

Euro Council

GR 350

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 FRAME ECONOMIC
 FM UKREP BRUSSELS 201610Z JUN 84
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 2126 OF 20 JUNE
 INFO PRIORITY PARIS BONN
 INFO BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN LUXEMBOURG
 ATHENS.

mf

PREPARATION FOR EUROPEAN COUNCIL : BUDGETARY IMBALANCES.

1. AS I HAD AGREED WITH HIM IN LUXEMBOURG I SPOKE TODAY TO SCHAUB, WHO ACCOMPANIED THORN ON HIS VISIT TO PARIS YESTERDAY. SCHAUB HAD NOT BEEN PRESENT AT THE MEETING BETWEEN THORN AND MITTERRAND, AND IT WAS NOT CLEAR WHETHER HE WAS ACCURATELY REPORTING PRESIDENCY INTENTIONS OR A VERSION OF WHAT THE COMMISSION MIGHT WISH TO PROPOSE GIVEN THE OPPORTUNITY. THE PROPOSAL SCHAUB EXPECTS IS A SCHEME SUCH AS THAT WHICH DUMAS MENTIONED TO YOU (PERCENTAGE REFUND OF THE WHOLE OF THE VAT SHARE/EXPENDITURE SHARE GAP) BUT EXPLICITLY FOR THE U K ONLY AND WITH THE GERMANS BEING LET OFF ONE-THIRD OF THEIR NORMAL CONTRIBUTION TO U K COMPENSATION. I EXPRESSED CONSIDERABLE SURPRISE AT THIS AND ADVISED STRONGLY AGAINST ANY SUCH APPROACH. WHAT SCHAUB HAD MENTIONED WOULD NOT BE A COMMUNITY SYSTEM. THE GERMAN ASPECT OF IT WOULD BE THOROUGHLY UNATTRACTIVE TO THE OTHER MEMBER STATES AS WELL AS TO US. SCHAUB'S EXPLANATION WAS THAT THE GERMANS WOULD INSIST EITHER ON IT OR ON A THRESHOLD WHICH ON 1983 FIGURES WOULD GIVE A 120 MECU REFUND. THE LATTER WAS WORSE.

2. ACCORDING TO LEVER (TUGENDHAT CABINET) THE MESSAGE THORN CAME BACK WITH WAS THAT THE FRENCH WERE MAKING A GENUINE EFFORT TO REACH AGREEMENT, BUT THAT THEY WERE PUZZLED BY WHAT APPEARED TO BE UNDUE BRITISH CONCERN FOR THE GERMAN PROBLEM. (LEVER HIMSELF THOUGHT WE HAD NOW MADE OUR POINT AND SHOULD NOT WORRY ABOUT PAYMENT OF 120 MECUS TO THE GERMANS. WE EXPLAINED THE REASONS WHY THE GERMAN PROBLEM REMAINED IMPORTANT). LEVER SAID THE SIGNS WERE THAT THE PRESIDENCY'S IDEAS WERE CLOSE TO THOSE OF THE COMMISSION. HE WAS THEREFORE UNABLE TO SAY WHETHER THE COMMISSION INTENDED TO DEVELOP ITS OWN PROPOSAL FOR POSSIBLE USE AT FONTAINEBLEAU.

FCO ADVANCE TO:
 FCO - PS TICKELL RENWICK WALL
 CAB - WILLIAMSON STAPLETON DURIE
 TSY - UNWIN

ADVANCED AS REQUESTED

BUTLER
 FRAME ECONOMIC
 ECD (1)

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