



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

N.B. P.R.

FOREIGN AND COMMONWEALTH SECRETARY

EUROPEAN COMMUNITY BUDGET NEGOTIATIONS

Thank you for copying to me your minute of 18 May to the Prime Minister on the present state of the budget negotiations and the line that colleagues might take in forthcoming contacts with their Community opposite numbers.

2. I am content with the general approach on the budget imbalances issue, in particular your reference to the major concessions we have already made and the little room for manoeuvre now left to us. I think, however, that there are a few other points that colleagues might also care to bear in mind and raise if suitable opportunities arise.

3. First, the other major element in the negotiation is budgetary discipline, both on agricultural and other Community spending. As the Prime Minister reminded the House after the March European Council, effective control of agricultural and other spending is, together with a fair sharing of the budgetary burden, a prior condition of any increase in the Community's financial resources. It would be helpful, therefore, if colleagues could also remind their opposite numbers of the importance we attach to this, while avoiding any suggestion that it is an alternative to an acceptable budgetary imbalances deal. Without effective discipline a new imbalances system would be subject to great strain and we should still be at risk to an expanding budget.



4. Second, there is still the outstanding issue of our 1983 refunds, which remain blocked by the French and Italians. It is intolerable that we should continue to be denied these refunds, which were agreed by Heads of Government at Stuttgart last June, and early release must also form part of a settlement at Fontainebleau on 25-26 June.

5. Third, there is the question of the Commission's proposal for a 2.3 ecu loan from member States to cover the 1984 budget overrun. We have so far tended to take the line in Brussels that it is too early in the year to consider this, and that savings must be looked for. I suggest the time has come to make it clearer in private and in public that there can be no question of our considering this while the major budgetary imbalances and discipline issues remain unresolved.

6. I am copying this minute to the Prime Minister, other Cabinet colleagues, and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'N.L.' with a flourish.

N.L.

23 May 1984

420 POC
Buckley

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23 MAY 1972