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Prime Minister.

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EUROPEAN COMMUNITY: FINANCING IN 1984

Mr Barclay sent me a minute today about Sir Henry Plumb's telephone conversation with the Prime Minister.

We believe that the suggestion that, even with no agricultural price increases, the draft 1984 budget would be 2½ billion ecu short of the Community's needs is a very considerable exaggeration. We have obtained, unofficially, in the last week or two internal papers of the Commission. You will be aware that the Commission has already pushed about 300 million ecu of expenditure into 1984. The official, but unpublished, documents of the Commission show that they are now estimating that, even if there is no price increase for farmers, the 1984 budget will be about 625 million ecu short of needs. The Agricultural Directorate forecasts an even more difficult position but does not go as far as the figures suggested by Mr Dankert and Sir Henry Plumb.

We continue to take the view that the best advice to the Prime Minister is that she should follow the line she has already used, namely that difficulties can be foreseen for the latter part of 1984. There is no doubt that 1984 is going to be very difficult for the Community's financing of agricultural and other expenditure. The greater realisation of this will be helpful to our negotiating position even in the early months of 1984. We should not, however, forecast disaster too soon.

I am sending a copy to Sir Robert Armstrong.

D.F. Williamson
D F WILLIAMSON

12 December 1983