FOR THE REFUND OF 1322 MILLION ECU. THE OTHER DELEGATIONS HAD STUCK AT 1000 MECU. AS A FINAL EFFORT AT COMPROMISE, THE PRIME MINISTER PROPOSED THAT THERE SHOULD BE A 1000 MECU AD HOC REFUND FOR ONE LAST YEAR FOLLOWED BY THE INTRODUCTION OF THE CORRECTIVE MECHANISM ON THE BASIS OF A REFUND FIGURE OF 1250 MILLION ECU. THE OTHER DELEGATIONS STUCK AT 1000 MECU.

10. VAN DEN BROEK (NETHERLANDS) SAID THAT HE COULD GO ALONG WITH THE REVISED GERMAN PROPOSAL BUT CONSIDERED THAT THE FIGURE OF 1000 MILLION ECU WAS AN ABSOLUTE MAXIMUM. OTHER DELEGATIONS HAD MADE MAJOR CONCESSIONS BY AGREEING TO INCLUDE THE REVISED SYSTEM AS AN INTEGRAL PART OF THE NEW OWN RESOURCES DECISION. ANDREOTTI (ITALY) SAID THAT THE CORRECTIVE MECHANISM MUST BE INCORPORATED IN THE CHANGE IN THE SYSTEM AND THEREFORE SUBMITTED TO PARLIAMENTS. HE DID NOT LIKE THE CHANGES WHICH WERE BEING PROPOSED, BUT HE COULD ACCEPT THE INTRODUCTION OF THE REVISED SYSTEM AND THE FIGURE OF 1000 MILLION ECU SUGGESTED BY GERMANY. BOTH TINDEMANS (BELGIUM) AND MME. FLESCHE (LUXEMBOURG) SUPPORTED THE GERMANS' REVISED PROPOSAL ALTHOUGH, THEY BOTH ENTERED RESERVES ABOUT THE REFERENCE TO ADMINISTRATIVE EXPENDITURE "CHARGED TO EACH MEMBER STATE IN ACCORDANCE WITH THE PRESENT FORMULA".

ACCORDANCE WITH THE PRESENT FORMULA''.

11. DUMAS (FRANCE) SAID THAT HE COULD RALLY TO THE SOLUTION PUT FORWARD BY GENSCHER. THE SYSTEM COULD ONLY BE SEEN IN THE CONTEXT OF A PACKAGE. THERE MUST BE FULL AGREEMENT OR NONE AT ALL. HE COULD ALSO ACCEPT THE FIGURE OF 1000 MILLION ECU WHICH HAD BEEN PUT FORWARD. BARRY (IRELAND) SAID THAT HE EXPECTED TO BE ABLE TO GO ALONG WITH THE GERMAN PROPOSAL BUT EMPHASISED THAT HE WAS MAINTAINING A GENERAL RESERVE UNTIL THERE WAS AGREEMENT FOR IRELAND IN THE MILK SECTOR.

12. IN SUBSEQUENT DISCUSSION A NUMBER OF MEMBER STATES TRIED TO RELATE THE FIGURE OF 1000 MILLION ECU NOT TO 1983 AS THE REFERENCE YEAR (AS IN THE PRESIDENCY TEXT) BUT TO 1984. YOU STRESSED THAT THIS WOULD BE IMPOSSIBLE AS WE HAD TO BASE THE CONSTRUCTION OF A SYSTEM OF KNOWN FIGURES AND THE PRESIDENCY TEXT REQUIRED THE DRAFTING OF THE SYSTEM TO BE INCLUDED IN THE REVISED OWN RESOURCES DECISION TO GO AHEAD IN TIME FOR APPROVAL IN JUNE. THE PRACTICAL ARGUMENT WAS SUPPORTED BY THORN (COMMISSION).

13. THE MORNING SESSION CONCLUDED WITH GENERAL AGREEMENT THAT THE AD HOC ARRANGEMENTS (ONE YEAR AT A FIXED REBATE OF 1000 MILLION ECU) WERE ACCEPTABLE AND WITH A WIDE MEASURE OF AGREEMENT THAT THE BASE FIGURE FOR THE REVISED SYSTEM WHICH WOULD COME INTO EFFECT IMMEDIATELY THEREAFTER WOULD BE BY REFERENCE TO 1983. THERE WAS, HOWEVER, NO CHANGE IN THE UNITED KINGDOM SUGGESTION THAT THE BASE FIGURE SHOULD BE 1250 MILLION ECU ON THE ONE HAND AND THE VIEW OF OTHER MEMBER STATES THAT THE FIGURE SHOULD BE 1000 MECU.

14. DISCUSSION AT MINISTERIAL LUNCH DID NOT ADVANCE MATTERS. OTHER MINISTERS PRESSED YOU TO MAKE FURTHER MOVES TOWARDS THEIR POSITION. CHEYSSON OPENED BY NOTING THAT THE SUGAR PROTOCOL HELPED THE UK, THAT IRELAND DID TOO WELL ON MILK AND THAT OTHER SUCH BENEFITS MEANT THAT NET CONTRIBUTIONS WERE NOT THE RIGHT MEASURE OF THE PROBLEM. BUT TWO COUNTRIES PAID MORE THAN OTHERS. HE ACCUSED THE UK, BY ITS REMARKABLE OBSTINACY, OF TRYING TO IMPOSE ON OTHER MEMBER STATES A NEW AND FUNDAMENTAL FEATURE OF THE TREATY, WHICH NONE WERE PREPARED TO ACCEPT. GENSCHER, REFERRING TO A DEBATE IN THE BUNDESTAAG TOMORROW, SAID HE HAD MORE SCOPE TO NEGOTIATE TODAY THAN HE WOULD HAVE IN FUTURE. CHEYSSON SAID THAT 1,000 MECU ON THE BASIS OF 1983 REPRESENTED A LARGER FIGURE IN 1985 AND PRESUMABLY EVEN MORE IN LATER YEARS. MME FLESCH SAID GERMANY HAD MADE BIG CONCESSIONS, AS HAD THE OTHER EIGHT. ANDREOTTI URGED THE UK TO MOVE.

15. IN RESPONSE TO THESE AND SIMILAR INTERVENTIONS YOU REPEATEDLY STRESSED THE MOVES THAT THE UK HAD MADE AT THE EUROPEAN COUNCIL.

16. CHEYSSON CONCLUDED THAT THERE WAS LITTLE LEFT TO DISCUSS OVER LUNCH. ASSUMING THAT THE COUNCIL COULD NOT MAKE PROGRESS IN THE AFTERNOON, IT SHOULD BE TERMINATED. THE QUESTION WAS WHETHER THIS SHOULD BE CONSIDERED THE END OF THE EUROPEAN COUNCIL PROCESS, OR, AS WITH THE AGRICULTURE COUNCIL, AN ADJOURNMENT. SHOULD THE COUNCIL ADJOURN TO 9/10 APRIL, OR WAS THIS THE BREAK?

ADJOURN TO 9/10 APRIL, OR WAS THIS THE BREAK?

17. CHEYSSON OPENED THE AFTERNOON SESSION BY SAYING THAT NINE MEMBER STATES HAD MADE CONCESSIONS. THEY HAD MOVED TO AN AD HOC UK REFUND OF 1,000 MILLION ECU FOR ONE YEAR ONLY BEFORE BRINGING IN THE SYSTEM WITHIN A REVISED OWN RESOURCES DECISION. THEY HAD BASED THEMSELVES ON THE REFERENCE YEAR 1983 FOR THE FIGURE AT THE OUTSET OF THE SYSTEM. IT WAS NOW UP TO THE UNITED KINGDOM TO MOVE.

18. YOU SAID THAT WE WISHED TO REACH AN AGREEMENT. WE RECOGNISED THAT OTHER MEMBER STATES HAD MADE A STEP TODAY. IT WAS TO BE EXPECTED THAT OTHER MEMBER STATES WOULD CONCENTRATE ON THE SIZE AND FUTURE INCREASES IN THE UK'S REFUND. AS FAR AS THE UK WAS CONCERNED, WE WERE BOUND TO CONCENTRATE ON THE INCREASING SIZE OF OUR CONTRIBUTION. FOR THIS REASON WE COULD NOT REGARD THE SUGGESTION OF 1,000 MILLION ECU (ON 1983 FIGURES) AS SUFFICIENT FOR THE OUTSET OF THE SYSTEM. WE WOULD BE WILLING TO CONTINUE DISCUSSIONS NOW, HOWEVER, WITH A VIEW TO REACHING AGREEMENT.

19. CHEYSSON THEN PRESSED THE UK TO GIVE A SPECIFIC FIGURE AND YOU SAID THAT YOU RECOGNISED HOW DIFFICULT IT WAS FOR BOTH THE NINE MEMBER STATES AND THE UK TO MOVE FROM THE FIGURES WHICH HAD BEEN ADVANCED EARLIER. IN THESE CIRCUMSTANCES, YOU WONDERED WHETHER THE COMMISSION MIGHT NOT BE WILLING TO DISCUSS WITH DELEGATIONS AND TAKE A VIEW DURING A BREAK IN THE COUNCIL'S WORK.

20. AFTER THE END OF THE RECESS THORN ASKED TO SEE YOU OUTSIDE. HE WANTED TO KNOW WHETHER WE WOULD BE INTERESTED IN A PROPOSAL FOR X TO BE 1100 MILLION ECU ON THE BASIS OF RELATIVE PROSPERITY IN A COMMUNITY OF 10. YOU SAID THAT THIS WOULD BE A MAJOR COMPLICATION. YOU DOUBTED IF THE RELATIVE PROSPERITY LINE COULD BE DRAWN IN SUCH A WAY AS TO PRODUCE AN ACCEPTABLE RESULT. IT WOULD BE BETTER FOR THE COMMISSION TO TAKE A FEW DAYS AND CONSULT.

21. RUMOURS STARTED TO RUN THAT YOU HAD REFUSED ANY FIGURE BETWEEN 1250 AND 1000. I WENT TO DAVIGNON AND THORN AND SET OUT OUR UNDERSTANDING OF THIS CONVERSATION. DAVIGNON CAME BACK TO ME AND CLAIMED THAT THORN HAD NOT BEEN SUPPOSED TO SPEAK AS REPORTED. THE COMMISSION WOULD BE PREPARED TO EXPLORE THE POSSIBILITY OF X BEING 1100 ON THE BASIS OF THE 1983 FIGURES, WITH RELATIVE PROSPERITY IN A COMMUNITY OF 12, PROVIDED THAT THE UK BORE ITS FAIR SHARE OF THE COSTS OF ENLARGEMENT. I SAID THAT I WOULD REPORT. AS FAR AS THE LAST POINT WAS CONCERNED, THE PRESIDENCY TEXT MADE IT CLEAR THAT THE COST OF ENLARGEMENT WOULD BE TAKEN CARE OF BY THE THRESHOLD AND THE TICKET MODERATEUR. DAVIGNON SAID THE COMMISSION WOULD REFLECT FURTHER.

22. WHEN THE COUNCIL RESUMED THORN SAID HE COULD NOT SEE THE POSSIBILITY OF PROPOSING A SOLUTION WHICH WOULD FIND AGREEMENT TODAY. THERE WERE, HOWEVER, SOME POINTS OF PROGRESS WHICH WOULD ALLOW HIM TO TRY IF THERE WERE A FURTHER MEETING IN ABOUT 10 DAYS TIME. THIS ANNOUNCEMENT BY THORN WAS GREETED WITH DISMAY BY THE MAJORITY OF DELEGATIONS. CHEYSSON LAUNCHED INTO A LONG STATEMENT OF THE WAY IN WHICH NINE MEMBER STATES HAD TAKEN CONSIDERABLE STEPS TOWARDS THE

DELEGATIONS. CHEYSSON LAUNCHED INTO A LONG STATEMENT OF THE WAY IN WHICH NINE MEMBER STATES HAD TAKEN CONSIDERABLE STEPS TOWARDS THE UK'S POSITION WHEREAS THE UK DELEGATION HAD MADE NO CONCESSIONS. THE FICTION THAT THE QUESTIONS AT ISSUE WERE STILL THE DECISIONS OF THE EUROPEAN COUNCIL BECAME MORE AND MORE DIFFICULT TO SUSTAIN. IN A TABLE-ROUND AT THE INVITATION OF CHEYSSON, MOST DELEGATIONS REGRETTED THAT IT HAD NOT BEEN POSSIBLE TO MAKE PROGRESS AND THAT THE CONSEQUENCES OF FAILURE COULD BE EVEN WORSE IN THE FUTURE. GENSCHER SAID THAT IT REMAINED THE GERMAN POSITION THAT THE PACKAGE SHOULD BE KEPT TOGETHER AND THAT THE NEGOTIATION WAS NOT OVER. NONETHELESS HIS OWN MARGIN OF NEGOTIATION WOULD BE REDUCED IN THE FUTURE AND HE SHOULD MAKE CLEAR THAT HE MIGHT BE REQUIRED TO TAKE UP A POSITION WHICH WENT LESS FAR THAN HE HAD GONE TODAY. CHRISTOPHERSEN (DENMARK) AND TINDEMANS (BELGIUM) TOOK A SIMILAR LINE.

23. YOU SAID THAT YOU REGRETTED THAT THE SITUATION APPEARED TO BE A 9 TO 1 POSITION. YOU WERE GLAD TO NOTE WHAT GENSCHER HAD SAID ABOUT KEEPING THE PACKAGE TOGETHER. IT HAD ALSO BEEN SUGGESTED THAT THE COMMISSION MIGHT STILL BE ABLE TO MAKE SOME FURTHER WORK TOWARDS A SATISFACTORY CONCLUSION AND YOU THOUGHT THAT THE COUNCIL SHOULD RESUME IN 9 OR 10 DAYS TIME. IT WAS TRUE THAT THE FIGURE FOR THE UK REFUND (THE X IN THE PRESIDENCY DOCUMENT) WAS THE PRINCIPAL ISSUE, BUT THERE WERE COMPONENTS OF THIS FIGURE WHICH THE COMMISSION MIGHT ALSO WISH TO EXAMINE AND TAKE INTO ACCOUNT. THE NATURE OF THE DECISIONS REQUIRED WAS VERY IMPORTANT AND IT WAS ESSENTIAL TO GET THEM RIGHT. VAN DEN BROEK (NETHERLANDS) SAID THAT THE FAILURE CAST DOUBT OVER THE CREDIBILITY OF THE COUNCIL. IT WAS DIFFICULT TO SEE HOW WE COULD COME CLOSER TOGETHER - AND NOT ONLY ON THIS PACKAGE BUT ON WIDER ISSUES. ANDREOTTI (ITALY) SAID THAT THE QUESTION SHOULD NOT BE OVERDRAMATISED. THE COMMISSION SHOULD GO ON WITH THEIR WORK AND MIGHT BE ABLE TO COVER SOME OTHER ELEMENTS BESIDE THOSE WHICH HAD BEEN DIRECTLY UNDER DISCUSSION TODAY. BARRY (IRELAND) ALSO SUGGESTED THAT THE FAILURE SHOULD NOT BE OVERPLAYED AND THAT DISCUSSION SHOULD BE RESUMED ON 9 APRIL.

24. DUMAS (FRANCE) SAID THAT THE FRENCH DELEGATION RETAINED SOLIDARITY WITH THE 8 OTHER DELEGATIONS WHO WERE PREPARED TO ACCEPT THE PACKAGE DISCUSSED EARLIER TODAY. ONE DELEGATION HAD SEPARATED ITSELF FROM THE OTHER NINE. HIS DISAPPOINTMENT WAS VERY SERIOUS. IN PARTICULAR, HE HAD DOUBTS WHETHER IT WOULD BE POSSIBLE IN FURTHER DISCUSSIONS TO BASE THE REFERENCE YEAR FOR THE NEW SYSTEM ON 1983.

25. THE COUNCIL CONCLUDED IN THIS SPIRIT OF MALAISE, WITH CHEYSSON CONCLUDING THAT HE WOULD PASS ON TO SPECIALISED COUNCILS THE GUIDELINES NOT DISPUTED BUT NOT FORMALLY DECIDED EITHER. NO DELEGATION WOULD BE BOUND BY THEM. HE WOULD SO INFORM THE EUROPEAN PARLIAMENT. A NUMBER OF SUBJECTS WOULD BE DEALT WITH BY THE FOREIGN AFFAIRS COUNCIL (TRADE ITEMS, TECHNICAL BARRIERS, ERDF, IMPS) AND THE AGRICULTURE COUNCIL WOULD REACH ITS CONCLUSION AND SUBMIT THE FINANCIAL CONSEQUENCES TO THE FOREIGN AFFAIRS COUNCIL.

26. MINISTERS THEN MET ON THEIR OWN. VAN DEN BROEK ASKED WHAT WAS GOING TO HAPPEN IN THE INTERVAL BEFORE THE NEXT MEETING. WAS THERE GOING TO BE CONSIDERATION OF A NEW SYSTEM OR OF NEW FIGURES?



GOING TO BE CONSIDERATION OF A NEW SYSTEM OR OF NEW FIGURES? CHEYSSON SAID THAT, LIKE THE AGRICULTURE COUNCIL SPECIALIST COUNCILS SHOULD WORK ON OTHER ASPECTS OF THE STUTTGART PACKAGE. CONCERNING BUDGETARY IMBALANCES, THE ONLY OUTSTANDING ISSUES CONCERNED THE FIGURES, AND THE SPLIT BETWEEN THE THRESHOLD PVXSARYGISVKT MODERATEUR. IT WAS NOW FOR THE COMMISSION TO EXERCISE ITS TALENTS. DUMAS ALSO SUGGESTED EXAMINATION OF THE PARAMETERS OF THE SYSTEM, EG THE ISSUE OF EC10 AND EC12. FRANCE WANTED AGREEMENT ON BUDGETARY IMBALANCES AND LOOKED TO THE UK TO MAKE A CLEAR RESPONSE TO THE PRESENT SITUATION, OTHERWISE THE NINE WOULD HAVE TO CONSIDER WHAT THEY COULD DO TOGETHER. HE SPOKE OF THE POSSIBILITY OF MAJORITY VOTING.

27. THORN SAID THAT THE COMMISSION WOULD AIM TO MAKE A CLEAR PROPOSAL BY THE END OF NEXT WEEK. HOWEVER, THERE WERE PARTS OF THE OVERALL PACKAGE ON WHICH THE COMMISSION WOULD NOT BE WILLING TO MOVE, E.G. ACCEPTING A NEW VAT CEILING OF ONLY 1.4 PER CENT. HE NOTED THAT THE AGRICULTURE COUNCIL WAS MAKING HEAVY WEATHER AND REFERRED TO THE COMMUNITY'S MOUNTING CASH CRISIS. THERE WOULD BE A NEED FOR LEGISLATION LATER IN THE YEAR TO RESOLVE THIS. CHEYSSON CONFIRMED THAT IF THE AGRICULTURE COUNCIL REACHED AGREEMENT THIS WOULD BE PUT, TOGETHER WITH THE FINANCIAL IMPLICATIONS, TO THE FOREIGN AFFAIRS COUNCIL.

28. GENSCHER SAID THAT STOLTENBERG WISHED TO DISCUSS BUDGETARY IMBALANCES AND THE FINANCIAL IMPLICATIONS OF CURRENT PROPOSALS AT THE ECOFIN COUNCIL ON MONDAY. HE WOULD WANT TO STRESS THE SCALE OF PRESENT BURDENS AND THE UNACCEPTABILITY OF AN EXPLOSION OF COMMUNITY EXPENDITURE. ANDREOTTI DOUBTED WHETHER THE ECOFIN COUNCIL COULD HELP. GENSCHER SAID THEY HAD EXPERTISE WHICH COULD HELP CLARIFY THE ISSUES. CHRISTOFFERSON SAID THAT THE ECOFIN COUNCIL MIGHT EXPLORE HOW THE SYSTEM WOULD WORK ON THE BASIS OF REALISTIC FORECASTS RATHER THAN THE SYMBOLIC FIGURES USED SO FAR. GENSCHER AGREED AND SAID THE FORECASTS SHOULD INCLUDE THE FINANCIAL IMPLICATIONS OF DECISIONS ON AGRICULTURE. DUMAS, IN RESPONSE TO ANDREOTTI, SAID THAT A REFERENCE TO THE ECOFIN COUNCIL FOR CLARIFICATION OF THE FIGURES WOULD NOT DETRACT FROM THE OVERALL RESPONSIBILITY OF THE FOREIGN AFFAIRS COUNCIL AND COMMISSION. GENSCHER INSISTED THAT THE COMMISSION SHOULD NOT CARRY OUT ITS MANDATE UNTIL AFTER THE ECOFIN COUNCIL. THORN SAID THAT THEY WOULD PROVIDE INFORMATION TO HELP THE ECOFIN COUNCIL APPRAISE THE SITUATION AND THEN POSSIBLY MAKE A PROPOSAL BEFORE 9 APRIL. CHEYSSON RECOGNISED THAT THE ECOFIN COUNCIL COULD SHED SOME LIGHT AND FURTHER CONTACTS AND WORK BY THE COMMISSION MIGHT ALSO CLARIFY THE SITUATION FOR THE MEETING ON 9/10 APRIL.

FCO ADVANCE TO:-

FCO - PS PS/MR RIFKIND PS/PUS TICKELL HANNAY WALL  
CAB - WILLIAMSON STAPLETON DURIE  
MAFF - PS FRANKLIN ANDREWS  
TSY - UNWIN FITCHEW MORTIMER  
NO 10 - COLES

BUTLER