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From the Private Secretary

26 March 1984

FOREIGN AFFAIRS COUNCIL

The Prime Minister held a meeting with the Foreign and Commonwealth Secretary this morning to consider tactics for tomorrow's Foreign Affairs Council. Mr. Hannay and Mr. Williamson were present.

At the end of the meeting, the Prime Minister said that, while there might be advantage in maintaining a general reserve on the outcome of the Agricultural Council subject to the outcome of the Foreign Affairs Council, we should in the end be prepared to let the agricultural package go through, provided our wishes were met on the variable beef premium. The main reason for allowing the agricultural package to proceed would be that it would increase the financial pressure on other Member States and thus help to secure our objectives on the main Stuttgart package. But in discussion of the problem of equitable budget contributions in the Foreign Affairs Council we should not retreat from the figure of 1250 ecu's which the Prime Minister had tabled at the European Council.

We should make it plain in whichever Council finally approved the agricultural package that we were not prepared to be bound by the financial consequences of the package insofar as they took the Community beyond the 1 per cent VAT ceiling.

We should also seek to strengthen our case for refunds by referring to the need for interest to be paid after the dates on which the refunds became due.

The Prime Minister also asked that a paper should be prepared on the sanctions available to us against other EC Member States if they continued to block a settlement of the budgetary issues including the question of UK refunds. I should be grateful if Mr. Williamson could set in hand the production of such a paper.

I am copying this letter to Ivor Llewelyn (MAFF), David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

A.J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office.