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FM FCO 121717Z NOV 84
TO IMMEDIATE UKREP BRUSSELS
TELEGRAM NUMBER 513 OF 12 NOVEMBER
INFO IMMEDIATE TO UKDEL STRASBOURG
PRIORITY TO OTHER EC POSTS
FCO TEL TO DUBLIN NO 316: 1985 DRAFT BUDGET AND UK ABATEMENTS FOR
1984

1. I HAD A FURTHER MEETING WITH MEMBERS OF THE EDG THIS MORNING. THE FINANCIAL SECRETARY TO THE TREASURY WAS ALSO PRESENT

2. I STRESSED THE IMPORTANCE THE GOVERNMENT ATTACHED TO BUILDING A CLOSE WORKING RELATIONSHIP WITH THE EDG, TO IMPROVING THEIR RELATIONS WITH THE HOUSE OF COMMONS AND TO HELPING THEM DEVELOP EFFECTIVE COOPERATION WITH OTHER LIKE-MINDED GROUPS IN THE EUROPEAN PARLIAMENT. I ACKNOWLEDGED THE PRESSURE THEY WERE UNDER BUT SAID THAT IF THEY VOTED FOR EXPENDITURE SIDE REFUNDS FOR THE UNITED KINGDOM FOR 1985 THEY WOULD BE FUNDAMENTALLY UNDERMINING THE FONTAINEBLEAU AGREEMENT AND JEOPARDISING THE GOVERNMENT'S ABILITY TO SECURE THE APPROVAL OF THE HOUSE OF COMMONS FOR THE NEW OWN RESOURCES DECISION.

3. CURRY, WHO DID MOST OF THE TALKING, SAID THE EDG HAD VOTED FOR EXPENDITURE SIDE REFUNDS PRIMARILY FOR TACTICAL REASONS. IF THEY MAINTAINED THEIR POSITION THEY WOULD FALL FOUL OF THE BRITISH GOVERNMENT. IF THEY CHANGED IT, THEY WOULD UNDO MONTHS OF HARD WORK IN ESTABLISHING THE CONFIDENCE OF THEIR FELLOW MEPS. IF THEY WERE TO CHANGE THEIR VOTE, THE GOVERNMENT MUST REALISE (A) THAT THIS WOULD NOT AFFECT THE OUTCOME (THE REFUNDS WOULD BE PUT ON THE EXPENDITURE SIDE ANYWAY) AND: (B) THAT THE LEVERAGE OF THE EDG ON OTHER ISSUES WOULD BE SERIOUSLY WEAKENED.

4. SIR FRED CATHERWOOD SAID THAT IF THE EDG CHANGED THEIR VOTE THE MAIN UPSHOT WOULD BE THAT THE REFUNDS WOULD BE PLACED IN CHAPTER 100. PRESENTATIONALLY, THIS COULD BE MUCH MORE DAMAGING THAN IF THEY WERE VOTED THROUGH ON THE LINE. CHRISTOPHER PROUT (EDG CHIEF WHIP) SAID THAT THE FONTAINEBLEAU CONCLUSIONS DID NOT CLEARLY STATE THAT OUR 1000 MECU FOR 1985 WAS TO BE MADE AVAILABLE ON THE REVENUE SIDE. IT WOULD BE OPEN TO THE GOVERNMENT TO ARGUE IN THE HOUSE OF COMMONS THAT ONE FURTHER YEAR OF AD HOC REFUNDS HAD BEEN ENVISAGED AT FONTAINEBLEAU, AND TO DEFEND THE EDG'S VOTE ON THAT BASIS.

5. I SAID THAT THE FONTAINEBLEAU CONCLUSIONS WERE CLEAR. OUR 1000 MECU FOR 1984 WAS TO BE DEDUCTED FROM OUR VAT SHARE IN 1985. THIS WAS ACCEPTED BY ALL MEMBER STATES AND PROVISION HAD BEEN WRITTEN INTO THE DRAFT OWN RESOURCES DECISION. THERE WAS NO QUESTION OF ACCEPTING OR DEFENDING FURTHER EXPENDITURE SIDE REFUNDS. NOR WAS THERE ANY QUESTION OF THE EUROPEAN PARLIAMENT'S VOTE MATERIALLY AFFECTING THE OUTCOME. ONCE THE OWN RESOURCES DECISION HAD BEEN ADOPTED BY THE COUNCIL OUR ABATEMENT WOULD BE AUTOMATIC. IT WOULD, HOWEVER, BE DAMAGING FOR CONSERVATIVE MEPS TO UNDERMINE THE INTEGRITY OF THE FONTAINEBLEAU AGREEMENT WHICH HAD BEEN SO HARD WON. OUR ABILITY TO HOLD OTHER MEMBER STATES TO THE AGREEMENT COULD BE IMPAIRED IF THEY COULD POINT TO A CONTRARY VOTE BY OUR OWN CONSERVATIVE MEPS.

6. SIR PETER PRICE SAID THE POSITION OF THE EDG, VIS A VIS THE OTHER GROUPS, WOULD BE HELPED IF I COULD WRITE TO THE EDG ACKNOWLEDGING THAT THE EUROPEAN PARLIAMENT HAD SOME POWERS OVER REVENUE. I SAID THAT THERE COULD BE NO QUESTION OF THAT. THERE WAS CLEARLY AN ARGUMENT ABOUT THE PARLIAMENT'S POWERS OVER REVENUE, BUT IT WAS NOT NECESSARY FOR THE PARLIAMENT TO TRY TO ASSERT THEIR VIEW BY ATTACKING THE FONTAINEBLEAU CONCLUSIONS. NOR WAS THERE ANY QUESTION OF THE UK DEPARTING FROM THE AGREED POSITION OF THE COUNCIL WHICH WAS THAT THE PARLIAMENT DID NOT HAVE POWERS OVER REVENUE.

8. CURRY SAID THAT THE ARGUMENT OVER OUR 1985 ABATEMENT WOULD GET ENMESHED WITH THAT OVER BUDGET DISCIPLINE. IT WAS NOT

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YET CLEAR WHETHER THE PROBLEM OF THE BRITISH REBATE WOULD ACCORD-
INGLY ASSUME LESS IMPORTANCE OR WHETHER THE PARLIAMENT WOULD EXPRESS
ITS IRRITATION AT BEING BYPASSED ON BUDGET DISCIPLINE BY GETTING ITS
OWN BACK ON THE UK REBATE. IT WOULD HELP IF THE UK AT LEAST WERE
READY TO CONTEMPLATE ALLOWING THE PARLIAMENT A SAY IN
ESTABLISHING THE REFERENCE FRAMEWORK. I SAID THAT WE HAD ALREADY
TOLD LORD DOURO OF OUR WILLINGNESS TO CONSIDER PROVISION FOR THE
PARLIAMENT TO BE CONSULTED BEFORE THE REFERENCE FRAMEWORK WAS
SET.

7. AT THE END OF THE MEETING, THE EDG SAID THEY WOULD
REFLECT ON THEIR POSITION. THEY WERE IN NO DOUBT OF THE
GOVERNMENT'S VIEW THAT IT WOULD BE DAMAGING IF THEY WERE TO
VOTE IN PLENARY FOR EXPENDITURE SIDE REFUNDS.

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