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GRS 460

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DESKBY 050900Z

FM BONN 050745Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 821 OF 05 SEPTEMBER

INFO PRIORITY UKREP BRUSSELS ATHENS EMBASSY BRUSSELS COPENHAGEN

DUBLIN LUXEMBOURG PARIS ROME THE HAGUE

FCO TELNO 463 TO BONN

MR RIFKIND'S TALKS WITH RUHFUS, 4 SEPTEMBER:

EC BUDGETARY ISSUES

1. THE MAIN DISCUSSION OF BUDGETARY ISSUES TOOK PLACE OVER DINNER.

2. THOUGH MR RIFKIND PRESSED HIM HARD, RUHFUS WAS VERY FIRM ON THE LINK BETWEEN NEW OWN RESOURCES AND THE COMPLETION OF ENLARGEMENT. THIS WAS AT ONCE AN ESSENTIAL LEVER TO MAINTAIN IMPETUS TOWARDS ENLARGEMENT, AND A FIRM GERMAN PARLIAMENTARY COMMITMENT. (THE ONLY HINT OF ANY FLEXIBILITY IN THIS POSITION WAS PROVIDED BY UNGERER, WHO SUGGESTED THAT RATIFICATION, RATHER THAN ENTRY INTO FORCE, OF THE ACCESSION TREATY MIGHT BE THE ESSENTIAL CONDITION. BUT IF NEW OWN RESOURCES WERE INTRODUCED BEFORE RATIFICATION, SOME COUNTRIES MIGHT NEVER RATIFY. THE EUROPEAN DEFENCE COMMUNITY WAS ONE PRECEDENT).

3. MR RIFKIND WORKED THROUGH THE PACKAGE SUMMARISED IN TUR EMPHASISING THE IMPORTANCE OF MAINTAINING THE MOMENTUM OF FONTAINEBLEAU. HE STRESSED, ABOVE ALL, THE NEED FOR EFFECTIVE IMPLEMENTATION OF THE DECISIONS ON BUDGETARY DISCIPLINE IF THERE WAS TO BE ANY HOPE OF PERSUADING THE BRITISH PARLIAMENT TO AGREE TO SOME SUPPLEMENTARY FINANCING. HE ARGUED THAT TREATY AMENDMENT WOULD HAVE BEEN OUR PREFERRED OPTION FOR INCORPORATING THE MARCH DECISION ON DISCIPLINE INTO THE BUDGETARY PROCEDURES. WE ACCEPTED THAT THIS COULD NOT BE NEGOTIATED. BUT WE DID NOT SEE HOW ANYTHING LESS THAN A REGULATION COULD BE EFFECTIVE IN PRACTICE.

4. RUHFUS, WHO OF COURSE IS RELATIVELY NEW TO HIS PRESENT JOB, APPEARED GENUINELY SURPRISED AT THE STRENGTH OF OUR ATTACHMENT TO BUDGETARY DISCIPLINE. HE CLAIMED NOT TO HAVE REALISED THAT THIS WAS AN ESSENTIAL PRECONDITION FOR PARLIAMENTARY APPROVAL OF ANY SUPPLEMENTARY FINANCING, JUST AS THE LINK BETWEEN ENLARGEMENT AND NEW OWN RESOURCES WAS FOR THE GERMANS. HE ASKED WHAT PROGRESS HAD BEEN ACHIEVED IN THE PREPARATIONS FOR ECOFIN. SURELY A REGULATION WAS UNATTAINABLE? WHAT WOULD IT SAY?

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5. MR RIFKIND RAN THROUGH THE TERMS OF THE MARCH DECISION OF PRINCIPLE. HE AGREED THAT PROGRESS IN ECOFIN HAD BEEN SLOW, BUT THIS WAS PARTLY A CONSEQUENCE OF GERMAN INDIFFERENCE. A REALLY TOUGH JOINT UK/GERMAN POSITION COULD HAVE A PROFOUND INFLUENCE ON THE FRENCH, IN PARTICULAR. RUHFUS SAID HE MUST FIRST DISCUSS THE MATTER AT ONCE WITH THE GERMAN FINANCE MINISTRY. HE COULD NOT BELIEVE THERE WOULD BE OBJECTIONS OF PRINCIPLE FROM THAT QUARTER.

6. COMMENT

ALTHOUGH NOT VERY HOPEFUL ABOUT THE OUTCOME, I SHOULD LIKE TO FOLLOW UP QUICKLY ON THIS EXCHANGE, BOTH BECAUSE OF THE IMPENDING BUDGET COUNCIL, AND BECAUSE RUHFUS IS GOING TO PARIS ON 10/11 SEPTEMBER FOR TALKS WITH DUMAS. MR RIFKIND HAS SUGGESTED THAT I SHOULD WRITE TO RUHFUS, IF POSSIBLE TODAY, GIVING A SUGGESTED TEXT OF THE REGULATION WE ARE PROPOSING, AND REPEATING THE CRUCIAL ELEMENTS IN OUR POSITION. GRATEFUL FOR INSTRUCTIONS: FOR THE DRAFT REGULATION WE MAY ONLY NEED TOP AND TAIL FOR THE MARCH DECISION ON DISCIPLINE.

BULLARD

LIMITED

ECD (I)
ECD (E)
PLANNING STAFF
PS
PS/MR RIFKIND
PS/PJS
SIR C TICKELL
MR DEREK THOMAS
MR RENWICK

COPIES TO

MR UNWIN } TREASURY
MR FITCHEW }
MR ANDREWS MAFF
MR ATTRIDGE } CABINET
MR WILLIAMSON } OFFICE
MR POWELL, NO 10 DOWNING ST