

RESTRICTED

27158 - 1

OO ATHENS

OO ROME

GRS 671

RESTRICTED

[FRAME GENERAL]

FM FCO 200857Z JUN 84

TO IMMEDIATE ATHENS

TELEGRAM NUMBER 224 OF 20 JUNE

AND TO IMMEDIATE OTHER EC POSTS

AND TO IMMEDIATE UKREP BRUSSELS

REPORT OF THE HOUSE OF COMMONS FOREIGN AFFAIRS

COMMITTEE: FONTAINEBLEAU SUMMIT

1. A REPORT BY THE HOUSE OF COMMONS FOREIGN AFFAIRS COMMITTEE ON THE FORTHCOMING FONTAINEBLEAU SUMMIT WILL BE PUBLISHED AT 1200Z TODAY (20 JUNE).
2. THE REPORT FOLLOWS THE EVIDENCE WHICH I GAVE TO THE COMMITTEE ON 2 APRIL AND THEIR VISIT TO PARIS, BONN AND ROME IN MAY. COPIES OF THE REPORT HAVE BEEN SENT DIRECT BY THE COMMITTEE TO THOSE ON WHOM THEY CALLED IN THE THREE CAPITALS. WE ARE SENDING COPIES BY BAG TO YOU AND OTHER POSTS.
3. YOU SHOULD MAKE SURE THAT COPIES ARE HANDED OVER TO YOUR USUAL CONTACTS ON COMMUNITY ISSUES. YOU SHOULD DRAW PARTICULAR ATTENTION TO THE PASSAGES IN THE REPORT WHICH POINT OUT THE EXTENT OF THE CONCESSIONS ALREADY MADE BY THE UNITED KINGDOM AND THE COMMITTEE'S VIEW THAT IT WOULD UNDOUBTEDLY ASSIST THE PROCESS OF REACHING A FINAL SETTLEMENT IF OTHER MEMBER STATES WERE TO RECOGNISE HMG'S FLEXIBLE APPROACH, THE EXTENT OF ITS CONCESSIONS AND ITS EVIDENT COMMITMENT TO THE COMMUNITY.

BACKGROUND

4. MAIN POINTS IN THE REPORT ARE AS FOLLOWS:
(I) ALL THE ELEMENTS CURRENTLY UNDER NEGOTIATION IN THE POST-STUTTGART NEGOTIATIONS FORM A PACKAGE. THE ISSUES SHOULD NOT BE DECOUPLED (PARAGRAPH 9).

RESTRICTED

27158 - 1

(II) ANY MECHANISM ALLOWING FOR AUTOMATIC INCREASES IN THE OWN RESOURCES CEILING WITHOUT REFERENCE TO NATIONAL PARLIAMENTS WOULD BE UNACCEPTABLE TO THE HOUSE OF COMMONS (PARAGRAPH 16).

(III) EVEN IF AGREEMENT ON AN INCREASE IN OWN RESOURCES IS REACHED AT FONTAINEBLEAU, SOME FORM OF BRIDGING FINANCE WILL BE NEEDED IF UK REFUNDS ARE TO BE PAID (PARAGRAPH 17).

(IV) CONTROL OVER THE GROWTH OF THE CAP, AND THE GENERAL TIGHTENING OF BUDGETARY DISCIPLINE, ARE VITAL. THE EFFECTIVENESS OF BUDGET DISCIPLINE WILL DEPEND UPON THE EXTENT TO WHICH ANY ARRANGEMENTS ARE ENSHRINED IN LEGISLATIVE FORM (PARAGRAPHS 24 AND 25).

(V) THE ISSUE OF BUDGETARY IMBALANCES TRANSCENDS THE PARTICULAR PROBLEMS OF THE UNITED KINGDOM AND HAS BECOME A QUESTION OF THE CRITICAL CONCERN OF THE WHOLE COMMUNITY (PARAGRAPH 33)

(VI) CONTRARY TO THE IMPRESSION GIVEN BY PRESS REPORTS, BOTH THE UK AND OTHER MEMBER STATES HAVE MADE SIGNIFICANT CONCESSIONS: THE UK BY ACCEPTING THE VAT SHARE/EXPENDITURE GAP: THE OTHERS BY ACCEPTING ONLY ONE MORE AD HOC YEAR (PARAGRAPHS 36 TO 37)

(VII) OTHER COMMUNITY POLITICIANS SHOULD RECOGNISE THAT HMG HAS MOVED AWAY FROM THE POSITION ADOPTED IN 1979 AND NOW WISHES TO SECURE MERELY 'SOME RELATIVELY CONTINUOUS AND REASONABLY FAIR CONCLUSION' (PARAGRAPH 38)

(VIII) THE UK'S ATTITUDE TO THE NOTION OF EUROPEAN UNION GIVES LITTLE EVIDENCE THAT THE INCLUSION OF THIS ITEM ON THE FONTAINEBLEAU AGENDA WILL HELP TO DEFUSE THE BUDGET NEGOTIATIONS (PARAGRAPH 42).

(IX) THE COMMITTEE'S TALKS IN PARIS, BONN AND ROME SHOWED A DESIRE TO SETTLE THE ISSUE BUT ALSO A GOOD DEAL OF FRUSTRATION AND EXASPERATION WITH THE UNITED KINGDOM. THE FRENCH GOVERNMENT SHOWED A DESIRE TO BRIDGE THE GAP BUT GAVE NO INKLING OF HOW IT

RESTRICTED

27158 - 1

SHOULD BE DONE: THE GERMAN ATTITUDE IS AMBIVALENT: THE ITALIANS HAVE LITTLE SYMPATHY WITH OUR NEGOTIATED STANCE BUT FEAR THE PROSPECT OF A GROWING BONN/PARIS AXIS (PARAGRAPHS 47 TO 57)

(X) OTHER COMMUNITY GOVERNMENTS SHOULD RECOGNISE HMG'S FLEXIBLE APPROACH, THE EXTENT OF ITS CONCESSIONS AND THE EVIDENCE OF ITS COMMITMENT TO THE COMMUNITY (PARAGRAPH 58).

(XI) THE UK SHOULD NOT SACRIFICE POTENTIALLY MORE IMPORTANT BUDGETARY MATTERS (BUDGET DISCIPLINE ETC) IN THE INTERESTS OF A POPULAR SETTLEMENT ON THE REBATES ISSUE (PARAGRAPH 59).

(XII) THE GROUND SHOULD BE PREPARED FOR THE POSSIBILITY OF FURTHER DISAGREEMENT AT FONTAINEBLEAU WITH A VIEW TO MAKING IT CLEAR THAT THIS IS NOT A LAST CHANCE AND THAT THE NEGOTIATIONS SHOULD CONTINUE (PARAGRAPH 62).

(XIII) THE EUROPEAN COUNCIL DOES NOT HAVE THE SAME LEGISLATIVE ROLE AS OTHER COMMUNITY INSTITUTIONS. IT SHOULD FOCUS MORE ON LONG TERM POLICY MATTERS AND SHOULD NOT UNDERMINE THE DECISION MAKING ROLE OF THE COUNCIL OF MINISTERS (PARAGRAPHS 64 TO 68).

HOWE

NNNN

DISTRIBUTION:

FRAME GENERAL

ECD(I)