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## 10 DOWNING STREET

From the Private Secretary

8 January 1980

### MEETING WITH THE EUROPEAN DEMOCRATIC GROUP

As you know, the Prime Minister had an informal meeting with the members of the European Democratic Group in the European Parliament at Church House this afternoon. Although the meeting had been billed as an informal occasion when the Prime Minister could circulate among the MEPs and get to know them, it in fact turned out to be a question and answer session of a rather more formal kind.

Most of the questions were predictable in content and the Prime Minister replied along standard lines. However, one or two raised specific points on which the Prime Minister's replies should be recorded.

Sir Fred Catherwood and Sir Fred Warner asked about the relationship between the MEPs and the Government machine. Sir Fred Catherwood proposed specifically that a special Committee should be set up within the Cabinet Committee structure. This Committee might be chaired by the Foreign and Commonwealth Secretary and have as members two or three Ministers concerned with Europe, Mr. Scott-Hopkins and one or two other members of the European Democratic Group. Sir Fred Warner thought that such a Committee would make it possible for MEPs to make available to the Government the special knowledge they were acquiring in Strasbourg. The Prime Minister, in reply, said that Cabinet Committees were where final decisions were taken by the Government. If the MEPs wanted to feed in ideas, this should be done at an earlier stage in the Governmental process. The natural way to do this was through the usual contacts with Departments, with Members of the Westminster Parliament and with research groups.

Mrs. Madron Seligman raised the question of the possibility of the nomination of a clerk from the House of Commons to be present in Strasbourg to act as a representative of the National Parliament during the sessions of the European Parliament. He would be responsible for distributing documents from Westminster and for keeping MEPs in the picture about progress of business there. The Prime Minister said that she thought it should be possible for the functions envisaged by Mrs. Seligman to be carried out by those already in Strasbourg. It should be possible for MEPs, a few of whom were also Members of the Westminster Parliament, to keep themselves in the picture by making energetic use of the existing facilities.

/In discussion

In discussion of the British contribution to the Community Budget, the Prime Minister stressed the following points, among others:-

- (a) there was no question of Britain leaving the European Community;
- (b) the Government had put forward a number of suggestions for areas in which Community expenditure in the United Kingdom could be initiated or increased, e.g. the coal industry, transport and Ulster. However, any money received from the Community would have to be in substitution for existing expenditure;
- (c) the 1 per cent VAT ceiling would have to be observed (this was in response to a direct question from Peter Price about the Prime Minister's willingness to move to a 2½ per cent VAT ceiling in order to make room for greater expenditure on the social and regional fronts);
- (d) the Prime Minister would be well content if Britain's net contribution ended up on more or less the same level as that of France;
- (e) the Government hoped that the Budget problems would be sorted out "by the next meeting of the European Council".

I am sending copies of this letter to the Private Secretaries to the members of OD(E) and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

R. M. J. Lyne, Esq.,  
Foreign and Commonwealth Office.



10 DOWNING STREET

From the Private Secretary

cc  
20(CE) Enns R. JH  
(FCO)  
HMT  
hd Pres  
hd Privy Seal  
MAFF  
D/Trade  
9 January 1980  
Att-Gen.

Mr Rosene,

cc Budget - Enns - P44

MEETING WITH THE EUROPEAN DEMOCRATIC GROUP

I sent you yesterday a brief summary of the main points that came up in the course of the Prime Minister's "private" meeting with the Members of the European Parliament at Church House. In the light of the interest which has been aroused about the Prime Minister's remarks on possible solutions to the budget problem, you and the other recipients of my letter may like to have a more detailed account of what the Prime Minister said on this subject.

The Prime Minister began by responding to Sir Fred Catherwood's assertion that there was growing sympathy in the European Parliament for the proposition that the contribution of each member state to the Community budget should be in line with its GNP. The Prime Minister said that this was a concept with which she would of course have much sympathy. However, to have it adopted as a basis for calculating budgetary contributions would involve a total reform of the system of Community financing. This would take far too long to effect.

The Prime Minister then identified four elements which would be, or might be, relevant to a solution of the budgetary difficulty:-

(a) Action on the contribution side of the budget. The Prime Minister said that agreement on a corrective mechanism to deal with this issue had been, in effect, reached at Dublin.

(b) Action on the receipts side of the budget on the basis of existing procedures. It was essential that a larger proportion of Community expenditure should come to the UK. This might involve the introduction of new schemes for Community expenditure. The UK had put forward a number of suggestions. These included the coal industry, transport system and Ulster.

(c) The establishment of a receipts mechanism. The Prime Minister said that one basis for such a mechanism would be that it should ensure that Britain received receipts at a level of 75 or 80 per cent of the average received by each of the other members of the Community per head of population.

/(d)

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(d) Action on restructuring the budget as a whole. This, according to the Prime Minister, was an essential objective. But it would be extremely difficult to achieve rapid action on the amendment of the deeply entrenched provisions of the CAP.

I am sending copies of this letter to the Private Secretaries to the members of OD(E) and to Martin Vile (Cabinet Office).

*Yours ever*

*Michael Alexander*

R.M.J. Lyne, Esq.,  
Foreign and Commonwealth Office.

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