

FRAME ECONOMIC

FM BONN 221430Z JUN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 626 OF 22 JUNE

INFO ROUTINE PARIS UKREP BRUSSELS

INFO SAVING OTHER EC POSTS

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GERMAN APPROACH TO FONTAINEBLEAU

1. AT THE FEDERAL GOVERNMENT PRESS CONFERENCE TODAY THE DEPUTY GOVERNMENT SPOKESMAN, SUDHOFF, SAID THE FEDERAL GOVERNMENT WANTED A FAIR AND LASTING SOLUTION TO THE PROBLEM OF BRITISH NET CONTRIBUTIONS. THE STARTING POINT WAS THE BRUSSELS EUROPEAN COUNCIL OFFER OF A LUMP SUM FOLLOWED BY A SYSTEM. ALL MEMBER STATES WERE READY TO TAKE A LAST STEP TOWARDS ONE ANOTHER. IN RESPONSE TO A QUESTION HE SAID THE EC'S OFFER TO BRITAIN (SIC) WAS A FIXED 1000 MECU FOR TWO YEARS WITH A SYSTEM FOR THE YEARS FOLLOWING.

2. HE WENT ON TO SAY THAT ANOTHER SERIOUS FINANCIAL PROBLEM WAS HOW TO FILL THE 2.33 BILLION ECU GAP IN THE BUDGET. THE FEDERAL GOVERNMENT DID NOT THINK LOANS BY MEMBER STATES WERE FEASIBLE. THEY FAVOURED REALLOCATIONS AND SAVINGS WITHIN THE BUDGET WITH THE REST TO BE MET FROM CONTRIBUTIONS BY MEMBER STATES ON THE BASIS OF AN AGREEMENT BETWEEN MEMBER STATES.

3. SUDHOFF REFUSED TO SPECULATE ON POSSIBLE LINKAGE BETWEEN VAT COMPENSATION FOR FARMERS AND BUDGET QUESTIONS. THE FEDERAL CHANCELLOR WOULD SEEK MEMBER STATES' UNDERSTANDING, GERMAN FARMERS BEING HARDER HIT THAN OTHERS ESPECIALLY BY REDUCED MILK PRODUCTION AND DISMANTLEMENT OF MCAS.

4. SUDHOFF COULD NOT SAY WHETHER THE COUNCIL WOULD DECIDE ON A SUCCESSOR TO THORN. BUT THE SUBJECT SHOULD BE DISCUSSED. HE CONFIRMED THAT THE GERMANS WERE INTERESTED IN THE POST, WOULD NAME NO NAMES, BUT SAID THAT GENSCHER HAD NEVER BEEN CONSIDERED AS A CANDIDATE.

FCO PLEASE PASS SAVINGS AND ADVANCES:

WILLIAMSON, DURIE, CABINET OFFICE

UNWIN, FITCHEW, TREASURY

TICKELL, RENWICK, FAIRWEATHER, FCO

ANDREWS, ATTRIDGE, RAFF

MALLABY