

ECFOG18/30DD 301845Z FCO

*mt*

PP BRUSSELS

PP COPENHAGEN

**ADVANCE COPY**

PP THE HAGUE

**IMMEDIATE**

PP ROME

RC

PP DUBLIN

PS

PP PARIS

PS/MR RIFKIND

PP BONN

PS/POS

PP LUXEMBOURG

SIR C TICKELL

PP ATHENS

MR HANNAY

GR1000

[ MR FAIRWEATHER  
ECD(1) ]

MR WALL  
ECD(1)

*ms*

CONFIDENTIAL

DEDIP

DESKBY 301845Z

FM UKREP BRUSSELS 301735Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1192 OF 30 MARCH

INFO PRIORITY BRUSSELS, COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS  
BONN, LUXEMBOURG, ATHENS (ALL POSTS PERSONAL FOR AMBASSADORS)

MY TELNO.1168 (NOT TO ALL)

**BUDGET IMPALANCES**

MR WILLIAMSON, MR STAPLETON  
MR DURIE — CABINET OFFICE

MR UNWIN, MR FITCHEW,  
MR MORTIMER — HM TRSY  
MR COLES — NO 10 DST

1. WILLIAMSON AND I SAW DAVIGNON THIS AFTERNOON (NOEL, LACROIX AND DE BOISSIEU BEING PRESENT.) I THINK THAT HE HAS NOW TAKEN FIRM CONTROL OF THE COMMISSION'S OPERATIONS, WORKING WITH ORTOLI. (NO WORD OF THESE MEETINGS SHOULD REACH THE EARS OF ANY OTHER MEMBER GOVERNMENT.)

2. HE SAID THAT HE WAS WORKING ON THE ASSUMPTION THAT THE FRENCH WOULD NOT AGREE TO ANY OUTCOME UNLESS IT COULD BE PRESENTED AS BEING DONE BY MITTERRAND. EQUALLY THE OUTCOME HAD TO BE ACCEPTABLE TO US. HIS IDEA WAS TO DISCUSS THE SITUATION WITH YOU ON SUNDAY NIGHT AND, IF POSSIBLE, TO PUT TO YOU A PROPOSAL WHICH YOU, AFTER CONSULTING THE PRIME MINISTER AND YOUR COLLEAGUES, MIGHT BE ABLE TO TELL HIM WOULD BE ACCEPTABLE TO THE UK IF IT WERE ACCEPTABLE TO EVERYBODY ELSE. ON THAT BASIS THEY WOULD TRY TO SELL IT TO MITTERRAND AND, IF HE COULD AGREE, DISCUSS HOW IT COULD BE PUT OVER WITH THE OTHERS. I SAID THAT WE HAD NO DISCRETION TO MOVE IN ANY WAY AT ALL AND THAT YOU WOULD NOT HAVE ANY ON SUNDAY EITHER. BUT WE WERE VERY READY TO LISTEN TO ANY IDEAS HE MIGHT HAVE FOR FINDING A SOLUTION.

3. DAVIGNON SAID THAT THE GERMANS WERE BEGINNING TO TRAMPLE ABOUT. ! THEY HAD GIVEN THE COMMISSION AN APPALLING WORKING DOCUMENT YESTERDAY (I BELIEVE IT SUGGESTED THAT THE GERMAN THRESHOLD MUST BE SET AT A LEVEL WHICH GAVE THEM A REFUND EQUAL TO 50 PER CENT OF THEIR NORMAL SHARE OF THE UK REFUND). IF THEY BROUGHT ALL THIS OUT INTO THE OPEN AT THE ECOFIN COUNCIL, THE NEGOTIATION WOULD BE SET BACK A LONG TIME AND WE MIGHT WELL LOSE THE SYSTEM. THE COMMISSION WERE TRYING TO PERSUADE DELORS TO DO AS LITTLE AS POSSIBLE ON MONDAY.

4. DAVIGNON SAID THAT HE WAS PREPARED TO TRY TO MOVE THE REFUND FIGURE UNDER DISCUSSION (FOR USE ON THE BASIS OF THE 1983 FIGURES) UP TO 1100. HE RECOGNISED THAT IT WAS NOW ALSO NECESSARY TO FIX THE THRESHOLD AND THE TICKET MODERATEUR (TM). ONCE AGREEMENT HAD BEEN REACHED IT MIGHT BE POSSIBLE TO PRESENT THE SOLUTION ON THE BASIS OF THE FIGURE FOR THE THRESHOLD AND THE PERCENTAGE FOR THE TM. BUT HE AGREED WITH MY POINT THAT WE HAD TO WORK ON THE 1983 FIGURES, AND HE SAW NO WAY OF AVOIDING FIXING THE COMPENSATION FIGURE.

5. THE OTHERS WERE PRETTY ENTRENCHED ON 1000. THEY WERE ALSO WORRIED ABOUT THE NET COSTS OF ENLARGEMENT. HE WAS THEREFORE WONDERING WHETHER THERE WAS ANY WAY IN WHICH HE COULD JUSTIFY MOVING TO 1100 BY SOME SPECIAL ARRANGEMENTS FOR THE COSTS OF ENLARGEMENT DURING THE TRANSITIONAL PERIOD (IE THE NET BENEFITS OF SPAIN AND PORTUGAL.) IT EMERGED THAT HE WAS THINKING OF HAVING A DIFFERENT TM FOR THE LATTER.

6. DISSENSION BROKE OUT IN THE COMMISSION CAMP ON THE PERCENTAGE FOR THE TM. NOEL DEVELOPED THE THESIS THAT WE HAD ALWAYS BEEN TALKING ABOUT A ONE-THIRD/TWO-THIRDS SPLIT AND THE TM SHOULD THEREFORE BE ONE THIRD. WE DISMISSED THIS, ARGUING VERY STRONGLY FOR 5 PER CENT. DAVIGNON SEEMED RELATIVELY RECEPTIVE. HE ARGUED WITH NOEL THAT BUDGETARY DISCIPLINE SHOULD PREVENT ANY BIG INCREASE IN UK NET CONTRIBUTION FOR AGRICULTURE AND THAT THE UK SHOULD BE A NET BENEFICIARY ON NEW POLICIES, THUS REDUCING OUR GAP RATHER THAN INCREASING IT. THE IMPORTANT THING WAS TO HAVE A TM FOR THE TRANSITIONAL PERIOD ON ENLARGEMENT WHICH MET THE ANXIETIES OF THE OTHER MEMBER GOVERNMENTS.

7. IN THE COURSE OF DISCUSSION I PINNED DAVIGNON DOWN TO A BROAD STATEMENT THAT A RELATIVELY LOW TM WOULD APPLY TO EVERYTHING EXCEPT ENLARGEMENT (AND POSSIBLY "SOLIDARITY" PAYMENTS, BY WHICH HE MAY HAVE MEANT IMPS). I POINTED OUT MOREOVER THAT, GIVEN THE VERY LARGE CONTRIBUTION WHICH WE WOULD, ON OUR OWN FIGURES, BE MAKING IN 1986, THERE COULD BE NO QUESTION OF US ALSO CONTRIBUTING NORMALLY TO SPAIN AND PORTUGAL'S NET BENEFITS. THE PRESIDENCY TEXT MADE IT CLEAR THAT THE COSTS OF ENLARGEMENT WOULD BE TAKEN CARE OF BY USING RELATIVE PROSPERITY IN A COMMUNITY OF 12 AND BY THE NORMAL TM. DAVIGNON CONTINUED TO ARGUE THAT SOMETHING SPECIAL MUST BE DONE ABOUT ENLARGEMENT. EVEN IF NOEL AND ORTOLI DO NOT GET AT HIM TOO MUCH I THINK THAT THE BEST WE CAN HOPE HE MIGHT PROPOSE WOULD BE SOMETHING LIKE A 5 PER CENT NORMAL TM AND A 10 PER CENT SPECIAL TM FOR THE COSTS OF ENLARGEMENT.

8. WE ATTACKED THE COMMISSION OVER THE POSSIBILITY THAT THEY MIGHT DO THE FIGURES FOR ECOFIN ON THE ASSIETTE BASIS FOR THE VAT SHARE (GIVING A 1983 GAP OF 1680 RATHER THAN 1622). NOEL AND LACROIX ARGUED VERY STRONGLY AGAINST USING THE PAYMENTS BASIS FOR THE SYSTEM WHICH THEY SAID WOULD RESULT IN PECULIAR DISTORTIONS. (I WILL GET MY STAFF TO GO INTO THIS MORE FULLY ON MONDAY.) WE SAID THAT OUR EXPERTS CLAIMED THAT IT DID NOT MATTER IN THE LONG RUN WHICH BASIS WAS USED. BUT THE PAYMENTS BASIS HAD BEEN USED UP TO NOW, AND ALL THE DISCUSSIONS OVER THE PAST 10 DAYS HAD BEEN ON THE BASIS OF A UK GAP OF 1622 FOR 1983. IT WOULD BE HIGHLY CONFUSING AS WELL AS PREJUDICIAL TO OUR POSITION NOW TO START USING THE 1680 FIGURE. DAVIGNON WAS RECEPTIVE BUT NON-COMMITTAL.

9. DAVIGNON SAID THAT IT HAD BEEN A USEFUL MEETING. HE AND ORTOLI WOULD REFLECT, AND HE HOPED THAT WE WOULD DO SO WITH YOU BEFORE OUR DINNER ON SUNDAY.

10. FCO PLEASE DISTRIBUTE ONLY TO NAMED ADVANCE ADDRESSEES.

FCO ADVANCE TO:-

FCO - PS, PS/MR RIFKIND, PS/PUS, TICKELL, HANNAY, FAIRWEATHER,  
WALL

CAB - WILLIAMSON, STAPLETON, DURIE

TSY - UNWIN, FITCHEW, MORTIMER

NO10 - COLES

BUTLER

30 MAR 1984

