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CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree?

C.D.P.  
15/6

June  
15 January, 1984

Jan Archer,

Yes m

Call by Sir J Taylor on Chancellor Kohl

Following this morning's meeting, I enclose two draft telegrams to Bonn incorporating a speaking note for use by Sir Jock Taylor when he calls on Chancellor Kohl.

We have tried to avoid going into too much detail in a message of this kind. But, in view of the fact that the Germans have been told by the French that we have not ruled out a second ad hoc year, we thought it necessary to stress that agreement would not be possible on that basis and that we must complete the work already begun on the basis set out in the Presidency text at Brussels.

The speaking note has been seen and approved by the Foreign Secretary.

(R B Bone)  
Private Secretary

C D Powell Esq  
10 Downing Street

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OUT TELEGRAM

Classification and Caveats

Precedence/Deskby

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IMMEDIATE DESKBY 160900Z

|         |    |   |
|---------|----|---|
| ZCZC    | 1  | ZCZC  |
| GRS     | 2  | GRS   |
| CLASS   | 3  | CONFIDENTIAL  |
| CAVEATS | 4  |   |
| DESKBY  | 5  | DESKBY 160900Z JUN 84   |
| FM FCO  | 6  | FM FCO 151725Z JUN 84   |
| PRE/ADD | 7  | IMMEDIATE BONN  |
| TEL NO  | 8  | TELEGRAM NUMBER   |
|         | 9  | REPEATED FOR INFO TO IMMEDIATE PARIS, UKREP BRUSSELS                                    |
|         | 10 | PERSONAL FOR AMBASSADORS  |
|         | 11 | EUROPEAN COMMUNITY: YOUR CALL ON CHANCELLOR KOHL  |
|         | 12 | 1. Thank you for coming back here at such short notice.                                 |
|         | 13 | 2. MIFT contains the speaking note on which you should                                  |
|         | 14 | draw when you see Chancellor Kohl. Your telsno 586 and 589                              |
|         | 15 | and some other indications suggest that the French still hope                           |
|         | 16 | to be able to reach a settlement on the basis on a <u>second ad</u>                     |
|         | 17 | <u>hoc year</u> and may suggest a notional figure for <u>1986</u> rather                |
|         | 18 | than 1983. It will be important to explain to Kohl that agreement                       |
|         | 19 | at Fontainebleau is possible, but can only be reached on the                            |
|         | 20 | basis of the progress so far achieved ie by moving forward                              |
|         | 21 | on the 1250/1000 mecu difference on the notional figure for                             |
| ///     | 22 | 1983, the one remaining gap in the Presidency text tabled at                            |
| ///     | 23 | the last European Council. We could not do so by changing                               |
| /       | 24 | the base year (which would be a step backwards even from 1000                           |
|         | 25 | mecu on the system) <sup>or on</sup> <del>over</del> the basis of a second ad hoc year. |

|                           |                  |  |
|---------------------------|------------------|--|
| NNNN ends telegram        | BLANK            | Catchword<br><u>The 3.</u>   |
| File number               | Dept<br>ECD(I)   | Distribution<br>Limited<br>PS<br>PS/Mr Rifkind<br>PS/PUS<br>Sir J Bullard<br>Sir C Tickell<br>Mr Rifkind<br>Mr Jenkins<br>ECD(I)<br>WED<br>Mr Williamson, Cabinet Office |
| Drawn by (Block capitals) |                  |  |
| J S WALL                  |                  |  |
| Telephone number          |                  |  |
| 233 5629                  |                  |  |
| Any word for despatch     |                  |  |
| Control reference         | Time of dispatch |  |

OUT TELEGRAM (CONT)

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3. You may also wish to go over the same ground with

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Teltschik.

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Catchword

OUT TELEGRAM

Classification and Caveats  
**CONFIDENTIAL**

Precedence/Deskby  
**IMMEDIATE DESKBY 1609007**

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| ZCZC    | 1  | ZCZC  |
| GRS     | 2  | GRS   |
| CLASS   | 3  | CONFIDENTIAL  |
| CAVEATS | 4  |   |
| DESKBY  | 5  | DESKBY 160900Z JUN 84   |
| FM FCO  | 6  | FM FCO                    Z JUN 84                                |
| PRE/ADD | 7  | IMMEDIATE BONN  |
| TEL NO  | 8  | TELEGRAM NUMBER   |
|         | 9  | REPEATED FOR INFO TO IMMEDIATE PARIS, UKREP BRUSSELS              |
|         | 10 | PERSONAL FOR AMBASSADORS  |
|         | 11 | MIPT: EUROPEAN COMMUNITY: YOUR CALL ON CHANCELLOR KOHL            |
|         | 12 | 1. Following is text of speaking note on which you should draw    |
|         | 13 | in your meeting with Kohl:  |
|         | 14 |   |
|         | 15 | 2. Following your meeting with the Prime Minister in London she   |
|         | 16 | has asked me to call on you so that there is no misunderstanding  |
|         | 17 | about our approach to the European Council.                       |
|         | 18 |   |
|         | 19 | 3. The paper the Prime Minister gave you last week represents a   |
|         | 20 | serious contribution to discussion on the future shape of the     |
|         | 21 | Community. Our focus is on practical steps but they are           |
| ///     | 22 | practical steps with far reaching implications for the growing    |
| //      | 23 | unity of the Community. The Prime Minister looks forward to       |
| /       | 24 | substantial discussion at Fontainebleau. She hopes that this      |
|         | 25 | European Council will mark a turning point in the Community - the |

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|---|------------------|---|
| NNNN ends telegram                      | BLANK            | Catchword fulfillment                                 |
| File number                             | Dept<br>ECD(I)   | Distribution<br>Limited                    Mr Jenkins |
| Drafted by (Block capitals)<br>J S WALL |                  | PS                            ECD(I)                  |
| Telephone number<br>233-5629            |                  | PS/Mr Rifkind            WED                          |
| Authorised for despatch                 |                  | PS/PUS                    Mr Williamson,              |
|   |                  | Sir J Bullard            Cabinet Office               |
|   |                  | Sir C Tickell   |
|   |                  | Mr Rifkind  |
| Comcen reference                        | Time of despatch |   |

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2 fulfillment of the tasks we set ourselves at Stuttgart under your  
3 leadership.

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5 4. The great achievement of Stuttgart was that we all agreed on  
6 the kind of Community we wished to see and that certain hard  
7 decisions had to be taken before the relaunch could happen. We  
8 have got very close to taking those decisions. We agreed  
9 virtually all of the package in March, including a reform of the  
10 Community's approach to expenditure which reflected our common  
11 interest in budget discipline. This is an issue on which we can  
12 look forward to even firmer French support as France becomes an  
13 increasingly significant net contributor.

14  
15 5. If we are to set the Community on a new track we now need to  
16 complete the work begun under your Presidency at Stuttgart. The  
17 Prime Minister wants you to be in no doubt of her desire to  
18 settle the budget issue. The last thing we want is to see the  
19 Community facing deepening financial problems and growing  
20 acrimony among Member States. If we do not get agreement, that  
21 is what will happen. All the effort of the last year will go for  
22 nothing and none of our hopes for the future of the Community  
23 will be realised. The Prime Minister wants to put behind us the  
24 repeated, acrimonious negotiations on this subject, to settle it  
25 once and for all and to get on with realising the goals we all  
26 share for Europe's future.

27  
28 6. The basis of an agreement must be the position we reached in  
29 March after months of negotiation. In other words, on our side,  
30 we could accept one more year of ad hoc refunds in 1984 with the  
31 budget system starting in 1985. We could not accept more than  
32 one more ad hoc year.

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Catchword:

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2 7. The simplest way to resolve the outstanding issue is to set  
3 the notional figure for 1983 which will determine how the system  
4 works from 1985 onwards. Our partners have offered 1000 mecus.  
5 We said at Brussels that we could accept 1250 mecus. It is wrong  
6 to talk of a juste retour. As our unadjusted contribution rises  
7 from 2 billion to 3 billion ecus we shall, even under the system,  
8 be contributing very large amounts to the Community and to the  
9 costs of enlargement.

10  
11 8. An effort will now be required by us all to settle the  
12 matter. The Prime Minister hopes you will bear in mind that any  
13 move towards an agreement is far more costly to the United  
14 Kingdom than for the other Nine. We are, however, ready to join  
15 with you and our other partners in making a further final move on  
16 the notional figure: whatever the cost of the solution to any and  
17 all of us, it cannot fail to be less than the cost of failure  
18 with all its implications for the present functioning, as well as  
19 the future development, of the Community. And the cost of  
20 closing the gap will only be a fraction of the amount of the  
21 rising costs the Community will face in the years ahead.

22  
23 9. But I must emphasise that, if we are to reach agreement, it  
24 cannot be on the basis of a different approach which goes back on  
25 the position we reached in March. We have been in touch with the  
26 French Presidency. But we are not sure exactly what they have in  
27 mind. It is vital to adopt an approach which will make agreement  
28 possible. There has been talk of adding a second ad hoc year to  
29 the first ad hoc year on which we agreed at Brussels. That would  
30 not be possible. The system should apply from 1985. It should  
31 be based on the notional figure relating to our contribution in  
32 1983, as set out in the Presidency's text. To delay the start of  
33 the system and try to fix the level of our contribution in 1986  
34 would re-open the whole negotiation and could give a worse result

Catch word

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2 than the figure of 1000 mecus on 1983 figures which was put  
3 forward in Brussels. We can only settle this matter by moving  
4 forward from the point reached at Brussels, ie from 1250 and 1000  
5 mecus in the system.

6  
7 10. When you and the Prime Minister met at Chequers last month,  
8 you agreed that movement was necessary on all sides if a  
9 settlement was to be reached and you made this clear publicly  
10 after your subsequent meeting with President Mitterrand. The  
11 Prime Minister has indicated her willingness to work for an  
12 agreement on numerous occasions over the last few weeks. That  
13 willingness has been reciprocated in your own statements. We are  
14 convinced that agreement is possible at Fontainebleau. The Prime  
15 Minister will be prepared to make the extra effort needed to  
16 achieve it, if others are prepared to do the same. The matter  
17 can and will be resolved but we must move forwards, not  
18 backwards. Only on that basis can we reach agreement.  
19 Thereafter, we shall be able to move forward in our discussions  
20 on the future of Europe with the Community on a sounder and  
21 firmer budgetary basis.

22  
23 11. On the Commission: Prime Minister has asked me to enquire  
24 when you plan to let us know who your candidate for Presidency  
25 will be.

26  
27 12. [1983 refunds: Community cannot go back on commitment  
28 entered into by Heads of Government].

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Catchword

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15 JUN 1984