

**RESTRICTED**

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 FRAME ECONOMIC  
 DESKBY 020830Z

FROM LUXEMBOURG 012300Z OCT 84  
 TO IMMEDIATE FCO

TELEGRAM NUMBER 261 OF 1 OCTOBER  
 AND TO IMMEDIATE UKREP BRUSSELS  
 INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN  
 PARIS BONN ATHENS

FROM UKREP BRUSSELS

ECGF IN COUNCIL 1 OCTOBER 1984

**BUDGET DISCIPLINE**

SUMMARY

1. AGREEMENT ON SUBSTANCE SUBJECT TO A GENERAL DANISH RESERVE AND A FRENCH RESERVE ON ONE POINT. NO AGREEMENT TONIGHT ON LEGAL FORM; CHOICE RESTS BETWEEN A COUNCIL DECISION OR A COUNCIL RESOLUTION. FRENCH RESERVE AND LEGAL FORM LIKELY TO BE SETTLED AS PART OF ANY OVERALL SETTLEMENT OF THE RELATED BUDGETARY ISSUES. THE OUTCOME OF TODAY'S COUNCIL TO BE REPORTED TO FOREIGN AFFAIRS COUNCIL TOMORROW.

DETAIL

2. THE CHANCELLOR OF THE EXCHEQUER REPRESENTED THE UK.

3. THERE WERE SOME HOURS OF DISCUSSION OF BUDGET DISCIPLINE. DUKES (IRELAND) WAS AN EXCELLENT CHAIRMAN. THE DISCUSSIONS WERE WORKMEN-LIKE AND GOOD NATURED. DANES TOOK A GENERALLY INFLEXIBLE LINE AND TRIED TO DIVERT DISCUSSION FROM THE PRESIDENCY COMPROMISE TEXT TO A DENATURED TEXT OF THEIR OWN. HOWEVER DISCUSSION WAS IN FACT BASED CLOSELY ON THE PRESIDENCY TEXT WHICH PROVED WELL JUDGED AND SURVIVED IN QUITE LARGE MEASURE. FRANCE ITALY AND GREECE RAISED A NUMBER OF SIGNIFICANT DIFFICULTIES BUT ENGAGED IN A SERIOUS AND CONSTRUCTIVE NEGOTIATION. UK RECEIVED STRONG SUPPORT FROM GERMANY (STOLTENBERG) AND NETHERLANDS (RUDING) AND USEFUL SUPPORT FROM BELGIUM AND LUXEMBOURG. NOR DID THE COMMISSION CREATE GREAT DRAMAS OR DIFFICULTIES DESPITE THORN'S UNHELPFUL LETTER OF LAST WEEK. MOSTLY THEY SAT SILENT.

4. THE MAIN POINTS OF DISCUSSION ON THE PRESIDENCY TEXT AND THE OUTCOME WERE AS FOLLOWS:

**TIMING OF THE REFERENCE FRAMEWORK**

THE FORMULA AGREED UPON WAS QUOTES BEFORE THE BEGINNING OF THE BUDGETARY PROCEDURE UNQUOTES, IT BEING UNDERSTOOD THAT THE (TIGHTER) TIMETABLE FOR THE FINANCIAL GUIDELINE FOR AGRICULTURE WAS GOVERNED BY ARTICLE 2 AND THE COMMISSION'S DECLARATION

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/ BASE DRIFT

BASE DRIFT

FRENCH PRESSURE TO BASE THE CALCULATION OF THE GUIDELINE ON  
OUTTURN EXPENDITURE FIGURES WAS RESISTED BY THE UK AND SEVERAL  
OTHER DELEGATIONS. FRANCE THEN TRIED TO LEAVE THE CHOICE BETWEEN  
ORIGINAL BUDGET OR OUTTURN TO BE DECIDED BY THE COUNCIL EACH YEAR.  
ONLY THE DANES SUPPORTED THEM ON THIS AND FRANCE EVENTUALLY  
AGREED TO THE INCLUSION OF ORIGINAL BUDGET PROVIDED AGREEMENT ON  
BUDGET DISCIPLINE WAS PART OF A WIDER AGREEMENT ON THE POST-  
FONTAINEBLEAU PACKAGE.

CLAWBACK

THE TEXT IN THE PRESIDENCY COMPROMISE WAS ACCEPTED.

MAXIMUM RATE

THE PRESIDENCY TEXT WAS RECAST, ON THE COMMISSION'S SUGGESTION,  
WITHOUT IN ANY WAY ALTERING THE SUBSTANCE, IN ORDER TO AVOID  
ANY CLASH WITH ARTICLE 203 OF THE TREATY AND TO REDUCE THE RISK  
OF FRICTION WITH THE PARLIAMENT.

DATE OF COMING INTO EFFECT

A UK TEXT WAS ACCEPTED WHICH ENSURES THAT BUDGET DISCIPLINE  
APPLIES TO COUNCIL DECISIONS IN 1985 AFFECTING THE 1986 BUDGET.

5. THE DANES MAINTAINED A GENERAL RESERVE ON THE TEXT. THE  
CHANCELLOR MADE CLEAR THAT THE UK'S AGREEMENT TO THE COMPROMISE  
TEXT WAS SUBJECT TO IT BEING PART OF A WIDER BUDGET AGREEMENT.

6. THE QUESTION OF THE LEGAL FORM OF THE CONCLUSIONS WAS LEFT OVER  
UNTIL THE SUBSTANCE HAD BEEN SETTLED. SEVERAL DELEGATIONS  
SUPPORTED THE UK'S INSISTENCE ON A DECISION "SUI GENERIS", SOME  
OF THEM OPINING THAT THERE WAS LITTLE DIFFERENCE BETWEEN THIS AND  
THE RESOLUTION. THE MEETING SEEMED TO COME QUITE CLOSE TO  
AGREEMENT ON A DECISION BUT A STATEMENT FROM THE COUNCIL LEGAL  
SERVICE WHICH TENDED TO HIGHLIGHT THE LEGAL NATURE OF A DECISION  
SUI GENERIS PUSHED THE WAVERERS BACK INTO THE FRENCH AND DANISH  
OPPOSITION CAMP.

7. PRESIDENCY CONCLUDED THAT THE QUESTION OF LEGAL FORM TOGETHER  
WITH THE TWO RESERVATIONS ON SUBSTANCE (FRANCE AND DENMARK)  
WOULD BE REPORTED TO THE FOREIGN AFFAIRS COUNCIL. AT GERMANY'S  
INSISTENCE IT WAS AGREED TO ASK THE FOREIGN AFFAIRS COUNCIL NOT TO  
REOPEN THE SUBSTANCE THOUGH IT WAS HOPED THAT THE OUTSTANDING  
POINTS MIGHT BE SETTLED AS PART OF AN OVERALL AGREEMENT.

8. MORE DETAILED REPORT TO FOLLOW TOMORROW.

FCO ADVANCE TO:

FCO - TICKELL WALL

CAB - STAPLETON LAMBERT

TSY - PS/CHANCELLOR UNWIN BOSTOCK HOPKINSON PEET

T/SOL - PRESTON

UKREP DIST: BUTT/S-WALWYN - FULL

MAUD

FRAME ECONOMIC  
ECD(I)

(ADVANCED AS REQUESTED)

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COPIES TO:  
ADVANCE ADDRESSEES