

GRS 1100

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FROM UKREP BRUSSELS 171820Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2895 OF 17 SEPTEMBER

INFO IMMEDIATE BONN PRIORITY COPENHAGEN THE HAGUE ROME DUBLIN PARIS

LUXEMBOURG ATHENS

INFO SAVING BRUSSELS

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FOREIGN AFFAIRS COUNCIL, 17 SEPTEMBER

BUDGETARY ISSUES: PROGRESS REPORT

SUMMARY

1. AT THE END OF THE MORNING, THE COUNCIL REMAINED DEADLOCKED ON THE DATE WHEN THE NEW OWN RESOURCES DECISION SHOULD COME INTO EFFECT. THE PRESIDENCY TABLED A COMPROMISE PROPOSAL AND SAID THAT THERE WOULD BE FURTHER DISCUSSION IN RESTRICTED SESSION IN THE AFTERNOON. IN THE EVENT THERE WAS NO TIME FOR THIS, AND DISCUSSION WILL THEREFORE RESUME TOMORROW MORNING.

DETAIL

2. ON BUDGET DISCIPLINE, BARRY (PRESIDENCY) READ OUT THE REPORT FROM THE INFORMAL ECOFIN MEETING. HE SAID THAT GOOD PROGRESS HAD BEEN MADE

IN THAT LIGHT, IT WOULD BE UNACCEPTABLE FOR THE COUNCIL TO FAIL TO ESTABLISH THE 1984 AND 1985 BUDGETS. THE GREEKS AND DANES EXPRESSED RESERVATIONS ABOUT THE PRESIDENCY TEXT. LEPRETTE, IN THE ABSENCE OF DUMAS, SAID IT WAS STILL UNDER STUDY IN PARIS. YOU AGREED THAT THE COUNCIL WOULD NOT BE ABLE TO REACH CONCLUSIONS TODAY. IT WAS ESSENTIAL TO CONTINUE WORK ON ALL THE POST FONTAINEBLEAU DOSSIERS IN PARALLEL. ANDREOTTI SAID THAT CONSIDERABLE PROGRESS HAD BEEN MADE. THE 1984 AND 1985 BUDGETS SHOULD BE UNBLOCKED. BARRY CONCLUDED THAT THE COUNCIL SHOULD AIM FOR AGREEMENT ON BUDGET DISCIPLINE IN TWO WEEKS' TIME.

3. ON NEW OWN RESOURCES, BARRY AS EXPECTED PROPOSED A COMPROMISE PACKAGE RESOLVING ALL THE OUTSTANDING POINTS EXCEPT TIMING IN FAVOUR OF THE MAJORITY POSITION. HE ASKED WHETHER THE DUTCH AND GERMANS COULD MOVE ON TIMING. VAN EEKELLEN SAID THAT THE DUTCH STILL REGARDED NEW OWN RESOURCES AS LINKED TO ENLARGEMENT BUT WERE WILLING TO BE FLEXIBLE. THEY WELCOMED THE BRITISH PROPOSAL AND DID NOT RULE OUT THE POSSIBILITY OF NEW OWN RESOURCES IN 1985 IF ENLARGEMENT WAS ON TARGET. BUT ONE COULD NOT ANTICIPATE EVENTS IN 1985 AND THE POSSIBILITY OF FINANCING THE OVERRUN IN SOME OTHER WAY SHOULD BE LEFT OPEN. THE UK COMPENSATION AND THE OVERRUN SHOULD BE SEEN AS A SINGLE PROBLEM.

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4. RUHFUS SAID THAT GERMANY STOOD BY ITS POSITION THAT THE OWN RESOURCES DECISION SHOULD NOT COME INTO EFFECT BEFORE 1 JANUARY 1986. HOW TO PAY THE BRITISH REFUND IN 1985 WAS A TECHNICAL PROBLEM WHICH COULD BE MANAGED BY TRANSITIONAL ARRANGEMENTS IN THE OWN RESOURCES DECISION. THE DECISION SHOULD COME INTO FORCE ON THE FIRST DAY OF THE MONTH FOLLOWING THE LAST RATIFICATION. THE MEMBER STATES COULD DECLARE AN INTENTION TO RATIFY IN TIME FOR THE NECESSARY BUDGETARY PROCEDURES TO BE CARRIED OUT. BUT THE DECISION WOULD NOT TAKE EFFECT UNTIL 1 JANUARY 1986.

5. YOU SAID THAT THE RIGHT WAY TO IMPLEMENT THE FONTAINEBLEAU CONCLUSION THAT OUR 1984 CORRECTION SHOULD BE MADE BY DEDUCTION FROM VAT IN 1985 WAS BY BRINGING FORWARD A LIMITED AMOUNT OF OWN RESOURCES IN 1985. A MAJORITY OF MEMBER STATES COULD ACCEPT THIS. HOWEVER YOU RECOGNISED THE NEED TO MEET THE POSITIONS OF THE DUTCH AND GERMANS. YOU TABLED A REVISED TEXT OF THE UK PROPOSAL AND EXPLAINED HOW THIS PROTECTED THEIR POSITIONS WHILE RETAINING THE OPTION OF A HIGHER VAT RATE IN 1985 SHOULD THIS PROVE NECESSARY, TAKING ACCOUNT OF PROGRESS ON ENLARGEMENT. THE AMENDMENT PROVIDED FOR PAYMENT OF OUR 1984 CORRECTIONS ON THE LINES SUGGESTED BY TIETMEYER AT THE BUDGET COUNCIL.

6. VAN EEKELLEN SAID THAT THE REVISED UK PROPOSAL WAS AN IMPROVEMENT HE COULD ACCEPT OUR TEXT ON A POSSIBLE COUNCIL DECISION TO INCREASE VAT IN 1985. BUT THE TEXT ON THE UK CORRECTION WAS MORE DIFFICULT, BECAUSE IT MEANT THAT INDIVIDUAL MEMBER STATES WOULD HAVE VAT RATES ABOVE 1 PERCENT IN 1985. ALL BUT THE FIRST SENTENCE SHOULD BE DELETED.

7. RUHFUS COULD NOT ACCEPT EVEN A CONDITIONAL REFERENCE TO INCREASING VAT BEFORE 1986. THIS WAS THE THIN END OF THE WEDGE. THE BRITISH REFUND PROBLEM SHOULD BE RESOLVED ON THE BASIS DISCUSSED AT THE BUDGET COUNCIL. HE COULD ACCEPT THE APPROPRIATE PART OF OUR AMENDMENT, BUT OMITTING THE WORD 'IMMEDIATE'. TINDEMANS SAID THAT OUR PROPOSAL CONFLICTED WITH THE PRESIDENCY TEXT ON 1985: IT MADE US INTO A 'PRIVILEGED CREDITOR' WITHOUT ANY GUARANTEE ABOUT COVERING THE OVERRUN. ANDREOTTI APPEALED FOR REALISM. IT WAS BEST TO HAVE NEW OWN RESOURCES IN 1985. THE TEXT COULD SAY THAT 1 JANUARY 1986 WAS THE ULTIMATE DEADLINE. LEPRETTE AND PANGALOS AGREED WITH TINDEMANS. RUHFUS, TAKING UP ANDREOTTI'S SUGGESTION, SAID THAT THERE COULD BE A REFERENCE TO THE DECISION COMING INTO FORCE BEFORE 1 JANUARY 1986, BUT IT SHOULD NOT TAKE EFFECT BEFORE THEN. THE UK REFUND WOULD BE IMPLEMENTED IN 1985 AS ENVISAGED AT THE BUDGET COUNCIL. ELLEMANN-JENSEN SAID THE UK PROPOSAL RISKED DESTROYING THE PROGRESS WHICH HAD BEEN MADE: 9 DELEGATIONS COULD ALREADY ADOPT A DECLARATION WHICH LEFT OPEN THE METHOD OF FINANCING THE 1985 OVERRUN.

8. ANSWERING TINDEMANS, YOU SAID THAT IT WAS NOT A MATTER OF MAKING THE UK A PRIVILEGED CREDITOR BUT OF IMPLEMENTING FONTAINEBLEAU. YOU EXPLAINED OUR PROPOSAL AGAIN AND REPEATED THAT WE COULD NOT AGREE TO ANY SUPPLEMENTARY FINANCE IN 1985 OUTSIDE THE OWN RESOURCES DECISION. YOU CIRCULATED A NEW TEXT OF THE DRAFT COUNCIL DECLARATION ON FINANCING THE 1985 OVERRUN.

9. BARRY SAID THAT THE COUNCIL SHOULD NOW ESTABLISH THE TWO BUDGETS AND CONCLUDE THE INTERGOVERNMENTAL AGREEMENT ON 1984 FINANCE. HE ASKED O'KEEFE TO REPORT ON THE ASSURANCES GIVEN BY COT THAT THE PARLIAMENT WOULD RELEASE THE 1983 REFUNDS ON RECEIPT OF THE SUPPLEMENTARY BUDGET. RUHFUS OBJECTED THAT OUR DRAFT DECLARATION WENT BACK ON A POSITION WHICH 9 MEMBER STATES COULD ACCEPT. VAN EEKELLEN, HOWEVER, SAID THAT OUR TEXT HAD SOME POSITIVE FEATURES. SOME AMBIGUITY ABOUT 1985 WAS UNAVOIDABLE AT THIS STAGE. RUHFUS SAID HE WAS PREPARED TO DISCUSS AMENDMENTS TO OUR TEXT TO MAKE CLEAR THAT IT WAS NOT A COUNCIL DECLARATION AND TO SUBSTITUTE 'FUNDS' FOR 'EXPENDITURE'. TUGENDHAT APPEALED FOR A FIRM COMMITMENT TO FINANCE BOTH THE OVERRUN AND THE UK COMPENSATION.

10. BARRY THEN TABLED A PRESIDENCY COMPROMISE PROPOSAL INCORPORATING AMENDMENTS TO THE UK TEXT OF ARTICLE 3.4, A NEW DRAFT DECLARATION ON THE 1985 OVERRUN AND AN ENTRY IN THE MINUTES, WHICH WAS SUBSEQUENTLY REVISED, RECORDING THE DUTCH AND GERMAN POSITIONS. HE SAID THIS WOULD BE DISCUSSED IN RESTRICTED SESSION AFTER LUNCH (BUT THE WHOLE OF THE AFTERNOON WAS IN THE EVENT TAKEN UP WITH OTHER ISSUES.)

11. YOU SAID THAT, PROVIDED THERE WAS AGREEMENT ON THE OWN RESOURCES DECISION AND BUDGET DISCIPLINE, WE WOULD MOVE ON THE 1984 BUDGET. BUT BECAUSE OF THE PROBLEM WITH 1983 REFUNDS, WE NEEDED TO ADD THE FOLLOWING SENTENCE TO THE DRAFT INTERGOVERNMENTAL AGREEMENT: 'THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES RECOGNISE THAT THE BRITISH GOVERNMENT WILL NOT BE IN A POSITION TO COMPLETE ITS NATIONAL PROCEDURES UNTIL THE EUROPEAN PARLIAMENT HAS APPROVED THE RELEASE OF THE UK'S REFUNDS FOR 1983'.

FCO ADVANCE TO:
FCO - RENWICK WALL MARSDEN
CAB - WILLIAMSON LAMBERT
TSY - UNWIL FITCHEW MORTIMER PEET

(ADVANCED AS REQUESTED)

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