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FM FCO 251735Z JUL 84
TO IMMEDIATE DUBLIN
TELEGRAM NUMBER 137 OF 25 JUL 84
INFO IMMEDIATE UKREP BRUSSELS AND OTHER EC POSTS (FOR SECRETARY
OF STATES PARTY)

COMMUNITY BUDGET: 1984/85 OVERRUNS

1. UNLESS YOU SEE OBJECTION, PLEASE SPEAK TO THE IRISH AT A
SUITABLY SENIOR LEVEL AND TELL THEM THAT WE ARE CONCERNED AT THE
WAY IN WHICH THE IRISH GOVERNMENT IS APPROACHING THE PROBLEM OF
COMMUNITY FINANCING IN 1984 AND 1985. INSTEAD OF TRYING TO
FIND A WAY THROUGH THESE PROBLEMS WHICH MIGHT BE ACCEPTABLE TO
ALL MEMBER STATES, THE PRESIDENCY APPEARS TO BELIEVE THAT IT WILL
SUFFICE TO PUT PUBLIC PRESSURE ON US TO CHANGE OUR POSITION AND
AGREE THAT THE 1984 OVERRUN SHOULD BE FINANCED OUTSIDE THE
OWN RESOURCES SYSTEM AND, INDEED, OUTSIDE THE TREATIES. THIS
WAS THE LINE TAKEN BY DR FITZGERALD IN HIS SPEECH TO THE
EUROPEAN PARLIAMENT TODAY.

2. YOU SHOULD POINT OUT THAT THE PROPOSAL BEFORE THE GENERAL
AFFAIRS COUNCIL AMOUNTED TO SUGGESTING, IN EFFECT, THAT WE SHOULD
WRITE OUT A CHEQUE, OUTSIDE THE TREATY ARRANGEMENTS, TO FINANCE
OTHER PEOPLE'S AGRICULTURAL OVERSPENDING. WE SHOULD LEAVE THE
IRISH IN NO DOUBT THAT THERE IS NO PROSPECT OF THE BRITISH
GOVERNMENT AGREEING TO THIS OR, IF IT DID, OF PARLIAMENT APPROVING
SUCH AN ARRANGEMENT.

3. IF, AS WE HOPE, THE IRISH PRESIDENCY WISHES TO FIND A WAY
FORWARD, AN ESSENTIAL STEP IS TO DETERMINE WHETHER NEW OWN
RESOURCES CAN BE BROUGHT FORWARD INTO 1985 (THOUGH THE APPLICATION
OF THE 1.4 PERCENT VAT RATE COULD NOT BE READ BACK ACROSS THE
WHOLE OF THAT YEAR). IF ALL MEMBER STATES COULD AGREE TO THIS,
THEN IT WOULD BECOME POSSIBLE TO SEE A WAY FORWARD. THE GERMAN
GOVERNMENT AT PRESENT IS OPPOSED, BUT IT IS NOT POSSIBLE OTHERWISE

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TO HONOUR THE FONTAINEBLEAU AGREEMENT ON BUDGET IMBALANCES (WHICH PROVIDES THAT OUR REFUNDS SHALL BE OEDUCTED FROM OUR VAT SHARE IN 1985) AND THE FRENCH AND SOME OTHERS DO NOT BELIEVE THAT THE GERMANS WILL BE ABLE TO SUSTAIN THEIR PRESENT POSITION. THE DUTCH

HAVE EXPRESSED RESERVATIONS ABOUT BRINGING NEW OWN RESOURCES FORWARD IN RELATION TO THE TIME REQUIRED FOR THEIR RATIFICATION PROCEDURES, BUT SEEM LIKELY TO AGREE TO THIS IF OTHERS DO. OTHER MEMBER STATES HAVE ALREADY INDICATED THAT THEY CAN AGREE.

4. IF A FURTHER DEADLOCK IS TO BE AVOIDED IN THE BUDGET COUNCIL IN SEPTEMBER, FURTHER WORK WILL ALSO NEED TO BE DONE ON THE FIGURES. THE PRESIDENCY FIGURE OF 1350 MECUS IS A PURELY POLITICAL FIGURE AND IT IS NOT CLEAR TO WHAT EXTENT THE REDUCTION FROM THE 2 BILLION ECUS EARLIER ESTIMATED WOULD CONSTITUTE SAVINGS OR DEFERRALS.

5. WE SHALL BE READY TO HOLD FURTHER BILATERAL TALKS WITH THE PRESIDENCY BEFORE THE BUDGET COUNCIL IF THEY THINK THIS WOULD BE USEFUL.

6. IF THE IRISH STATE THAT IT WAS AGREED AT FONTAINEBLEAU THAT STEPS WOULD BE TAKEN AT THE NEXT BUDGET COUNCIL MEETING TO COVER THE NEEDS OF THE 1984 BUDGET, YOU SHOULD STATE THAT - AS SIR MICHAEL BUTLER MADE CLEAR IN COREPER ON 27 JUNE - THIS PASSAGE OF THE FONTAINEBLEAU CONCLUSIONS WAS ISSUED BY THE FRENCH PRESIDENCY ON ITS OWN AUTHORITY. IT WAS AGREED AT FONTAINEBLEAU THAT THE PROBLEM OF THE 1984 BUDGET MUST BE DEALT WITH AND WE HAVE BEEN PROPOSING A MEANS OF DEALING WITH IT IN CONFORMITY WITH THE TREATIES AND THE OWN RESOURCES SYSTEM.

7. FOR YOUR OWN INFORMATION, THE CHANCES OF MAKING PROGRESS ON THE BUDGET ISSUES WILL DEPEND ON THE PRESIDENCY ADOPTING A DIFFERENT APPROACH. THEY HAVE TAKEN LITTLE ACCOUNT SO FAR OF OUR POSITION AS REPRESENTED TO THEM IN BILATERAL TALKS, INCLUDING MY MEETINGS WITH MR BARRY IN BRUSSELS. SUPPLEMENTARY FINANCING CANNOT BE AGREED SIMPLY BECAUSE A MAJORITY OF MEMBER STATES WOULD LIKE IT TO BE. IT WOULD BE A SERIOUS MISTAKE FOR THE IRISH TO IMAGINE THAT WE CAN BE PRESSED INTO FINANCING OUTSIDE THE SCOPE OF THE TREATIES. IF THEY ARE PREPARED TO WORK FOR (A) FURTHER SERIOUS EXAMINATION OF THE FIGURES AND (B) THE BRINGING FORWARD OF NEW OWN RESOURCES, THERE IS A POSSIBILITY THAT THE PROBLEM COULD BE REDUCED TO MANAGEABLE PROPORTIONS, PERMITTING THE CONTINUANCE OF COMMUNITY POLICIES CONSISTENT WITH THE OWN RESOURCES SYSTEM.

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Foreign and Commonwealth Office

London SW1A 2AH

25 July 1984

NBOM

CD 26/7

Dear Charles,

Irish Presidency and the Community Budget

You enquired about Dr FitzGerald's speech at the European Parliament in Strasbourg today.

We do not yet have a full text of Dr FitzGerald's remarks. He is reported however to have said that there was a political agreement at Fontainebleau that the necessary steps should be taken at the next Budget Council to provide for the interim financing needs of the Community. The Council, he went on, failed to agree although nine member states adopted a common position on the need for additional financing and had come near agreement on the method to be adopted. All possible savings must be made, but the remaining shortfall must be provided for.

I attach a copy of a telegram which has been sent today to HM Ambassador in Dublin asking him to take up with the Irish Presidency the manner in which they are trying to tackle this problem and to make clear to them that the next Budget Council will require serious preparation and that public pressure on us to agree to extraordinary financing arrangements outside the scope of the Treaties will not promote a solution.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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FRAME GENERAL

FM UKDEL STRASBOURG 251530Z JUL 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 97 OF 25 JULY

INFO IMMEDIATE UKREP BRUSSELS

INFO ROUTINE DUBLIN, PARIS, BONN

SAVING OTHER EC POSTS , LISBON AND MADRID

FROM UKREP BRUSSELS

DR FITZGERALD'S SPEECH TO THE EUROPEAN PARLIAMENT, 25 JULY

SUMMARY

1. DR FITZGERALD'S SPEECH AT THE INAUGURATIONAL SESSION OF THE NEW EUROPEAN PARLIAMENT, INCORPORATING HIS REPORT ON THE FONTAINEBLEAU EUROPEAN COUNCIL, EMPHASISED THE NEED FOR AGREEMENT IN THE COUNCIL ON THE 1984 BUDGET, GREATER ECONOMIC COOPERATION BETWEEN EC GOVERNMENTS, COMPLETION OF THE INTERNAL MARKET, AND PROGRESS WITH THE WORK OF THE INSTITUTIONAL AND CITIZENS' EUROPE COMMITTEES.

DETAIL

BUDGET

2. DR FITZGERALD STRESSED AT VARIOUS POINTS IN HIS SPEECH THE NEED FOR THE GOVERNMENTS TO STOP WRANGLING ABOUT WHAT HE DESCRIBED AS "WHO WILL PAY WHAT SHARE OF THE - LET US FACE IT - MISERABLE 1% OF COMMUNITY OUTPUT THAT WE ALLOCATE TO THE FINANCING OF THIS COMMUNITY OF EUROPE". HE SAID THAT THE DISPUTES ABOUT MONEY AND MILK THROUGH WHICH THE COUNCIL HAD BEEN DRAGGING ITSELF PAINFULLY WERE "IRRELEVANT" IN THESE YEARS OF WORLD ECONOMIC CRISIS. THE IRISH PRESIDENCY ATTACHED VERY GREAT IMPORTANCE TO THE SECTION OF THE PRESIDENCY CONCLUSIONS FROM FONTAINEBLEAU THAT DEALS WITH THE FINANCING OF THE 1984 BUDGET. IT WAS AT HIS OWN INSTIGATION THAT THERE WAS A POLITICAL AGREEMENT IN PRINCIPLE THAT THE NECESSARY STEPS SHOULD BE TAKEN AT THE NEXT BUDGET COUNCIL MEETING TO PROVIDE FOR THE INTERIM FINANCING NEEDS OF THE COMMUNITY. REGRETABLELY THE BUDGET COUNCIL AND THE SUBSEQUENT FOREIGN AFFAIRS COUNCIL HAD FAILED TO AGREE, ALTHOUGH NINE MEMBER STATES ADOPTED A COMMON POSITION ON THE NEED FOR ADDITIONAL FINANCING, AND CAME NEAR TO AGREEMENT ON THE METHOD TO BE ADOPTED. ON THE 1983 REFUNDS, DR FITZGERALD'S SPEECH DID HOWEVER REFER TO THE FACT THAT THE PARLIAMENT'S BUDGET COMMITTEE HAD MADE "A DECISION TO RELEASE THE SUM SET ASIDE FOR THE REBATE OF THE UNITED KINGDOM IN 1983".

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ECONOMIC COOPERATION AND THE INTERNAL MARKET

3. THE TAOISEACH SAID THAT THE MEMBER STATES SHOULD TACKLE JOINTLY THE IMMENSE SOCIAL PROBLEM OF UNEMPLOYMENT BY UTILISING MORE FULLY THE CAPACITY AND PURCHASING POWER OF A COMMUNITY OF 270 MILLION PEOPLE. CONCERTED ECONOMIC ACTION BY THE EC COULD PROVIDE A BASIS FOR A RETURN TO LEVELS OF ECONOMIC GROWTH FAR HIGHER THAN COULD BE ACHIEVED BY INDIVIDUAL STATES FOLLOWING ECONOMIC POLICIES OF THEIR OWN. WHILE THE UNITED STATES WITH ITS LARGE CONTINENTAL MARKET HAD PROVIDED 15 MILLION MORE JOBS FROM 1973-83, EMPLOYMENT IN THE COMMUNITY HAD DECLINED. HE REFERRED TO THE BUREAUCRATIC AND SUPERFLUOUS CONTROLS IMPEDING THE FREE MOVEMENT OF PEOPLE AND GOODS, THE LONG QUEUES OF LORRIES AT FRONTIER POSTS AWAITING CLEARANCE OF COMPLEX DOCUMENTATION, AND OBSTACLES TO THE RIGHT TO PROVIDE SERVICES.

INSTITUTIONS

4. FITZGERALD WAS FAIRLY FULLSOME IN HIS PRAISE OF THE SPINELLI INITIATIVE. IT WAS INEVITABLE THAT THERE WOULD BE RETICENCES ON THE PART OF GOVERNMENTS WITH RESPECT TO CERTAIN ASPECTS OF THE DRAFT TREATY. BUT THE DRAFT TREATY POINTED THE WAY AHEAD AND THE ONUS WAS ON SEEKING A REAL CONSENSUS FOR ACTION THAT COULD BE TAKEN NOW TO ADVANCE THE PROCESS ENVISAGED BY THE DRAFT. THE AD HOC COMMITTEE ON INSTITUTIONAL AFFAIRS WOULD MAKE SUGGESTIONS FOR THE IMPROVEMENT OF EUROPEAN COOPERATION. DR FITZGERALD WOULD BE PROPOSING TO IT THAT IN PARTICULAR IT SHOULD EXAMINE "THE FUNCTION AND DECISION-MAKING ARRANGEMENTS OF THE INSTITUTIONS AND THE INTER-RELATIONSHIPS BETWEEN THEM, THE EFFECTIVENESS OF THE COMMUNITY IN THE SOCIAL/ECONOMIC SPHERE (INCLUDING THE EUROPEAN MONETARY SYSTEM) AND IN THAT OF TECHNOLOGY, THE POSSIBILITY OF STRENGTHENING EUROPEAN COOPERATION AND COMMON ACTION IN -FOR EXAMPLE- THE FIELDS OF EDUCATION, HEALTH, JUSTICE AND THE FIGHT AGAINST TERRORISM, AND FINALLY, PROGRESS TOWARDS EUROPEAN UNION".

5. FITZGERALD ALSO SPOKE IN SOME DETAIL ABOUT PARLIAMENT INVOLVEMENT WITH THE APPOINTMENT OF MEMBERS OF THE COMMISSION. HE SAID THAT AN IRISH PROPOSAL, WHICH HAD NO OTHER STATUS, WAS THAT PARLIAMENT WOULD BE INVITED TO APPROVE THE PROPOSED MEMBERSHIP OF THE COMMISSION, AND THAT MEMBER GOVERNMENTS WOULD CONSIDER THE PROPOSED MEMBERSHIP WITH A VIEW TO REACHING COMMON ACCORD ON THE APPOINTMENT OF THOSE CONCERNED, ONLY AFTER THE PARLIAMENT HAD GIVEN ITS APPROVAL.

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COMMENT

6. FITZGERALD'S REMARKS ON THE 1984 BUDGET HAVE CONTRIBUTED TO A GROWING SENSE AMONG MEPS THAT THE UK IS AGAIN ON ITS OWN AGAINST THE NINE AND THIS WILL NOT HELP US TO ESTABLISH A CONSTRUCTIVE ATMOSPHERE IN THE DEBATE AND VOTE WHICH IS TO FOLLOW, ON POST-FONTAINEBLEAU AND THE REFUNDS. ARNDT(GER. SOC.) REPLIED IMMEDIATELY TO FITZGERALD'S SPEECH, AS THE LEADER OF THE LARGEST GROUP. HE WAS REPEATEDLY DISOBLIGING ABOUT THE UK. HE SAID THAT THE ATMOSPHERE AFTER FONTAINEBLEAU WAS ALREADY GETTING COLDER AND COLDER. MRS THATCHER WOULD NOT OBTAIN WHAT SHE WANTED BY ALWAYS SAYING NO. THE REFUNDS MONEY WAS INTENDED TO BENEFIT THE BRITISH PEOPLE IN PARTICULAR FIELDS OF EC POLICY. THE PARLIAMENT WOULD NOT ALLOW BRITAIN TO HAVE THE MONEY FOR SPENDING ONLY ACCORDING TO THE WILL OF MRS THATCHER.

FCO ADVANCE TO:

FCO:PS/S OF S, PS/MR RIFKIND, WALL

CAB:WILLIAMSON, LAMBERT

SY:PS/MR STEWART, PEET

FCO PLS PASS ALL

(REPEATED AS REQUESTED)

STODDART

(ADVANCED AS REQUESTED)

FRAMZ GENERAL

ECD(1)

COPIES TO:-

ADVANCE ADDRESSEES

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OUT TELEGRAM

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260500Z (HONG KONG)
FM FCO 251735Z JUL 84

TO IMMEDIATE DUBLIN
TELEGRAM NUMBER

*Deskby 260500Z
HONG KONG
(FOR SECRETARY OF STATE'S PART 7)*

9 INFO IMMEDIATE UKREP BRUSSELS AND OTHER EC POSTS
10 Community Budget: 1984/85 Overruns

11 1. Unless you see objection, please speak to the Irish at a
12 suitably senior level and tell them that we are concerned at the
13 way in which the Irish Government is approaching the problem of
14 Community financing in 1984 and 1985. Instead of trying to
15 find a way through these problems which might be acceptable to
16 all member states, the Presidency appears to believe that it will
17 suffice to put public pressure on us to change our position and
18 agree that the 1984 overrun should be financed outside the
19 own resources system and, indeed, outside the Treaties. This
20 was the line taken by Dr FitzGerald in his speech to the
21 European Parliament today.

/// 22 2. You should point out that the proposal before the General
// 23 Affairs Council amounted to suggesting, in effect, that we should
/ 24 write out a cheque, outside the Treaty arrangements, to finance
25 other people's agricultural overspending. We should leave the

NNNN ends telegram	BLANK	Catchword Irish
File number	Dept ECD	Distribution Frame Economic
Drafted by (Block capitals) R W RENWICK		
Telephone number 233 3326		
Authorised for despatch <i>CW 25/vii</i>		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

Classification and Caveats

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1 <<<<
 2 Irish in no doubt that there is no prospect of the British
 3 Government agreeing to this or, if it did, of Parliament approving
 4 such an arrangement.
 5 3. If, as we hope, the Irish Presidency wishes to find a way
 6 forward, an essential step is to determine whether new own
 7 resources can be brought forward into 1985 (though the application
 8 of the 1.4 percent VAT rate could not be read back across the
 9 whole of that year). If all member states could agree to this,
 10 then it would become possible to see a way forward. The German
 11 Government at present is opposed, but it is not possible otherwise
 12 to honour the Fontainebleau agreement on budget imbalances (which
 13 provides that our refunds shall be deducted from our VAT share in
 14 1985); ~~semi-colon~~ and the French and some others do not believe
 15 that the Germans will be able to sustain ^{THEIR PRESENT} ~~this~~ position. The Dutch
 16 have expressed reservations about bringing new own resources
 17 forward in relation to the time required for their ratification
 18 procedures, but seem likely to agree to this if others do. Other
 19 member states have already indicated that they can agree.
 20 4. If a further deadlock is to be avoided in the Budget Council
 21 in September, further work will also need to be done on the
 22 figures. The Presidency figure of 1350 mecus is a purely
 23 political figure and it is not clear to what extent the reduction
 24 from the 2 billion ecus earlier estimated would constitute savings
 25 or deferrals.
 26 5. We shall be ready to hold further bilateral talks with the
 27 Presidency before the Budget Council if they think ^{THIS} would be
 28 useful.
 29 6. If the Irish state that it was agreed at Fontainebleau that
 30 steps would be taken at the next Budget Council meeting to cover
 31 the needs of the 1984 budget, you should state that - as
 32 Sir Michael Butler made clear in COREPER on 27 June -
 33 this passage of the Fontainebleau conclusions was issued by the
 34 French Presidency on its own authority. It was agreed at

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OUT TELEGRAM (CONT)

Classification and Caveats
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1 <<<<
2 Fontainebleau that the problem of the 1984 budget must be dealt
3 with and we have been proposing a means of dealing with it in
4 conformity with the Treaties and the own resources system.
5 7. For your own information, the chances of making progress on
6 the budget issues will depend on the Presidency adopting a
7 different approach. They have taken little account so far of our
8 position as represented to them in bilateral talks, including
9 my meetings with Mr Barry in Brussels. Supplementary financing
10 cannot be agreed simply because a majority of member states would
11 like it to be. It would be a serious mistake for the Irish to
12 imagine that we can be pressured into financing outside the scope
13 of the Treaties. If they are prepared to work for (a) further
14 serious examination of the figures and (b) the bringing forward
15 of new own resources, there is a possibility that the problem
16 could be reduced to manageable proportions, permitting the
17 continuance of Community policies consistent with the own
18 resources system.

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