

CONFIDENTIAL  
 FRAME ECONOMIC  
 DESKBY 190700Z  
 FM UKREP BRUSSELS 181925Z JUL 84  
 TO IMMEDIATE FCO  
 TELEGRAM NUMBER 2463 OF 18 JULY  
 INFO IMMEDIATE BONN  
 PRIORITY THE HAGUE DUBLIN PARIS  
 ROUTINE BRUSSELS COPENHAGEN ROME LUXEMBOURG ATHENS

*File on  
IB/np*

*mt*

BUDGET COUNCIL : BILATERAL WITH THE GERMANS

1. MR STEWART HAD A BILATERAL MEETING WITH TIETMEYER AFTER THE COUNCIL'S MEETING WITH THE PARLIAMENT REPORTED IN MIPT.
2. IN THE COURSE OF A LONG DISCUSSION TIETMEYER MADE THE FOLLOWING STATEMENTS ABOUT THE GERMAN POSITION:
  - (A) THE GERMAN CABINET HAD CONFIRMED THIS MORNING THAT THEY COULD NOT AGREE TO THE INTRODUCTION OF NEW OWN RESOURCES BEFORE 1 JANUARY 1986. AFTER FONTAINEBLEAU KOHL HAD TOLD THE BUNDESTAG THAT THIS DECISION WAS LINKED TO ENLARGEMENT AND THE GERMAN GOVERNMENT COULD NOT NOW GO BACK ON THIS LINK:
  - (B) THE GERMAN CABINET HAD ALSO CONFIRMED THAT THEY COULD NOT ACCEPT SUPPLEMENTARY FINANCE ON THE BASIS OF ARTICLE 235 OR ANY OTHER TREATY-BASED SOLUTION:
  - (C) THEY FAVOURED SUBSTANTIAL SAVINGS IN NON-AGRICULTURAL EXPENDITURE TO REDUCE THE 1984 BUDGET OVERRUN. THEY WOULD AGREE TO ONLY SMALL SAVINGS IN AGRICULTURAL EXPENDITURE:
  - (D) FOR THE REMAINING OVERRUN THEY COULD ACCEPT SUPPLEMENTARY FINANCING BY WAY OF INTER-GOVERNMENTAL AGREEMENT FOR BOTH 1984 AND 1985:
  - (E) THE SUPPLEMENTARY FINANCE FOR 1985 SHOULD COVER UK AND GERMAN REFUNDS:
  - (F) THEY REMAINED READY TO CONSIDER NATIONAL PRE-FINANCING OF THE RESIDUAL OVERRUN BUT
    - (I) DID NOT BELIEVE THAT OTHER MEMBER STATES WOULD WEAR THIS AND
    - (II) FEARED IT WOULD CAUSE TRADE DIVERSION TO THEIR DISADVANTAGE:
3. MR STEWART PUT TO TIETMEYER OUR STRONG OBJECTIONS TO SUPPLEMENTARY FINANCING BY ANY ROUTE: TO FINANCING AN AGRICULTURAL OVERRUN BY CUTTING OTHER TYPES OF EXPENDITURE: AND THE DIFFICULTIES OF IMPLEMENTING 1984 REFUNDS BY SUCH MEANS TIETMEYER DID NOT BUDGE AND OUR IMPRESSION WAS THAT HE HAS NO FLEXIBILITY ON (A) AND (B).

FCO ADVANCE TO:  
 FCO - PS/SOS, RENWICK, FAIRWEATHER, WALL  
 CAB - WILLIAMSON, STAPLETON  
 MAFF - ANDREWS  
 TSY - PS/CHANCELLOR, UNWIN, MORTIMER

(ADVANCED AS REQUESTED)

BUTLER  
 FRAME ECONOMIC  
 ECD(D)

COPIESTO:  
 AS ADVANCE ADDRESSES

Gaman  
Relats.