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ECF0802/05

FLASH

A. Bretwell

ZZ F C O

PP COPENHAGEN

PP THE HAGUE

PP ROME

PP DUBLIN

ADVANCE COPY

PP PARIS

PP BONN

PP LUXEMBOURG

GR 440

CONFIDENTIAL

FM UKREP BRUSSELS 050808Z DEC 79

TO FLASH F C O

TELNO 6598 OF 5 DECEMBER.

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

M I F T : COMMUNITY BUDGET.

AS I SEE IT, WE NEED TO WORK OUT URGENTLY A NEW LINE WHICH WE CAN ALL TAKE WITH THE COMMISSION AND WITH REPRESENTATIVES OF MEMBER GOVERNMENTS.

2. AS REGARDS THE FIGURE ON THE RECEIPTS SIDE, I REMAIN CONVINCED THAT WE SHOULD TRY TO GET OUR PARTNERS TO CONCENTRATE THEIR MINDS ON WHAT WOULD BE A REASONABLE (LAST WORD UNDERLINED) NET CONTRIBUTION (E.G. COMPARISON WITH FRANCE) AND WHAT WOULD NOT (E.G. 900 OR SO MILLION UNITS OF ACCOUNT WHICH RESPONSIBLE PUBLIC OPINION IN THE UK AND ELSEWHERE WOULD SURELY REGARD AS EXCESSIVE).



3. I RECOMMEND THAT WE WRITE TO THE COMMISSION VERY SOON, SETTING OUT ABOUT 1000 MILLION UNITS OF ACCOUNT WORTH OF EXPENDITURE IN THE UK WHICH COULD PLAUSIBLY BE REGARDED AS FITTING IN WITH PART III OF THE COMMISSION'S PRE-DUBLIN PAPER; THAT WE EXPRESS INTEREST IN THE POSSIBILITY OF SUCH A PAYMENT BEING MADE BY MEANS OF A REGULATION LIKE THE INTEREST-RATE SUBSIDY ONE; BUT THAT WE GO ON TO SET OUT THE ADVANTAGE OF A MECHANISM FROM THE COMMUNITY'S POINT OF VIEW. AS REGARDS THE FIGURE WE SHOULD EXPRESS WILLINGNESS TO NEGOTIATE, POINTING OUT HOWEVER THAT IF M.C.A'S ARE PHASED OUT OUR NET CONTRIBUTION IN 1980 (UNCORRECTED) WOULD BE ABOUT 1750 M U A.

4. I THINK THAT WE SHOULD, WITH THE COMMISSION'S AGREEMENT, UNDERTAKE INTENSIVE BILATERALS WITH MEMBER GOVERNMENTS ON THE BASIS OF THIS DOCUMENT. AND WE SHOULD ENCOURAGE THE ITALIANS AND THE COMMISSION TO DO THE SAME IN PARALLEL, PREFERABLY HAND IN HAND.

5. I ASKED TUGENDHAT WHETHER DAVIGNON COULD PLAY A HELPFUL ROLE IN THIS. HE THOUGHT, ON REFLECTION I AGREE, THAT HE WOULD NOT NECESSARILY BE NEAR ENOUGH TO OUR POSITION TO BE HELPFUL AND WAS IN ANY CASE TOO BUSY ALREADY.

6. I SHALL NEED TO SPEAK ON THIS SUBJECT AT A COREPER LUNCH WITH ROY JENKINS ON THURSDAY. UNLESS YOU SEE OBJECTION, I SHALL DRAW ON THE LINE IN MY I.P.T.

7. I THINK I SHOULD GO BACK TO JENKINS VERY SOON ON THE FIGURE IF, AS I IMAGINE, YOU REGARD 300 M U A AS TOTALLY INADEQUATE.

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CONFIDENTIAL

R. Fretwell

FM UKREP BRUSSELS 050806Z DEC 79

TO F L A S H FCO

TELEGRAM NUMBER 6597 OF 5 DECEMBER

INFO PRIORITY ALL EEC POSTS (PERSONAL FOR AMBASSADOR).

FLASH

M I F T : COMMUNITY BUDGET

ADVANCE COPY

1. ROY JENKINS' MIND HAD CLEARLY BEEN ON OTHER MATTERS SINCE DUBLIN. BUT HE CLAIMED TO HAVE RECEIVED INDIRECTLY NEWS OF THE PRIME MINISTER'S POST-DUBLIN THOUGHTS WHILE IN LONDON OVER THE WEEK-END AND ON MONDAY. HE THOUGHT WE WERE NOW LIKELY TO BE "REALISTIC" ABOUT ACTION ON THE RECEIPTS SIDE IN 1980 AND TO PUT MORE WEIGHT ON THE REFORM OF THE C.A.P.

2. HE WANTED TO PRE-COOK THE NEXT EUROPEAN COUNCIL MUCH MORE THOROUGHLY AND SEEMED TO THINK THAT IT MIGHT BE POSSIBLE TO REACH AGREEMENT ON A FIGURE OF SAY, 300 M UNITS OF ACCOUNT FOR ACTION ON THE RECEIPTS SIDE AS A BASIS FOR PREPARATORY WORK. I SAID THAT THIS WOULD LEAVE US WITH A NET CONTRIBUTION IN 1980 NOT FAR SHORT OF A BILLION UNITS OF ACCOUNT, IF M.C.A.'S WERE PHASED OUT. I THOUGHT IT MOST UNLIKELY THAT THE PRIME MINISTER'S SPIRIT OF COMPROMISE WOULD HAVE LED HER THAT FAR. SHE HAD ALSO SAID SHE HAD LITTLE ROOM FOR MANOEUVRE.

3. JENKINS SAID THAT ON FRIDAY MORNING SCHMIDT HAD INDICATED A FIGURE UP TO WHICH HE WOULD BE PREPARED TO GO. HE THOUGHT HE HAD SAID THAT CONTRIBUTING TO THE 520 M.U.A. (AT 46 PERCENT) WOULD BRING GERMANY TO 1200 M.U.A. IN 1980. (AT FIRST SIGHT THIS SUM DOES NOT ADD UP). SCHMIDT HAD NAMED AN ADDITIONAL FIGURE FOR RECEIPTS, BUT JENKINS HAD NOT NOTED IT DOWN. PERHAPS LORD CARRINGTON OR MRS THATCHER HAD? SINCE IT WAS NOW CLEAR THAT THE IRISH AND ITALIANS WOULD HAVE TO CONTRIBUTE, THE GERMANS WOULD NOT BE AT 46 PERCENT. THERE WOULD THEREFORE BE SOME FAT IN THE GERMAN POSITION. HE WAS TRYING TO FIND OUT HOW MUCH.

4. JENKINS, TOO, SEEMED TO BE THINKING OF A SIMPLE LUMP SUM FOR 1980. I SAID THAT THERE WERE TWO SERIOUS DISADVANTAGES TO THIS APPROACH:-

(A) WE WOULD HAVE GREAT DIFFICULTY IN GETTING AGREEMENT TO A LUMP SUM CONTINUING FOR SEVERAL YEARS.



(B) IF IT WAS SPECIFIED TO BE FOR THIS OR THAT COMMUNITY POLICY  
E.G. COAL, OTHERS WOULD WANT TO GET IN ON THE ACTION.

5. I THOUGHT THAT WE WOULD WANT TO TRY TO KEEP THE POSSIBILITY  
OF A RECEIPTS PER HEAD MECHANISM ALIVE, E.G. TO BRING US UP  
TO 80 PERCENT OF THE COMMUNITY AVERAGE. THIS WOULD HAVE THE  
FOLLOWING ADVANTAGES, WHICH OFFICIALS FROM OTHER MEMBER STATES  
WERE NOT PRONE TO DISMISS OUT OF HAND:-

(A) IF IT WERE FOR COUNTRIES WITH BELOW AVERAGE GDP PER HEAD  
AND WITH BELOW 80 PERCENT OF AVERAGE RECEIPTS PER HEAD, NO  
OTHER EXISTING OR NEW MEMBER WOULD QUALIFY

(B) THEREFORE, NO ONE ELSE WOULD HAVE TO BENEFIT, AVOIDING  
ADDITIONAL RISK OF HITTING THE 1 PERCENT VAT CEILING

(C) IT WOULD BE SELF-CORRECTING IN THAT THE PAYMENT TO US  
WOULD DECLINE IF THE COMMUNITY AVERAGE OF RECEIPTS-PER-HEAD  
DECLINED BECAUSE WE REDUCED THE C.A.P. SURPLUSES OR IF ADDITIONAL  
COMMUNITY EXPENDITURE IN THE U.K. BROUGHT US NEARER TO THE  
AVERAGE.

6. JENKINS DID NOT EXCLUDE KEEPING THE MECHANISM IDEA ALIVE.  
BUT HE THOUGHT WE WOULD NOT IN ANY CASE GET MORE THAN 3 OR 4  
YEARS WHICH WOULD SURELY GIVE TIME FOR THE C.A.P. CURE TO WORK.  
I EXPRESSED DOUBTS, BOTH ABOUT TIME IT WOULD TAKE TO CURE THE  
C.A.P. AND ABOUT THE IDEA OF HAVING TO RENEGOTIATE THE  
ARRANGEMENTS IN 3 OR 4 YEARS. SURELY THE COMMUNITY WOULD NOT  
WANT THAT.

7. JENKINS URGED US TO TAKE REFORM OF THE C.A.P. MUCH MORE  
SERIOUSLY. GISCARD HAD HAD A FREE RUN AT DUBLIN WITH MISLEADING  
FRENCH VIEWS. WE HAD GOT OURSELVES INTO THE POSTURE OF NOT  
FAVOURING ANY IDEAS FOR CUTTING C.A.P. COSTS. I EXPLAINED WHY  
GUNDELACH'S IDEAS WOULD NOT DO AND STRESSED THAT THE COMMISSION  
MUST NOT COME FORWARD WITH PROPOSALS FOR PRICE INCREASES  
FOR MILK AND SUGAR, AS GUNDELACH SEEMED TO WANT TO DO.

8. JENKINS HAD NOT GIVEN MUCH THOUGHT TO FUTURE PROCEDURE.  
I ARGUED THAT THE COMMISSION AND THE INCOMING PRESIDENCY OUGHT  
TO UNDERTAKE INTENSIVE BILATERAL PREPARATION BEFORE ANY NEW  
DOCUMENT WAS PREPARED.

9. TUGENDHAT WAS MORE ROBUST. HIS FEELING WAS THAT DUBLIN  
HAD MOVED MINDS IN OUR DIRECTION AND HE WAS MUCH MORE INCLINED  
TO TRY TO GIVE THE MECHANISM IDEA A RUN.



10. See m i f t.

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P, COPENHAGEN

PP THE HAGUE

PP ROME

PP DUBLIN

PP PARIS

PP BONN

PP LUXEMBOURG

GRS 420

CONFIDENTIAL

FM UKREP BRUSSELS 050715Z DEC 79

TO F L A S H FCO

TELEGRAM NUMBER 6596 OF 5 DECEMBER

INFO PRIORITY ALL EEC POSTS (PERSONAL FOR AMBASSADOR).

PERSONAL FOR P U S: COMMUNITY BUDGET

1. UNFORTUNATELY I SIMPLY CANNOT PUT MY FOOT TO THE GROUND THIS MORNING. SO HERE ARE MY THOUGHTS FOR YOUR MEETING. I SET OUT BELOW THE STATE OF PLAY; RECORD VIEWS OF ROY JENKINS AND TUGENDHAT IN M.I.F.T.; AND GIVE SOME OF MY OWN IN MY SECOND I.F.T.. IT IS ESSENTIAL THAT THE CONFIDENCE OF OUR FRIENDS IN THE COMMISSION BE RESPECTED.
2. THE COMMISSION ARE NOT BRIMMING OVER WITH NEW IDEAS. IN THE LIGHT OF NOEL'S VIEWS, THE PRESIDENT IS BEING ADVISED THAT THE FIRST THING TO DO IS TO EXAMINE THOROUGHLY WHAT COULD BE DONE TO INCREASE EXPENDITURE IN THE UK BY EXPANSION OF EXISTING POLICIES (E.G. NON-QUOTA SECTION OF THE REGIONAL FUND, SOCIAL FUND, ETC.) OUR FRIENDS IN THE COMMISSION RECOGNIZE THAT THIS CAN ONLY RESULT IN THE ANSWER THAT THIS ROAD IS A DEAD-END. BUT THEY THINK IT NECESSARY TO DEMONSTRATE THIS BEFORE THEY CAN MOVE ON SINCE DAVIGNON HAS APPARENTLY SOME PET PROJECTS HE WANTS TO FORWARD AND GIOLITTE IS TALKING ABOUT MAKING QUICKER PAYMENTS FROM EXISTING FUNDS SO AS TO PRODUCE A BIGGER RETURN TO THE U.K. IN 1980.

FLASH

ADVANCE COPY

~~Mr. Bretwell~~

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3. NOEL IS THINKING OF A SIMPLE REGULATION ALLOCATING A BLOC TO THE UK FOR AGREED COMMUNITY PURPOSES. MICHAL JENKINS IS AUTHORIZED TO MAKE CONTACT WITH US FOR INFORMAL DISCUSSIONS ON POSSIBLE AREAS FOR COMMUNITY EXPENDITURE. HE WILL BE IN LONDON ON MONDAY. NOEL IS OPPOSED TO ANYTHING RESEMBLING A "MECHANISM" OR EVEN TO HAVING CRITERIA FOR QUALIFYING FOR SUCH TREATMENT. THE MONEY WOULD JUST BE FOR THE UK.

4. ONE POSSIBLE ADVERSE FACTOR IS THAT ORTOLI IS SAID TO HAVE BEEN REPROACHED STRONGLY BY GISCARD AT DUBLIN FOR LETTING JENKINS TABLE THE TEXT WHICH FORMED THE BASIS OF THE DUBLIN CONCLUSIONS. THERE ARE FEARS THAT HE MAY TRY TO PLAY A BIGGER AND LESS HELPFUL ROLE. ON THE OTHER HAND TUGENDHAT HAS FOUND HIM TO HAVE MOVED IN OUR DIRECTION SINCE DUBLIN.

5. I HAVE ONLY SO FAR BEEN ABLE TO TALK TO A FEW PERMANENT REPRESENTATIVES. THE DUTCH AND BELGIAN, A GERMAN COUNSELLOR AND VAN YPERSELE, A NOT VERY REPRESENTATIVE GROUP, HAD ALSO COME QUITE SOME WAY TOWARDS ACCEPTING THAT SUBSTANTIAL CONCESSIONS HAVE TO BE MADE TO US ON THE RECEIPTS SIDE. ON THE OTHER HAND RIBERHOLDT CLAIMED THAT THE PRIME MINISTER'S LINE AT DUBLIN, PARTICULARLY CALLING OWN RESOURCES "MY MONEY" HAD ALIENATED THE DANISH PRIME MINISTER BEYOND RECALL.

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