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C O N F I D E N T I A L

DESKBY 291200Z

FRAME ECONOMIC

FM UKREP BRUSSELS 291045Z SEP 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 3107 OF 29 SEPTEMBER,

INFO PRIORITY BRUSSELS LUXEMBOURG COPENHAGEN ATHENS THE HAGUE

ROME DUBLIN PARIS BONN STRASBOURG,

INFO SAVING LISBON, MADRID.

ECOFIN COUNCIL : 1 OCTOBER.

BUDGET DISCIPLINE.

SUMMARY

THE PRESIDENCY' COMPROMISE DRAFT ON BUDGET DISCIPLINE (TEXT BY CLASSIFIED MUFAX TO ECD/I) MEETS U.K OBJECTIVES ON THE LEGAL FORM AND THE MAXIMUM RATE BUT IS FAR LESS SATISFACTORY ON THE AGRICULTURAL ISSUES.

DETAIL

1. THE SALIENT FEATURES OF THE PRESIDENCY COMPROMISE ARE AS FOLLOWS:-

(I) THE DOCUMENT IS DESCRIBED AS A DECISION, WITHOUT SQUARE BRACKETS:

(II) THE PRESIDENCY HAVE "COMPROMISED" ON 15 MARCH AS THE DATE FOR SETTING THE REFERENCE FRAMEWORK:

(III) THE REFERENCE TO THE ROLE OF THE ECOFIN COUNCIL HAS BEEN DELETED FROM THE TEXT, THOUGH IT APPEARS IN ATTENUATED FORM IN A DRAFT STATEMENT IN THE MINUTES:

(IV) THERE IS A COMPLICATED COMPROMISE ON BASE DRIFT: ARTICLE 4.2 SAYS THAT THE BASE FIGURES SHALL BE ORIGINAL BUDGET, UNLESS THE COUNCIL DECIDES OTHERWISE BY QUALIFIED MAJORITY: BUT ARTICLE 10 ENVISAGES A TRANSITIONAL ARRANGEMENT IN WHICH THE BASE FIGURES USED TO ESTABLISH THE GUIDELINES FOR THE YEARS 1986 TO 1988 WILL BE DETERMINED BY THE COUNCIL IN THE LIGHT OF OUTTURN EXPENDITURE:

(V) ARTICLE 5 TAKES OVER THE DEFINITION "QUALITATIVE GUIDELINE" WHICH THORN'S LETTER INSISTED UPON: IT USES THE WEAK FORMULA FOR CLAWBACK FROM THE ORIGINAL TEXT, NOT THE TOUGHER FORMULA PUT FORWARD BY THE U.K, GERMANY AND THE NETHERLANDS:

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(VI) ARTICLE 7 SURVIVES IN BOWDLERISED FORM, BUT THE PRESIDENCY HAVE ADOPTED THE ITALIAN PROPOSAL FOR ARTICLE 8.

(VII) ARTICLE 9 SURVIVES, DESPITE THORN'S OBJECTIONS: IT CONTAINS THE AMENDMENT SUGGESTED BY THE U.K TO ENSURE COMPATIBILITY WITH THE TREATY:

(VIII) THE U.K ENTRY IN THE MINUTES RELATING TO THE DEFINITION OF AGRICULTURAL EXPENDITURE IN ARTICLE 3 IS MISSING.

2. COMMENT: THE PRESIDENCY HAVE SHOWN COURAGE IN STICKING TO THE LEGAL FORM OF A COUNCIL DECISION AND IN IGNORING THORN'S COMMENTS ABOUT THE ROLE OF THE PARLIAMENT, THE MAXIMUM RATE AND THE TREATY. ON THE OTHER HAND, THE AGRICULTURAL PART OF THE DRAFT IS UNSATISFACTORY. 15 MARCH IS TOO LATE, THE ROLE OF ECOFIN MINISTERS IS NOT WELL DEFINED AND THE PROVISIONS ON BASE DRIFT AND CLAWBACK ARE FEEBLE. IN ALL, THE DRAFT SEEMS UNLIKELY TO PLEASE ANYONE, THOUGH IT IS PROBABLY ABOUT AS GOOD A BASIS FOR NEGOTIATION AS WE COULD HAVE HOPED, COMING FROM A PRESIDENCY WHICH IS FUNDAMENTALLY OPPOSED TO BUDGET DISCIPLINE.

3. RESIDENT CLERK PLEASE PASS IMMEDIATE TO NO.10 DOWNING STREET
----- AND TO UNWIN OR FITCHEW, TREASURY.

FCO ADVANCE TO:-

FCO - RENWICK, WALL, MARSDEN.

CAB - WILLIAMSON, LAMBERT.

MAFF- ATTRIDGE.

TSY - UNWIN, FITCHEW, HOPKINSON, BOSTOCK, PEET.

FCO PASS SAVING TO: LISBON/AND MADRID.

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REPEATED AS REQUESTED

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