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FRAME AGRICULTURE/ECONOMIC

FROM UKREP BRUSSELS 171810Z JUL 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2425 OF 17 JULY

INFO COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN LUXEMBOURG ATHENS

INFO SAVING BRUSSELS LISBON MADRID WASHINGTON

MY TELNO 2323

COUNCIL OF MINISTERS: 16/17 JULY 1984

FRENCH STATEMENT ON BUDGETARY IMPLICATIONS OF 1984

PRICE FIXING

1. AT THE OUTSET OF THE COUNCIL FRANCE (ROCARD) SAID THEY WANTED TO DISCUSS THIS UNDER 'OTHER BUSINESS' AND MADE A LENGTHY INTRODUCTORY STATEMENT (MUFAXED TO LONDON). THEY RECALLED THE ATTEMPTS AT REFORM OF THE CAP TO CONTROL THE GROWING SURPLUSES AND COST TO FEOGA. THE PRICE FIXING DECISIONS HAD BEEN PAINFUL AND CAUSED UPROAR BUT NOW CERTAIN MEMBER STATES WERE RESISTING AGREEING THE NECESSARY FUNDS TO ASSURE THE PROPER WORKING OF THE CAP 'UNDER NORMAL CONDITIONS' TO THE END OF THE YEAR. THE ECONOMIES PACKAGE AGREED AT THE PRICE FIXING, THOUGH LESS THAN THE COMMISSION HAD PROPOSED, WAS THE MOST THAT WAS POLITICALLY ACCEPTABLE

EVERYONE WAS AWARE AT THE TIME OF THE FINANCIAL CONSEQUENCES OF THIS AND NOTABLY THE NEED FOR A SUPPLEMENTARY BUDGET. THERE MUST NOW BE COHERENCE BETWEEN THIS AWARENESS, THE DECISIONS OF FONTAINEBLEAU AND THE DISCUSSIONS IN THE BUDGET COUNCIL THIS WEEK. OTHERWISE THE COMMUNITY WOULD BE PLUNGED INTO THE CRISIS FROM WHICH IT HAD HOPED TO HAVE ESCAPED.

2. WHEN THE ITEM WAS REACHED UNDER 'OTHER BUSINESS', FRANCE ASKED SPECIFICALLY HOW THE COMMISSION REACTED TO THIS STATEMENT: WHETHER, IF A SUPPLEMENTARY BUDGET WAS VOTED ON THURSDAY, THEY WOULD PROPOSE WINE MEASURES FOR RESTORAGE, GARANTI DE BONNE FIN AND ARTICLE 15 DISTILLATION: AND WHETHER, IF NOT, THEY WOULD AT LEAST PROPOSE RESTORAGE AID.

3. THE COMMISSION (DALSAGER) SAID THE COMMISSION FORESAW NO PROBLEMS IF THE FRENCH PRESIDENCY TEXT OF THE FONTAINEBLEAU CONCLUSIONS WAS ADHERED TO. THEY WOULD CERTAINLY CONSIDER THE SPECIFIC FRENCH REQUESTS ON WINE (ALTHOUGH ARTICLE 15 DISTILLATION MIGHT BE DIFFICULT) AND ALSO OTHER EQUALLY SEVERE PROBLEMS. WITHOUT A SUPPLEMENTARY BUDGET THEY COULD NOT MOVE AT ALL.

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4. THE UK (MR JOPLING) REFUTED ANY IMPLICATION IN THE FRENCH STATEMENT THAT THERE MIGHT BE A LACK OF CONSISTENCY ON THE PART OF CERTAIN DELEGATIONS - AND IN PARTICULAR THE UK - AS BETWEEN THE PRICE FIXING AND THEIR CURRENT ATTITUDE ON FINANCING THE CAP IN 1984. THE UK HAD MADE ITS POSITION ENTIRELY CLEAR AT EVERY STAGE AND, AT THE TIME OF THE PRICE FIXING, HAD ENTERED A SPECIFIC STATEMENT IN THE MINUTES THAT AGREEMENT TO THE PRICES PACKAGE DID NOT SIGNIFY ACCEPTANCE BY ITS DELEGATION OF THE NEED FOR ADDITIONAL BUDGETARY PROVISION FOR 1984. AS REGARDS THE PRESIDENCY CONCLUSIONS FROM THE SUMMIT, BALANCE COULD BE ACHIEVED EITHER BY INCREASING REVENUE OR BY REDUCING EXPENDITURE. IT WAS FOR THE BUDGET COUNCIL TO DECIDE WHICH BUT THE UK BELIEVED THAT THE COMMUNITY "OPERATING NORMALLY" MUST INCLUDE A BUDGET THAT WAS BROUGHT INTO BALANCE IN ACCORDANCE WITH ARTICLE 199 OF THE TREATY.

5. BELGIUM (DE KEERSMAEKER) GENERALLY SUPPORTED THE FRENCH, PARTICULARLY ON THE NEED FOR CONSISTENCY BETWEEN THE ACTIONS OF THE THREE COUNCILS - PRICE FIXING, FONTAINEBLEAU AND BUDGET. IN PARTICULAR, WHILST THEY AGREED, AND REGRETTED, THAT FONTAINEBLEAU HAD NOT SETTLED THE DETAILED FINANCING ARRANGEMENTS FOR 1984, THEY WERE CONCERNED AT THE IMPLICATIONS OF THE UK STATEMENT IF IT MEANT THAT NO NEW FINANCE COULD BE AVAILABLE. NOT LEAST THERE WOULD BE IMPORTANT IMPLICATIONS SINCE TRANSFERRING A MAJOR SLICE OF 1984 EXPENDITURE INTO 1985 COULD COMPLICATE CALCULATION OF THE GAP FOR THE PURPOSES OF ASSESSING UK COMPENSATION THAT YEAR.

6. THE CHAIR (DEASY) EXPRESSED A STRONG HOPE THAT SUPPLEMENTARY FINANCE SO BADLY NEEDED IN THE AUTUMN WOULD BE MADE AVAILABLE. ALTHOUGH THE UK POSITION HAD SOME RATIONALE, REGARD MUST ALSO BE HAD TO IMPORTANT SOCIAL ASPECTS AND ALSO THE ENORMOUS PROBLEM OF SURPLUS DISPOSAL. HE CONCLUDED WITH A DEFENCE OF THE AGRICULTURE COUNCIL WHICH WAS DOING AS MUCH AS IT POSSIBLY COULD.

FCO ADVANCE TO:
FCO - WESTMACOTT
CAB - LAMBERT
MAFF - S WILSON DISERENS
TSY - BOSTOCK FITCHEW UNWIN

FCO PASS SAVING LISBON MADRID WASHINGTON

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