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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE  
TAOISEACH AT 10 DOWNING STREET ON MONDAY 3 SEPTEMBER AT  
MID-DAY

Present:

Prime Minister  
Foreign and Commonwealth  
Secretary  
Economic Secretary  
Sir Robert Armstrong  
H.E. Sir Michael Butler  
H.E. Mr. A.C. Goodison,  
HM Ambassador, Dublin  
Mr. Williamson  
Mr. Powell

The Taoiseach  
Mr. J. O'Keefe, Minister of  
State, Department of  
Foreign Affairs  
H.E. Mr. N. Dorr  
Mr. D. Nally, Secretary to  
the Government  
Mr. C.P. Fogarty, DFA  
Mr. M. Lillis, DFA  
Mr. M. O'Donohue,  
Department of Finance

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European Community Affairs

The Taoiseach commented that the Irish Presidency had the task of clearing up problems left over from the European Council at Fontainebleau. Over the past year or so the Community had become introverted, with its heavy pre-occupation with budgetary matters. If the Irish Presidency could succeed in settling the outstanding financial problems, their successors could encourage the Community to look outwards once again.

The Taoiseach continued that he had recently met President Mitterrand. His main concern had been with enlargement of the Community and particularly the problem of

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wine. But he had also raised the problem of the 1984 budget overrun and had expressed particular concern about the blocking of the UK's 1983 refund by the European Parliament. He had volunteered to speak to M. Pflimlin about this. The Taoiseach said that he had subsequently seen Chancellor Kohl and found him particularly negative on the question of advancing the date of introduction of new own resources to the last quarter of 1985. His main argument appeared to be that, were he to agree to this, it would remove any incentive for others to make progress in the enlargement negotiations.

The Prime Minister observed that Chancellor Kohl had always said that the sole justification for an increase in own resources was enlargement. Sir Geoffrey Howe wondered whether the German Government's position on the timing of introduction of new own resources was quite as firm as the Taoiseach suggested. Linkage could be preserved in terms of ratification of new own resources and of the outcome of the accession negotiations, with a target date of July or September 1985. The Taoiseach said that he found it difficult to assess whether the German position would change if the accession negotiations reached a successful conclusion. For the moment he had found himself facing a blank wall on the issue.

### Enlargement

The Taoiseach said that this was the other main problem facing the Irish Presidency. As he had mentioned earlier, President Mitterrand was very concerned about the difficulty of applying the existing wine regime to an enlarged Community. If Spain joined the Community without changes in the wine regime, there would be serious unrest in the South of France. The problem would need to be resolved by limits on production. In President Mitterrand's judgment Spain and even Italy would accept this. He was inclined to



put the blame on the Commission for failure to bring forward suitable proposals. The Taoiseach said that M. Thorn had just told him that proposals would be put to the Commission this week, which meant there should be a proposal on wine for the next Foreign Affairs Council. He (the Taoiseach) would be ready to go to Rome to try to secure Italian agreement, though it would not be at all easy. It was also necessary to involve the Spaniards diplomatically in discussion of changes to the wine regime, so that they would not feel that the acquis was being altered without regard for their interests (as had happened to the UK and Ireland over fish).

The other main outstanding problems were the time-tables for the agricultural and industrial transition and fish. The industrial tariff transition was a question of horse-trading and there was no fundamental problem. He hoped that neither side would take too hard a line. On fish, the Council was still awaiting a proposal from the Commission. The Prime Minister observed that fish would be very difficult for both the UK and Ireland. Sir Michael Butler said that the Commission were likely to propose that certain species which were not being fished by the UK and Irish fleets in their waters should be opened to Spanish fishing. The Prime Minister said the problem was that the Spaniards would not observe the restriction to particular species.

The Taoiseach said that, all in all, it was going to be very difficult to reach a conclusion by the end of the year. The Prime Minister said that it would be easier with Portugal than with Spain. The Taoiseach agreed, noting that Portugal wanted an constat d'accord that all the major issues had been overcome. It would be important to agree some wording that could be used to give them reassurance. For the longer term, however, he was worried that the Portuguese would have to start seeking renegotiation of



their terms soon after entry into the Community. The Prime Minister repeated that it was very important to the Portuguese to enter within a reasonable time scale. It was perhaps not quite so important for Spain. She had noted a recent study which suggested that, under the terms so far negotiated, Spain would be a net contributor to the Community budget for eight years after entry. The Taoiseach said that this was worrying if it implied an eight year transition. Sir Michael Butler pointed out that there was as yet no Commission proposal on the budgetary aspects of Spanish membership. The Taoiseach said that this was usually the last chapter to be negotiated.

#### Community Budget

The Prime Minister said that the time was past for botched solutions. All the outstanding problems on the budget needed to be solved together as a package. There needed to be agreement on budgetary discipline, the text of the new own resources regulation, the date of introduction of new own resources, reduction in the size of the 1984 budget over-run and the release of the UK's 1983 refunds. There was an incontrovertible link between guaranteed budgetary discipline and introduction of new own resources.

The Taoiseach said that a clear and explicit text on budget discipline had been agreed at the European Council in Brussels. It should not prove too difficult to translate it into precise legal form. The special High Level Group charged with this had already held two meetings, another was being held this week and progress would be reviewed at the informal ECOFIN meeting. There was no question of fudging the issue. The Prime Minister repeated the need for precision. It was not enough to express budgetary discipline as an aspiration or a hope. It must be guaranteed. Sir Michael Butler said that, in practice, this meant there must be a regulation. But other Member States



were arguing that a declaration would be sufficient. This would actually be less strong than the text agreed at the Brussels European Council. The Taoiseach said that there was no disagreement on the aim: differences arose on how to implement it. He referred to the 1979 precedent on the rate of growth in non-obligatory expenditure. This had stood the test of time even though it was not incorporated in a regulation.

#### 1984 Supplementary Budget

The Taoiseach noted that UK had made proposals for further savings in 1984. The question of supplementary financing had to be resolved soon as there were complex Parliamentary procedures to be completed before any agreement could be implemented.

The Prime Minister said that she wished to make absolutely clear that the UK was not prepared to approach the issues piecemeal. All the outstanding problems had to be solved together. It was also extremely important not to undermine the treaty. If agreement could be reached on budgetary discipline, on implementing the Fontainebleau agreements and on our 1983 refund, then it might be possible to agree a solution to the 1984 budget overrun on an exceptional basis. But it would be essential first to do more to reduce the size of the overrun. Mr O'Keefe agreed on the need for long term reforms. But in the meantime emergency action was needed to find the necessary funds for the 1984 budget. Without such action the Community would be damaged. Sir Geoffrey Howe said that it was better to get all the elements of a long term solution into place before deciding how to treat the problem of 1984. Mr O'Keefe said that the problem with this was that it might then be too late to deal with the emergency. The Prime Minister observed that if it was made too easy to get out of emergencies we should be confronted with a lot more of them.



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The Taoiseach acknowledged the importance of settling all outstanding issues. But time was pressing and a solution had to be found for 1984. It would be very difficult to get agreement on advancing the date of introduction of new own resources while the enlargement negotiations were continuing. However he could envisage sorting out the other main elements such as budgetary discipline provided it was clear that a means would be found to provide additional funds for 1984. The Prime Minister repeated that there had to be agreement on everything or nothing. The Presidency should increase the pace of work on budget discipline. Further efforts would have to be made to convince Chancellor Kohl of the importance of bringing forward the date of new own resources. The Taoiseach said that the problems must be resolved in October if the Community was not to run out of money. The Prime Minister said, in that case, solutions must be found to all the problems in October. Mr O'Keefe noted that all Member States except the UK were prepared to agree to a supplementary budget. The Prime Minister said that this would be a very exceptional measure which could only be considered once there was agreement on other measures to prevent the situation arising again. The Taoiseach said that he noted the Prime Minister's readiness to consider a package which would settle all outstanding issues though he remained sceptical whether it could be pulled off in six weeks.

The meeting ended at 1310.

3 September 1984

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*file No.  
Adrian P. Cadogan*

10 DOWNING STREET

*From the Private Secretary*

3 September 1984

PRIME MINISTER'S MEETING WITH THE TAOISEACH, 3 SEPTEMBER 1984:  
COMMUNITY BUSINESS

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I enclose a record of the Prime Minister's meeting with the Taoiseach on 3 September on European Community affairs.

I am sending copies of this letter and enclosure to David Peretz (H.M. Treasury), Adrian Ellis (Economic Secretary's Office, H.M. Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), and Richard Hatfield (Cabinet Office).

CHARLES POWELL

Colin Budd, Esq.,  
Foreign and Commonwealth Office.

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