

RESTRICTED

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FRAME STRUCTURAL

FM UKREP BRUSSELS 291810Z JAN 85

TO IMMEDIATE F C O

TELEGRAM NUMBER 296 OF 29 JANUARY

INFO ROUTINE BRUSSELS, COPENHAGEN, THE HAGUE, ROME, DUBLIN,
PARIS, BONN, LUXEMBOURG, ATHENS, LISBON, MADRID.FOREIGN AFFAIRS COUNCIL 28-29 JANUARY: IMPS.

RECORD OF LUNCHTIME DISCUSSION.

1. OVER LUNCH ON 28 JANUARY, DELORS (PRESIDENCY) RECALLED THAT AT DUBLIN THERE HAD BEEN TWO PROPOSITIONS:

(I) ONE GROUP HAD REJECTED THE ORIGINAL COMMISSION PROPOSAL AS TOO HIGH GIVEN NEED FOR BUDGET RESTRAINT:

(II) OTHER EMPHASISED - AND PAPANDEOU HAD ESTABLISHED - A LINK BETWEEN ENLARGEMENT AND IMPS.

2. DELORS SAID HE WOULD REFRAIN FROM COMMENT ON THE HISTORY. HE WANTED RATHER TO MAKE THE FOLLOWING POINTS:

(A) THE REGIONAL FUND WAS ALREADY IN EXISTENCE AND SERVED A PURPOSE:

(B) IMPS HAD BEEN CONCEIVED TO OFFSET THE EFFECT OF ENLARGEMENT ON THE EXISTING MEMBER STATES:

(C) GREECE FACED A SPECIAL AND VERY REAL PROBLEM OF ADAPTATION. HENCE THE TRANSITIONAL PERIOD FOR GREECE, AND THE DEROGATIONS TO ALLOW TIME FOR HER TO ADAPT. WHAT WAS MISSING WAS A RESPONSE TO THE GREEK MEMORANDUM:

(CD) HOW THEN SHOULD THE COMMUNITY RESPOND QUICKLY GIVEN THE PRESENT NEED FOR FINANCIAL RESTRAINT? IF THE ERDF AND FEOGA WERE FIXED HIGH ENOUGH, IT SHOULD BE POSSIBLE TO PUT FORWARD A MANAGEABLE PACKAGE:

(E) THE COMMISSION'S PROPOSAL HAD TWO OBJECTIVES: TO COPE WITH THE GREEK PROBLEM AND TO DO SO WITHIN THE AVAILABLE FUNDS. IT WAS NECESSARY TO DIVERSIFY ASSISTANCE TO GREECE TAKING ACCOUNT NOT ONLY OF THE STRUCTURAL FUNDS AVAILABLE BUT ALSO OF OTHER FINANCIAL FLOWS INCLUDING LENDING FROM EG THE EIB. HE THEREFORE PROPOSED AN OUTLINE REGULATION, WITH AN ANNUAL DEFINITION OF THE PROGRAMME ON A YEAR TO YEAR BASIS OVER A PERIOD OF 5 OR 7 YEARS. THIS WOULD INVOLVE 2 ELEMENTS: A CHANGE IN THE WAY THE COMMUNITY'S FUNDS AS A WHOLE WERE MANAGED: AND A REDUCTION IN THE TOTALS PROPOSED.

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3. BARRY (IRELAND) ASKED IF THE COMMISSION PROPOSED THAT PART OF THE EXISTING STRUCTURAL FUNDS SHOULD BE USED FOR IMPS. HE HAD ALWAYS THOUGHT THAT MONEY FOR IMPS WOULD BE ADDITIONAL. DELORS GAVE A BALANCED ANSWER, NOTING THAT THE CONDITIONS OF MEMBER STATES IN THE NORTH WOULD NOT SUFFER. THE AIM WAS TO MAKE BETTER USE OF THE SUMS AVAILABLE, WITH SOME ADDITION.

4. PANGALOS (GREECE) SAID HE WAS GRATEFUL FOR THE FRESH COMMISSION APPROACH. HE WELCOMED THE SPECIAL ATTENTION PAID TO GREECE. OF COURSE, GREECE LOOKED FOR SPECIAL HELP FROM THE EXISTING FUNDS. THE IDEAS PUT FORWARD BY DELORS WERE FINE, BUT FIGURES NEEDED TO BE ATTACHED TO THEM. GREECE WAS READY TO EXAMINE THE APPROACH NOW PROPOSED, BUT THE DETAILS HAD TO BE CLEAR. MEDITERRANEAN COUNTRIES WERE FACING EXTRA COSTS FROM ENLARGEMENT AND FROM FONTAINEBLEAU. GREECE HAD PAID A PRICE FROM FONTAINEBLEAU AND REQUIRED COMPENSATION. THE FIGURES WERE CLEAR AND HAD TO BE TAKEN INTO ACCOUNT.

5. GENSCHER (GERMANY) SAID THAT THE COMMISSION HAD OFFERED A NEW APPROACH. AT DUBLIN THE COMMISSION PROPOSAL HAD BEEN FELT TO BE UNACCEPTABLY HIGH. THERE WAS NOW A NEW APPROACH: IMPS WERE TO BE CONCENTRATED ON THE MEDITERRANEAN COUNTRIES WITH THE GREATEST NEED, ESSENTIALLY GREECE. GREECE ALREADY RECEIVED A LOT FROM THE EXISTING STRUCTURAL FUNDS. WE NEEDED A REALISTIC ORDER OF MAGNITUDE FOR IMPS - THE OPPOSITE OF WHAT THE COMMISSION HAD PROPOSED SO FAR. FIORET (ITALY) SAID THAT THE ORIGINAL IDEA HAD BEEN TO SECURE A BALANCE, TAKING ACCOUNT OF THE COMMUNITY'S MEDITERRANEAN POLICY. HOW COULD THIS BE DONE THROUGH THE EXISTING STRUCTURAL FUNDS?

6. THE SECRETARY OF STATE SAID THAT DUBLIN SUMMIT AND PRESSURES ON EC FUNDS ARGUED FOR MORE EMPHASIS ON THE GREEK MEMORANDUM. ENLARGEMENT TERMS PROVIDED CONSIDERABLE PROTECTION FOR MEDITERRANEAN PRODUCERS, AND IMPS SHOULD BE RESTRICTED TO 3 YEARS ONLY. THE FONTAINEBLEAU CONCLUSIONS MEANT INTEGRATING IMPS INTO EXISTING FUNDS WITHIN THE LIMITED MONEY AVAILABLE. GREECE AND ITALY WERE LIKELY TO BENEFIT TO THE TUNE OF 3 BECUS AND 7.5 BECUS RESPECTIVELY FROM STRUCTURAL FUNDS IN NEXT FIVE YEARS. THERE WAS AGREEMENT THAT IMPS FOR GREECE SHOULD START IN 1985. BUT GREECE DID NOT DESERVE COMPENSATION FROM FONTAINEBLEAU: HER NET BENEFIT ALREADY AMOUNTED TO OVER 900 MECUS AND FONTAINEBLEAU WOULD INCREASE THIS. IT WAS RECOGNISED THAT ITALY HOPED TO QUALIFY BUT UNBLOCKING ENLARGEMENT WAS THE IMMEDIATE NEED.

7. POOS (LUXEMBOURG) ACCEPTED A SEVEN YEAR PROGRAMME, ANGLED TO BUT TAKING ACCOUNT OF ALL NORTH-SOUTH FLOWS. HE AGREED THAT EXISTING FUNDS SHOULD BE INTEGRATED IN THE APPROACH, THE FIRST PROBLEM WAS TO FIX FIGURES. PANGALOS SAID HE HAD UNDERSTOOD THIS TO BE A POLITICAL DISCUSSION. HE DID NOT ACCEPT THE SECRETARY OF STATE'S FIGURES OR THE CONCEPT OF NET RECEIPTS.

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8. ANDREOTTI (CHAIRMAN) SAID IT WAS NECESSARY TO TAKE ACCOUNT OF THE FIGURES AND LINKS WITH OTHER PARTS OF COMMUNITY POLICY. ACCOUNT NEEDED TO BE TAKEN OF THE SPECIAL POSITION OF GREECE, BUT ITALY DID NEED THE IMP PHILOSOPHY TO BE MAINTAINED. IMPS WERE NEEDED PRIMARILY FOR GREECE, BUT THE COMMITMENT TO ITALY HAD TO REMAIN ON THE TABLE. HE CONCLUDED THAT THERE WAS NO NEED FOR FURTHER DISCUSSION UNTIL THE COMMISSION'S NEW PROPOSAL WAS AVAILABLE.

FCO ADVANCE TO:

FCO - RENWICK, FAIRWEATHER, SHEPHERD.
CAB - WILLIAMSON, STAPLETON, LAMBERT.
DTI - WALMSLEY.
TSY - FITCHEW.
DOE - PLOWMAN.
D/EM - LAMBERT.

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