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Treasury Chambers, Parliament Street, SW1P 3AG

Prime Minister

Deadlock at the Budget Council both on 1984 & 1985. Further discussion at Foreign Affairs Council on Monday

The Rt Hon Sir Geoffrey Howe QC MP  
Foreign and Commonwealth Secretary  
Foreign and Commonwealth Office  
Downing Street  
LONDON  
SW1

20 July 1984  
Tuesday. Probably another Budget Council in early September.

CJP 20/7

Dear Secretary of State

BUDGET COUNCIL, 18, 19 & 20 JULY

As you know, the Foreign Affairs Council will be discussing the 1984 Supplementary Budget and the 1985 Preliminary Draft Budget (PDB) on Monday following the deadlock today in the Budget Council. You may like a quick report on how the Budget Council went.

Before the formal Council meetings began I had a bilateral with State Secretary Tietmeyer (telegram No.2463 attached). It emerged from this that Chancellor Kohl has made a clear link in the Bundestag between the date of implementation of the 1.4% own resources ceiling and that of enlargement. The Germans are accordingly - at least at present - not prepared to bring in new own resources before 1 January 1986. On the other hand neither were they prepared to agree to the Commission's proposals for Article 235 regulations to cover supplementary financing. Their stated preference was for an inter-governmental agreement to provide additional finance. They withdrew their earlier support for temporary pre-financing by intervention agencies. This German position and our own conditioned a good deal of what followed in the Council itself.

After its usual meeting with a delegation from the European Parliament on Wednesday (see reporting telegrams no 2462, 2485), the Council met formally at 9.30am on Thursday 19 July and ended around 24 hours later. Much of the meeting was restricted to Ministers only.

As regards the 1984 Supplementary and Amending Budget (SAB) I argued that the Community's own resources ceiling had to

... be respected and the budgets for both 1984 and 1985 accordingly financed within that framework. Supplementary finance whether provided through an Article 235 regulation or an inter-governmental agreement was not acceptable. I therefore deployed a balanced package of savings to be made in 1984 (list attached). These are largely agricultural but included a number of non-agricultural items likely to attract the support of the Germans and the French. In the early stages of the discussion we got little support for these savings from anyone except the Dutch. There was in particular a good deal of reluctance to accept our proposals for deferring agricultural expenditure from 1984 into 1985. Two or three member states made veiled references to the effect of such deferment on the level of our 1985 refunds, but without developing the point in a way which required me to reply. In presenting the savings I explained that we were prepared to treat 1984 and 1985 as a package and consider a specified and limited bringing forward of new own resources to October 1985.

The Irish Presidency tended to discourage any real debate on possible savings until close to the end of the meeting and sought to isolate the UK as the only member state not prepared to agree to supplementary revenue to fund the 1984 agricultural overrun. The German delegation explained that, though opposed to an Article 235 regulation, they were prepared to provide advances under an inter-governmental agreement. This idea was initially opposed by several other member states, but by the end of the 24 hours most of them were willing to consider favourably a Presidency compromise consisting of an inter-governmental agreement to provide advances, which would be reimbursed under an Article 235 regulation up to an amount of 1350 mecu. There was no final agreement at this stage, but other delegations said they were willing to take home this proposal and consider it. I made it clear that this was unacceptable, because inconsistent with the principle that the Community's expenditure should be financed within the orthodox own resources framework.

There will almost certainly now be an attempt to portray us as isolated on the 1984 SAB and put pressure on us. There are still in theory elements of difference between other member states which we might be able to exploit. First, there is disagreement between them over the size of the 1984 overrun. Germany and the Netherlands still regard 1350 mecus as too high. Second, there is no agreement on the composition of the 650 mecus savings required to come down to 1350 mecus. The Germans, French and Dutch would prefer savings on DNO; the others would not. Third, there are doubts about the effectiveness of the inter-governmental agreement proposed. There is no certainty that the Italians, Greeks and others would pass the required national legislation in sufficient time. In practice, however there is a tendency to sink differences when contending our position and I would not wish to under-estimate the difficulties.

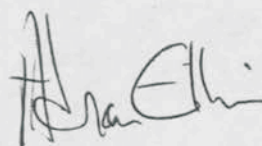
As regards the 1985 PDB the Council agreed, on a provisional basis, to reduce the initial draft budget within the 1 per cent VAT ceiling, with a preponderant amount of the reductions falling on the FEOGA guarantee. The agreement was provisional, because several member states, France in particular, were only prepared to accept reductions, if a commitment could be agreed to finance any unavoidable agricultural overrun in 1985. I made it clear, as I had in discussion of the 1984 SAB, that we were not prepared to provide supplementary finance outside the own resources system, but confirmed that it might be acceptable to bring forward the implementation of the own resources decision within a specified and limited amount. The German position was the opposite. The Presidency produced a number of texts embodying the proposed declaration and for some time the Germans were under pressure because of their unwillingness to agree to bring forward own resources into 1985. The final Presidency draft text, however, dropped the reference to bringing forward own resources and implied a commitment to provide finance, without a specified method, which would be both open-ended and potentially outside the own resources system. I said that this was unacceptable to us, while not ruling out altogether some form of public commitment which met our requirements. Although I indicated other necessary ingredients in any such statement of commitment which the Council might ultimately produce (including reference to our 1000 mecu refund) I decided, tactically, that it would be better to avoid entering into a detailed and probably fruitless attempt to amend the text itself. Like other delegations, I pointed out that the form of such a declaration could not usefully be discussed until there had been agreement in substance about the overrun problem in both 1984 and 1985. Some form of draft declaration may surface again at the Foreign Affairs Council. My own view is that it might be better to refuse to discuss any compromise formula, until there is a clear agreement to what extent and how any supplementary finance needed in 1985 might be provided.

Although the discussion on the 1985 Budget was difficult, we were not isolated as we were in the case of the 1984 SAB, since I was able to point to our readiness to consider an increase in the own resources ceiling during 1985, in contrast to the Germans.

By the close of the Council several delegations were concerned at the deadlock which had been reached and there was a suggestion that the Council should meet again urgently to continue to try to find a compromise. It is possible therefore that at the Foreign Affairs Council on Monday the Presidency will ask the Council to invite the Budget Council to meet again very rapidly. It is more likely that there will be a proposal by the Irish Presidency to fix a further Budget Council for 6-7 September. Another deadlocked Budget Council should of course be avoided if possible and any further Budget Council needs to be well prepared and preferably preceded by bilateral discussion between the main protagonists.

As a general approach to the next phase of discussion, I think we need to continue to produce a more substantial package of savings for 1984 which might have some chance of getting support and allow us to defer the financing problem in 1985. At the same time, I think we must continue to try to deflect the pressure of our partners on to the Germans for their reluctance to consider bringing forward even a limited amount of new own resources into 1985, but it has to be admitted that the mood of the Council in its concluding stages was not encouraging. The discussion became increasingly political and difficult, with other delegations emphasising that they were really dealing with the unfinished business of Fontainebleau. I have to say, on the evidence of the concluding stages of the Budget Council, that I am not optimistic about the prospect of shifting the other states through argument or negotiation in the near future. It may be that, in the prospect of the Community running out of funds in the Autumn approaches, they may become more inclined to consider a solution closer to our position. But our first task may be to reverse their movement towards the Presidency compromise.

I am sending copies of this letter to the Prime Minister, the Minister of Agriculture and Sir Robert Armstrong.



PP IAN STEWART

Approved by the European  
Secretary and signed  
in absence

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RM

cc: PC

10 DOWNING STREET

*From the Private Secretary*

23 July, 1984

BUDGET COUNCIL, 18,19 and 20 JULY

The Prime Minister was grateful for Mr. Stewart's account of the proceedings of the Budget Council on 18, 19 and 20 July.

I am sending a copy of this letter to Colin Budd (Foreign and Commonwealth Office), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

A. Ellis, Esq.,  
HM Treasury.

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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

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).

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

(ADVANCED AS REQUESTED)

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DESKBY 190700Z

FM UKREP BRUSSELS 181920Z JUL 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 2462 OF 18 JULY

INFO IMMEDIATE BONN, PRIORITY THE HAGUE, DUBLIN, PARIS, ROUTINE  
BRUSSELS, COPENHAGEN, ROME, LUXEMBOURG, ATHENS.

BUDGET COUNCIL.

MEETING WITH DELEGATION FROM EUROPEAN PARLIAMENT.

## SUMMARY

1. PARLIAMENTARY DELEGATION STATED ITS OPPOSITION TO CUTS IN NON-OBLIGATORY EXPENDITURE TO FINANCE AGRICULTURAL SPENDING IN THE 1984 AND 1985 BUDGETS. HOWEVER THEY SUPPORTED SUPPLEMENTARY FINANCING, WITHIN A TREATY FRAMEWORK, AND ARGUED FOR A SAY IN FIXING THE AMOUNT.

## DETAIL

2. BUDGET COUNCIL DISCUSSED THE 1984 THE 1985 PRELIMINARY DRAFT BUDGETS WITH A DELEGATION FROM THE EUROPEAN PARLIAMENT. MR IAN STEWART, MP, ECONOMIC SECRETARY TO THE TREASURY, REPRESENTED THE UK.

3. DANKERT (RETIRED PRESIDENT OF EUROPEAN PARLIAMENT) SAID THAT THE DRAFT BUDGETS SHOULD RESPECT THE RIGHTS OF THE PARLIAMENT IN THE BUDGETARY PROCEDURE. THERE SHOULD BE NO REDUCTIONS IN APPROPRIATIONS FOR THE STRUCTURAL FUNDS TO FINANCE AGRICULTURAL GUARANTEE. IF THE COUNCIL WAS GOING TO AGREE TO FINANCE EXTRA AGRICULTURAL EXPENDITURE IT SHOULD PROVIDE A DETAILED JUSTIFICATION FOR THE EXTRA AMOUNTS. PARLIAMENT WOULD NOT ACCEPT INCLUDING A PROVISIONAL SOLDE FOR 1984 IN THE PDSAB. SUPPLEMENTARY FINANCING FOR BOTH YEARS SHOULD BE PROVIDED THROUGH COMMUNITY INSTRUMENTS WHICH MUST BE AGREED BETWEEN BOTH ARMS OF THE BUDGETARY AUTHORITY. THESE SHOULD NOT INCLUDE SPECIFIC FIGURES WHICH SHOULD BE SETTLED IN THE BUDGET PROCEDURE. THE ESTIMATES FOR AGRICULTURAL EXPENDITURE IN 1985 MUST BE REALISTIC. THERE SHOULD BE A TRILOGUE DISCUSSION TO SETTLE, IN PARTICULAR, PROBLEMS OF CLASSIFICATION.

4. TIETMEYER (GERMANY) SAID THAT THE COURT OF AUDITORS HAD DRAWN ATTENTION TO UNUSED APPROPRIATIONS WHICH WERE CARRIED OVER YEAR AFTER YEAR. THIS SLACK SHOULD BE TAKEN UP AND THE PAYMENT APPROPRIATIONS USED TO HELP FINANCE THE 1984 OVERRUN. THIS WOULD RESPECT THE PRINCIPLE OF ANNUALITY. COMMITMENT APPROPRIATIONS, WHICH ESTABLISHED PRIORITIES, SHOULD BE LEFT UNTOUCHED. THERE WOULD NONETHELESS BE AN OVERRUN IN 1984. THIS SHOULD BE COVERED BY ADVANCE PAYMENTS AGREED OUTSIDE THE TREATY ON THE BASIS

OF AN AGREEMENT BETWEEN MEMBER STATES. ANY REQUIREMENT FOR FINANCING FOR 1985 OVER THE 1 PER CENT CEILING SHOULD BE COVERED BY A SIMILAR MEASURE. DANKERT SAID THAT TRANSFERRING POTENTIAL CARRYOVERS WOULD DIMINISH THE PARLIAMENT'S MARGIN AND WOULD THEREFORE BE UNWELCOME. TIETMEYER SUGGESTED THAT THIS OBJECTION COULD BE MET BY A GENTLEMAN'S AGREEMENT BETWEEN THE PARLIAMENT AND COUNCIL UNDER WHICH COUNCIL WOULD AGREE TO ALLOW THE PARLIAMENT ITS MARGIN IN 1985 AS IF NON-OBLIGATORY APPROPRIATIONS HAD NOT BEEN TRANSFERRED.

5. MR STEWART SAID THAT 1984 AND 1985 WOULD NEED TO BE EXAMINED TOGETHER. UNTIL NEW OWN RESOURCES WERE RATIFIED THE BUDGETS MUST BE CONSTRAINED WITHIN EXISTING LIMITS OTHERWISE THE NATIONAL RATIFICATION PROCEDURE WOULD BE MEANINGLESS. THE CURRENT RULES COULD NOT BE CIRCUMVENTED BY RECOURSE TO E.G. ARTICLE 235. THE UNDERLYING PROBLEMS WERE CAUSED BY THE OVERRUN OF AGRICULTURAL EXPENDITURE AND WE SHARED THE VIEW OF THE PARLIAMENT THAT THE PROPORTION OF AGRICULTURAL EXPENDITURE IN THE BUDGET SHOULD BE REDUCED. UNTIL THIS WAS DONE OTHER POLICIES COULD NOT BE DEVELOPED. COUNCIL WOULD NEED TO CONSIDER A WHOLE RANGE OF IDEAS TO MEET THE IMMEDIATE DIFFICULTIES AND SHOULD NOT ALLOW SHORT TERM NEEDS TO UNDERMINE LONGER TERM OBJECTIVES.

6. IN OTHER INTERVENTIONS, THE ITALIAN, DUTCH, BELGIAN, LUXEMBOURG AND GREEK DELEGATIONS RESTATED FAMILIAR POSITIONS. SEVERAL OF THESE DELEGATIONS AND THE IRISH PRESIDENCY REFERRED TO WHAT THEY CONSIDERED TO BE THE AGREED DECISIONS OF THE FONTAINEBLEAU SUMMIT ON THE COUNCIL'S RESPONSIBILITY FOR DEALING WITH THE 1984 OVERRUN. MR STEWART SAID THAT THE CONCLUSIONS ON THIS ITEM HAD NOT BEEN EXPLICITLY AGREED BY HEADS OF GOVERNMENT, AND RESTATED OUR OBJECTION TO THE FRENCH PRESIDENCY'S TEXT.

FCO ADVANCE TO:

FCO - PS/SOS, RENWICK, FAIRWEATHER, WALL.

CAB - WILLIAMSON, STAPLETON.

MAFF - ANDREWS.

TSY - PS/CHANCELLOR, UNWIN, MORTIMER.

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 MR RENWICK

PRESIDENT CLERK  
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 ED/ARD  
 ED/ED

PLUS FCO  
 MR CARLWORTH  
 MR WILK

ADVANCE COPY

20 JUL 1984

SECRET OFFICE

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MR D WILLIAMS  
 MR G STEPHENSON  
~~XXXXXXXXXX~~  
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 MR T J BARR

MR P  
 MR M  
 MR CUS  
 MR D

PS/SECRET  
 PS/CHANCELLOR

MAFF

MR J B LINDEN  
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PERMANENT SECRETARY

MR Amis

MR J E MORTIMER  
 MR G W HOPKINSON  
 MR FITZGERALD  
 MR BOLSTOCK

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FRAME ECONOMIC

DESKBY 201000Z

FROM UKREP BRUSSELS 200845Z JUL 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2485 OF 20 JULY

INFO PRIORITY DUBLIN PARIS BONN

INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME LUXEMBOURG ATHENS

BUDGET COUNCIL 18-19 JULY 1984

1984 SUPPLEMENTARY AND AMENDING BUDGET: FINAL SESSION

SUMMARY

1. FINAL PRESIDENCY COMPROMISE INVITED MEMBER STATES TO CONTRIBUTE 1350 MECU SUPPLEMENTARY FINANCING BASED ON AGREEMENT BETWEEN MEMBER STATES MEETING IN COUNCIL, WITH REIMBURSEMENT FROM COMMUNITY BUDGET UNDER ARTICLE 235. NINE MEMBER STATES PREPARED TO CONSIDER FAVOURABLY, THOUGH WITH DIFFERENT VIEWS ON THE FIGURE. UK REPEATED ITS OPPOSITION TO SUPPLEMENTARY FINANCING OUTSIDE OWN RESOURCES SYSTEM.

2. FOREIGN AFFAIRS COUNCIL TO DISCUSS NEXT WEEK. BUDGET COUNCIL TO MEET AGAIN EITHER THURSDAY NEXT WEEK OR MORE PROBABLY 6-7 SEPTEMBER. PRESIDENCY COMPROMISE TO REMAIN ON TABLE.

DETAIL

3. FINAL SESSION OF 1984 SAB BEGAN WITH QUESTIONS FROM FRANCE AND OTHER DELEGATIONS ON SCOPE FOR ADDITIONAL SAVINGS.

4. FRANCE, GERMANY AND BELGIUM SUGGESTED INCREASING COMMISSION'S 350 MECU FIGURE FOR EXPECTED POSITIVE 1984 NET SOLDE TO BETWEEN 500 AND 1,000 MECU. COMMISSION WITH ITALIAN SUPPORT NOT PREPARED TO GO BEYOND 350 MECU.

5. SAME DELEGATIONS PROPOSED MAKING NO CHANGES IN REVENUE FIGURES FOR 1984, THUS RELEASING 500 MECU.

6. TIETMEYER (GERMANY) SUGGESTED VARIETY OF AGRICULTURAL SAVINGS:  
 - LOWER DISPOSALS OF SUGAR - 100 MECU  
 - 1 PER CENT CUT IN INTEREST COSTS ON STORAGE - 70 MECU

COMMISSION SAID THESE TECHNICALLY POSSIBLE, BUT UNDESIRABLE. BELGIUM COULD ACCEPT CUT IN STORAGE COSTS, BUT NOT SUGAR EXPORT REFUNDS.

7. O'KEEFE (PRESIDENCY) CONCLUDED THAT DISCUSSION COULD BE TAKEN NO FURTHER. HE THEN CIRCULATED THE TEXT IN MIFT CONTAINING FINAL PRESIDENCY COMPROMISE FOR FINANCING 1984 OVERRUN, WHICH HE PUT [WITHOUT ANY EXPLANATION] AT 1,350 MECU.

8. UNDER THE COMPROMISE COUNCIL WOULD ADOPT A RESOLUTION INVITING MEMBER STATES TO PAY ADVANCES ON FUTURE OWN RESOURCES ON VAT KEY. THIS WOULD BE FOLLOWED BY AN AGREEMENT BY MEMBER STATES MEETING IN COUNCIL TO MAKE THE ADVANCES, WHICH WOULD SUBSEQUENTLY BE REIMBURSED UNDER AN ARTICLE 235 REGULATION. (TEXTS OF DRAFT RESOLUTION, DECISION AND REGULATION BY HAND OF LENNON (TREASURY).

9. IN DISCUSSION NINE MEMBER STATES PREPARED TO TAKE THIS SOLUTION BACK TO CAPITALS FOR FURTHER CONSIDERATION. MOST SUGGESTED, WITH VARYING DEGREES OF ENTHUSIASM, IT COULD BE BASIS FOR COMPROMISE. GERMANY AND NETHERLANDS SAID FIGURE TOO HIGH, DENMARK TOO LOW. GERMANY ALSO STRESSED NEED FOR URGENT DECISION BECAUSE OF NEED TO IMPLEMENT TRANSITIONAL MEASURES TO ACCOMPANY DISMANTLING MCAS.

10. MR STEWARD (UK) EXPRESSED DISAPPOINTMENT THAT SEARCH FOR SAVINGS COULD NOT BE CONTINUED FURTHER. UK COULD SUPPORT MANY OF THE SAVINGS PROPOSED BY FRANCE AND GERMANY. BUT FURTHER AGRICULTURAL SAVINGS SHOULD ALSO BE MADE TO REDUCE THE OVERRUN AND PROVIDE BALANCED PACKAGE. FOR REASONS GIVEN IN EARLIER DISCUSSION, HE REMAINED WHOLLY OPPOSED TO SUPPLEMENTARY FINANCING OUTSIDE FRAMEWORK OF OWN RESOURCES DECISION. SOLUTION MUST BE FOUND BY PACKAGE COVERING BOTH 1984 AND 1985 BUDGETS, WITH POSSIBILITY OF NEW OWN RESOURCES IN 1985 TO FINANCE EXPENDITURE DEFERRED FROM 1984.

11. TUGENDHAT (COMMISSION), SUGGESTED FURTHER BUDGET COUNCIL NEXT WEEK AFTER FOREIGN AFFAIRS COUNCIL.

12. O'KEEFE SAID COMPROMISE WOULD REMAIN ON TABLE. PREMATURE TO FIX FURTHER MEETING UNTIL FOREIGN AFFAIRS COUNCIL, BUT HIS PRESENCE WAS FOR 6-7 SEPTEMBER.

13. NO ATTEMPT TO REVERT TO DRAFT DECLARATION ON 1985 BUDGET. MEETING ENDED ABOUT 0930 HOURS.

FCO ADVANCE TO:

FCO - PS/SOS RENWICK FAIRWEATHER WALL

CAB - WILLIAMSON STAPLETON

MAFF - ANDREWS

TSY - PS/EST PS/CHANCELLOR UNWIN FITCHEW HOPKINSON BOSTOCK

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## UK PROPOSALS FOR SAVINGS

MECU

## (i) NO SPECIAL DESTOCKING MEASURES

This is a new proposal. Not envisaged when 1984 budget drawn up or part of price-fixing package. Not necessary to start this in 1984. Does not hit producers. (Overall limit of cold storage capacity has not yet been reached.)

150

## (ii) SLOWING DOWN DISPOSAL OF SUGAR AND OTHER COMMODITIES

(There is a large amount for destocking in that part of Commission's request for extra agricultural appropriations arising from changes in market conditions (970 mecu)).

In exceptional circumstances of 1984 cannot afford destocking on scale proposed by Commission. Particularly true in case of sugar where stocks are lower than in recent past and market conditions are unfavourable for early disposal. These savings do not affect producers.

(Overall limit of cold storage capacity has not yet been reached. No storage problem at all for sugar).

175

/(iii)

(iii) TEMPORARY ABOLITION OF INTEREST RATE AND OTHER STORAGE COSTS

No effect on producers or any agricultural regimes. Commission itself recently suggested changes in structure of interest rate payments which would have yielded savings.

250 - 350

(iv) TEMPORARY SUSPENSION OF ADVANCE PAYMENTS TO TRADERS

Temporary suspension was undertaken at the end of last year, and similar steps could be undertaken this year in order to reduce the demands on the 1984 budget. There would be (little) impact on producers.

675

(v) (a) ACCEPT COMMISSION'S DNO SAVINGS AND TECHNICAL REVENUE ADJUSTMENTS FOR EARLIER YEARS

Commission has said their proposals would involve cancellation of some appropriations and stricter management and would not harm policies in question. (Note that a significant part of proposals fall on structural funds. They should not be asked to contribute any more.)

(b) LEAVE REVENUE UNALTERED

Proposed by France and Germany Article 16(1) of Regulation 2891/77 provides that variations of revenue shall be taken into account in budget of following year.

(Not a breach of 1% ceiling. What is at

issue is whether there will be a shortfall of levies and duties. Financial Regulations allow for any negative balance to be carried forward into following year.

NET EFFECT 500

(vi)

## CANCELLATION OF EXTRA DNO CREDITS

Commission has already proposed savings in regional and structural funds. Given Council's commitments in these areas and views of Parliament, any further savings should be modest and concentrated on aid, energy etc, fisheries and agricultural structures. Cancellation of credits here should not be harmful. Large carryforwards in recent years.

(300)

	1981	1982	1983
Agricultural Structures	93.3	277.2	136.0
Fisheries	4.1	30.4	13.0
Energy, Research etc	96.5	112.9	167.0
Aid	258.5	345.3	463.0

BR 1121  
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20 JUL 1984