

CONFIDENTIAL

Pr.
CDP 27/7.

PRIME MINISTER

EUROPEAN PARLIAMENT: 1983 REFUNDS

I spoke this evening to Jurgen Ruhfus as we agreed. I said that you were very disturbed by reports from the European Parliament in Strasbourg that a move was afoot to block payment of the United Kingdom's 1983 refunds, and that the move appeared to be led by the German Christian Democrats. You wanted Chancellor Kohl to know personally that you would regard this as a breach of the agreement reached at Fontainebleau. The argument appeared to be that because the UK was blocking a solution to the 1984 overrun, payment of the 1983 refund should be held up. There could be no justification at all for any such link. The agreement on our refund at Fontainebleau had been clear. There had been no agreed conclusion on the 1984 budget, only an understanding that a solution would be sought within the Treaty. Discussions were going on and there would be a further Budget Council in early September. Meanwhile the Budget Committee of the European Parliament already approved our 1983 refunds and it seemed inconceivable that the new Parliament could act gratuitously to block them. It was particularly unfortunate that the German CDU members of the European Parliament appeared to be taking a lead in this. This came very badly when you had only recently written to Chancellor Kohl to make arrangements for closer co-operation between British Conservatives and German Christian Democrats. You wanted your views conveyed urgently to the Chancellor. You hoped that he would intervene to persuade the Christian Democrats to withdraw their resolution. At the very least it should be modified so as to avoid the actual blockage of refunds.

Ruhfus undertook to pass all this on to the Chancellor as soon as possible. He said that the German Government was

CONFIDENTIAL

CONFIDENTIAL

-2-

aware of the discontent in the European Parliament over our attitude to the 1984 budget overrun but had not realised that it had reached the point where a resolution had been tabled to block our 1983 refunds. He questioned whether the German Christian Democrats were taking a lead: his information was that all parties were unhappy over the UK's obstruction over the 1984 overrun. This was a genuine problem. I repeated very firmly that there was absolutely no link between the two and that it would not be understood if payment of our refunds was now held up. Ruhfus said that personally he regretted any attempt to establish a link with the 1983 refunds.

Ruhfus subsequently rang me back to say that he had tried to contact Chancellor Kohl but discovered that he was already on his way to his holiday home. He would do his best to get a message to him. I said that it was very urgent: a vote would be taken early tomorrow. He repeated that he would do his best and telephone me in the morning.

Since dictating the above, Ruhfus has telephoned once more to say that Chancellor Kohl's Parliamentary State Secretary is now in touch with Herr Klepsch, the Leader of the Christian Democrats in the European Parliament, to see what can be done. Ruhfus said that he was keeping his fingers crossed.

Ruhfus asked me to pass to you his warmest regards.

C.D.P

26 July, 1984

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file 6

10 DOWNING STREET

From the Private Secretary

26 July 1984

Dear Galin,

EUROPEAN PARLIAMENT: 1983 REFUNDS

Sir Henry Plumb telephoned me this evening from Strasbourg about the point reached in discussions in the European Parliament of the Christian Democrat Group's resolution which would have the effect of blocking our 1983 refunds. Sir Henry Plumb's view was that the only chance of preventing the resolution from being accepted was for the Prime Minister to get Chancellor Kohl to intervene with the Christian Democrat Group.

The Prime Minister decided that it would not be advisable for her to try to speak to Chancellor Kohl direct. Instead she instructed me to speak to Herr Ruhfus and ask him to convey a message to Chancellor Kohl on her behalf.

I subsequently spoke to Herr Ruhfus. I said that the Prime Minister was very disturbed by reports from the European Parliament in Strasbourg that a move was afoot to block payment of the United Kingdom's 1983 refunds, and that the move appeared to be led by the German Christian Democrats. She wanted Chancellor Kohl to know personally that she would regard this as a breach of the agreement reached at Fontainebleau. The argument appeared to be that

CONFIDENTIAL

CONFIDENTIAL

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because the UK was blocking a solution to the 1984 overrun, payment of the 1983 refund should be held up. There could be no justification at all for any such link. The agreement on our refund at Fontainebleau had been clear. There had been no agreed conclusion on the 1984 budget, only an understanding that a solution would be sought within the Treaty. Discussions were going on and there would be a further Budget Council in early September. Meanwhile the Budget Committee of the European Parliament already approved our 1983 refunds and it seemed inconceivable that the new Parliament could act gratuitously to block them. It was particularly unfortunate that the German CDU members of the European Parliament appeared to be taking a lead in this. This came very badly when the Prime Minister had only recently written to Chancellor Kohl to make arrangements for closer co-operation between British Conservatives and German Christian Democrats. The Prime Minister wanted her views conveyed urgently to the Chancellor. She hoped that he would intervene to persuade the Christian Democrats to withdraw their resolution. At the very least it should be modified so as to avoid the actual blockage of refunds.

Ruhfus undertook to pass all this on to the Chancellor as soon as possible. He said that the German Government was aware of the discontent in the European Parliament over our attitude to the 1984 budget overrun but had not realised that it had reached the point where a resolution had been tabled to block our 1983 refunds. He questioned whether the German Christian Democrats were taking a lead: his information was that all parties were unhappy about the UK's obstruction over the 1984 overrun. This was a genuine problem. I repeated very firmly that there was absolutely no link between the two and that it would not be understood if payment of our refunds was now held up. Ruhfus said that personally he regretted any attempt to establish a link with the 1983 refunds.

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-3-

Ruhfus subsequently rang me back to say that he had tried to contact Chancellor Kohl but discovered that he was already on his way to his holiday home. He would do his best to get a message to him. I said that it was very urgent: a vote would be taken early tomorrow. He repeated that he would do his best and telephone me in the morning.

Some time later, Ruhfus telephoned once more to say that Chancellor Kohl's Parliamentary State Secretary was in touch with Herr Klepsch, the Leader of the Christian Democrats in the European Parliament, to see what can be done. He would try to let me know the outcome in the morning.

I shall try to pass the gist of the above to Sir Henry Plumb if I am able to reach him again this evening.

I am sending copies of this letter to David Peretz (HM Treasury) and David Williamson (Cabinet Office).

Yours sincerely,
Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

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FRAME ECONOMIC

FM UKREP BRUSSELS 261505Z JUL 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 2579 OF 26 JULY,

INFO BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS

BONN LUXEMBOURG ATHENS.

1983 REFUNDS

SUMMARY

1. ADVISORY COMMITTEES GAVE POSITIVE OPINIONS.

DETAIL

2. THE ADVISORY COMMITTEES SET UP UNDER THE 1983 REFUND REGULATIONS MET TODAY AND DELIVERED FAVOURABLE OPINIONS ON THE COMMISSION'S DRAFT DECISIONS ALLOCATING THE APPROPRIATE AMOUNTS OF COMMUNITY ASSISTANCE TO EMPLOYMENT, TRANSPORT AND ENERGY PROJECTS IN THE U.K. FAVOURABLE OPINIONS WERE ALSO ADOPTED ON CORRESPONDING DECISIONS RELATING TO GERMANY.
3. ALL THE OPINIONS RELATING TO THE U.K WERE ADOPTED UNANIMOUSLY. THE FRENCH HAD MADE CLEAR IN ADVANCE THAT THEY WOULD NOT VOTE AGAINST, BUT THEY RAISED A NUMBER OF POINTS OF DETAIL, IN PARTICULAR ON THE EMPLOYMENT DECISION AT TEDIOUS LENGTH.
4. THE COMMISSION REPRESENTATIVES AT ALL THREE MEETINGS MADE IT CLEAR THAT THE DECISIONS COULD NOT BE IMPLEMENTED UNTIL ALL THE PARLIAMENTARY PROCEDURES RELATING TO THE TRANSFERS FROM CHAPTER 100 COULD BE REGARDED AS COMPLETE. SOME COMMISSION REPRESENTATIVES HAVE TOLD US PRIVATELY THAT IN THEIR VIEW, UNLESS THE PARLIAMENT TAKES A NEGATIVE POSITION TOMORROW, THE TRANSFERS WILL BE APPROVED, EVEN IN THE ABSENCE OF A FORMAL LETTER TO THAT EFFECT FROM THE PRESIDENT OF THE PARLIAMENT, ONCE THE SIX WEEK TIME LIMIT HAS ELAPSED ON 8 AUGUST. BUT OTHERS WOULD NO DOUBT ARGUE THAT THE SIX WEEKS WILL NOT CONTINUE TO ELAPSE DURING THE DEAD MONTH OF AUGUST.

FCO ADVANCE TO:-

FCO - RENWICK, WALL, MARSDEN.

CAB - WILLIAMSON, LAMBERT.

TSY - UNWIN, MORTIMER, PEET, WILKINSON.

ELLIOTT

FRAME ECONOMIC

ECD (I)

(ADVANCED AS REQUESTED)

RESTRICTED

PP LUXEMBOURG

PP ATHENS

GRS 200
RESTRICTED
DESK BY 261000Z JUL 84
FM UKDEL STRASBOURG

TO DESKBY 261000Z FCO
TELEGRAM NUMBER 99 OF 26 JULY
INFO DESKBY 261000Z UKREP BRUSSELS AND BONN
PRIORITY OTHER EC POSTS

FROM UKREP BRUSSELS

1983 REFUNDS

1SUMMARY

1. THE CHRISTIAN DEMOCRATIC GROUP HAVE TABLED AN AMENDMENT
BLOCKING THE 1983 UK REFUNDS AGAIN.

DETAIL

2. THE EUROPEAN PARLIAMENT, PREOCCUPIED EARLIER THIS WEEK WITH ITS OWN COMMITTEE AND OTHER APPOINTMENTS, IS NOW FOCUSING ON THE UK'S 1983 REFUNDS AND POST-FONTAINEBLEAU GENERALLY. THE IMPRESSION MEPS HAVE FROM THE PRESS AND REPORTS FROM THEIR GOVERNMENTS AND THE COMMISSION IS THAT THE UK IS BLOCKING ANY SOLUTION TO THE 1984 OVERRUN PROBLEM. A MAJORITY OF MEPS NOW SEEM INCLINED TO LINK THE PARLIAMENT'S FINAL APPROVAL OF THE TRANSFER OF THE REFUNDS TO A SATISFACTORY OUTCOME ON THE 1984 BUDGET, WHICH THEY SEE AS AN INTEGRAL PART OF THE FONTAINEBLEAU PACKAGE. THIS POINTS TO A DECISION IN THE SEPTEMBER SESSION IF THERE IS AGREEMENT IN PRINCIPLE BEFOREHAND IN THE COUNCIL ON THE 1984 BUDGET.

3. THE CHRISTIAN DEMOCRATS TABLED TODAY AN AMENDMENT (THE PFENNIG AMENDMENT) TO THE HOFF RESOLUTION ON THIS SUBJECT WHICH WILL BE VOTED ON AT 9.00 AM TOMORROW 27 JULY. THE CD AMENDMENT READS:

6. A. REJECTS THE TRANSFER OF APPROPRIATIONS AT THIS TIME AND WILL RE-EXAMINE IT ON THE OCCASION OF THE SUBMISSION OF THE SUPPLEMENTARY BUDGET.

4. THERE IS A SERIOUS RISK OF THIS AMENDMENT BEING ADOPTED. APART FROM THE CDS, THE ITALIAN COMMUNISTS, GAULLISTS AND FRENCH SOCIALISTS HAVE SAID THEY WILL SUPPORT IT AND IT SEEMS LIKELY TO COLLECT VOTES ELSEWHERE.

5. PFLIMLIN TOLD MARSDEN YESTERDAY EVENING THAT HE ACCEPTED THE WIDESPREAD VIEW OF MEPS THAT HIS FINAL AUTHORITY FOR THE TRANSFER SHOULD AWAIT THE OUTCOME OF THE NEXT COUNCIL DISCUSSION ON THE 1984 BUDGET. HE SEEMS UNLIKELY THEREFORE TO SIGN THE TRANSFER LETTER UNLESS THERE IS A POSITIVE VOTE IN PLENARY CLEARLY AUTHORISING THIS ACTION.

6. THE EDG AND WE ARE LOBBYING HARD. THE EDG HAVE ARRANGED FOR THE OFFICIAL CIRCULATION BY THE PARLIAMENT OF THE INTERIM BUDGET



PS

PS/Mr. RIFORD.

Mr. C. RICHIE

Mr. NEWICK.

Mr. WALL

HD ED(I).

Mr. WILLIAMSON } CAB OFF
Mr. LAMBERT }

PS/Mr. STEWART

Mr. S. PEET } H.M.TSY.

NO 10. X9

6. THE EDG AND WE ARE LOBBYING HARD. THE EDG HAVE ARRANGED FOR THE OFFICIAL CIRCULATION BY THE PARLIAMENT OF THE INTERIM BUDGET COMMITTEE'S LETTER SAYING THAT THEY HAVE ALREADY TAKEN A DECISION BUT THE KEY NOW SEEMS TO LIE WITH THE CHRISTIAN DEMOCRAT GROUP. WE RECOMMEND THAT MINISTERS CONSIDER WITH SIR HENRY PLUMB URGENTLY WHETHER ANY INFLUENCE CAN USEFULLY BE BOUGHT TO BEAR TO PERSUADE THE CDS TO CHANGE COURSE. KLEPSCH IS THE NEWLY REAPPOINTED LEADER OF THE CD GROUP IN THE PARLIAMENT.

FCO ADVANCE TO :

FCO : PS/SOS, PS/MR RIFKIND, TICKELL, RENWICK, WALL

CAB: WILLIAMSON, LAMBERT

TSY : PS/MR STEWART, PEET

FCO PSE PASS ALL

STODDART

NNNN

CORRECTIO TO LAST LINE OF TEXT REAPPOINTED SHOULD READ APPOINTED

SENT/RECD AT 1034Z CWC/RHS KKK

STRAFO 003/26

DD.

DD FCO (261000Z)

DD UKREP BRUSSELS (261000Z)

DD BONN (261000Z)

PP BRUSSELS

PP COPENHAGEN

PP THE HAGUE

PP ROME

PPDUBLIN

PP PARIS

ADVANCE COPY