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FM PARIS 071540Z AUG 84

TO PRIORITY FCO

TELEGRAM NUMBER 960 OF 7TH AUGUST

INFO ROUTINE UKREP BRUSSELS, DUBLIN,

INFO SAVING ATHENS, BONN, BRUSSELS, COPENHAGEN, THE HAGUE,

LUXENBOURG, ROME, LISBON, MADRID.

Prime Minister

YOUR TELNO 142 TO DUBLIN: 1983 REFUNDS.

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SUMMARY.

1. BRICHAMBAUT (DUMAS' DIRECTEUR DE CABINET) TO WHOM IN PARTICULAR WE PUT THE POINTS IN TUR STRESSED BOTH THE NEED AND THE DIFFICULTY TO GET AN AGREED COUNCIL POSITION TO DEAL WITH THE PARLIAMENT. HE DOUBTED WHETHER NATIONAL ATTEMPTS TO INFLUENCE MEPS TO CHANGE THEIR STANCE ON 1983 REFUNDS WOULD BE PRODUCTIVE IF NOT LINKED TO A PACKAGE AGREEMENT COVERING 1984 AND 1985 BUDGET ISSUES.

DETAIL.

2. BRICHAMBAUT SAID THAT PARLIAMENT'S VOTE TO BLOCK THE 1983 REFUNDS HAD BEEN UNEXPECTED, CERTAINLY FOR THE FRENCH. STATEMENTS FROM THE PRESIDENT, THE PRIME MINISTER AND DUMAS HAD MADE CLEAR THE FRENCH GOVERNMENT'S VIEW. BUT THE VOTE HAD PROMPTED THEM TO REFLECT ON HOW COMPLEX A SITUATION WAS DEVELOPING IN RELATION TO THE 1984/85 BUDGETS. THE NEWLY ELECTED PARLIAMENT WAS FLEXING ITS MUSCLES: IT WOULD BE UNWISE TO BELIEVE THAT IT WOULD BACK DOWN FROM ITS POSITION IN SEPTEMBER SIMPLY BECAUSE MEMBER STATES WANTED IT TO DO SO. THE DISPUTE WAS ESSENTIALLY ABOUT PARLIAMENT'S BUDGETARY POWERS, AND ONLY INCIDENTALY ABOUT 1983 REFUNDS. FINDING A SOLUTION ACCEPTABLE TO AN UNPREDICTABLE PARTNER SUCH AS THE PARLIAMENT WOULD BE MORE DIFFICULT THEN DEVISING COMPROMISES AMONGST MEMBER STATES.

3. BRICHAMBAUT SAID THAT RECONCILING THE BRITISH POSITION ON 1984 BUDGET OVERRUN WITH THAT OF OTHER MEMBER STATES: AGREEING A TEXT ON BUDGET DISCIPLINE: AND PERSUADING THE GERMANS TO MOVE ON THE DATE OF NEW OWN RESOURCES WAS A COMPLEX NEGOTIATION IN ITSELF. THE PARLIAMENT'S VOTE NOW ADDED A FURTHER POLITICAL DIMENSION, AND HEIGHTENED THE TEMPERATURE OF THE DEBATE. IT WAS IMCONCEIVABLE THAT THESE INTERESTS COULD BE RECONCILED WITHOUT SOME CONCESSIONS ON ALL SIDES: THE QUESTION WAS HOW FAR THE COUNCIL SHOULD GO TO PERSUADE THE PARLIAMENT TO CLIMB DOWN ON 1983 REFUNDS, WITHOUT WHETTING ITS APPETITE FOR CREATING FURTHER BUDGETARY OBSTACLES. THE NEGOTIATION OF AN ACCEPTABLE PACKAGE WOULD BE THE JOB OF THE BUDGET COUNCIL IN SEPTEMBER. IF THAT DID NOT SUCCEED, THE TIMETABLE WOULD GET EXTREMELY TIGHT.

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4. COMMENTING ON THE UK VIEW THAT IT WOULD BE OUTSIDE THE TREATY TO FINANCE 1984 EXPENDITURE BEYOND THE OWN RESOURCES CEILING, BRICHAMBAUT COMMENTED THAT ONE COULD NOT REST ON THE LETTER OF THE TREATY IF MEANWHILE THE COMMUNITY WAS UNABLE TO FUNCTION. THERE WAS SURELY AN OBLIGATION TO HONOUR COMMITMENTS TO FARMERS ENTERED INTO BY THE AGRICULTURE COUNCIL JUST AS THERE WAS TO OBSERVE THE OWN RESOURCES CEILING. A WAY HAD TO BE FOUND, AND IT WAS NOT NECESSARILY HELPFUL FOR THE UK TO INSIST ON THE LEGAL FORMALITIES. WHILST THE FRENCH WERE PREPARED TO LOOK AT THE SCOPE FOR SAVINGS AND AT CARRY-OVER, THE SOLUTION TO 1984 OVERRUN COULD NOT BE ACHIEVED BY THOSE MEANS ALONE. NATIONAL FINANCING, ON HOWEVER TEMPORARY A BASIS, WAS OUT OF THE QUESTION, BOTH ON PRINCIPLE AND FOR PRACTICAL REASONS. THE SMALLER MEMBER STATES, SOME OF THE LARGER TOO, WOULD FIND THE FINANCIAL BURDEN TOO GREAT.

5. ASKED WHETHER THE IMPORTANCE TO THE UK OF A FIRM COMMITMENT ON BUDGET DISCIPLINE WAS RECOGNISED, BRICHAMBAUT COMMENTED THAT THE QUESTION OF ACCEPTABILITY TO THE BRITISH PARLIAMENT WAS UNDERSTOOD. BUT HE COUNSELLED CAUTION. OTHER MEMBER STATES WERE LESS RIGOROUS ON THE POINT THAN THE UK, AND LESS INCLINED TO SEE THIS AS AN INDISPENSIBLE ELEMENT, ESPECIALLY IN THE PRESENT IMPASSE. MOREOVER, THERE COULD BE NO GUARANTEE THAT THE PARLIAMENT WOULD ACCEPT BUDGET DISCIPLINE IN THE TERMS EVENTUALLY AGREED BY THE COUNCIL, SINCE IT WAS BOUND TO AFFECT ITS OWN BUDGETARY POWERS.

6. DISCUSSING THE GERMAN POSITION ON THE INTRODUCTION OF NEW OWN RESOURCES, BRICHAMBAUT COMMENTED THAT THE GERMANS HAD STRUCK AN UNHELPFUL POLITICAL ATTITUDE BASED, IN HIS VIEW, MORE ON METAPHYSICS THAN LAW. IT WAS AS IMPORTANT FOR THEM TO MOVE AS IT WAS FOR THE BRITISH TO TAKE A LESS RIGID STANCE ON 1984 OVERRUN. IF NOT, IT WAS PROBABLE THAT THE PARLIAMENT WOULD CREATE JUST AS SERIOUS A PROBLEM ON THE 1985 BUDGET AS ON 1984.

7. BRICHAMBAUT SAW LITTLE MILEAGE IN TRYING TO INFLUENCE FRENCH MEPS TO CHANGE THEIR MINDS ON 1983 REFUNDS UNTIL THE COUNCIL ITSELF KNEW WHERE IT WAS GOING. PARLIAMENT HAD ALREADY ACTED IN AN UNEXPECTED FASHION. OBVIOUS PRESSURE FROM GOVERNMENTS MIGHT MAKE IT EVEN MORE WAYWARD. (THERE IS ALSO OF COURSE THE POINT THAT MOST FRENCH MEP'S ARE FROM THE OPPOSITION, WHO ARE UNWILLING TO GIVE CREDIT TO MITTERRAND FOR THE FONTAINEBLEAU SETTLEMENT).

FCO PLEASE PASS SAVING ADDRESSEES.

[REPEATED AS REQUESTED]

PETRIE

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