

cc ~~the~~ Euro Pd,  
Venice Summit Prty

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

11th June, 1980

T. Lankester, Esq.,  
Private Secretary,  
10, Downing Street

Dear Tim,

EEC BUDGET SETTLEMENT: TIMING OF PAYMENTS

In Cabinet this afternoon the Chancellor undertook to let the Prime Minister have a note tonight on the state of play over advances of money under the Budget settlement.

As you know the 30th May agreement provided that credits for the supplementary measures under the new Article 235 Regulation in respect of each calendar year should be inscribed in the budget of the following year. But at our request the Council of Ministers can decide each year to make advances.

Accordingly the Commission have inserted a provision of 300 MUA in their rectifying letter incorporating their proposals for the amendment of the 1980 Budget. Their proposal is that this sum should be inserted in Chapter 100 which means that it will require a further decision of the Council to transfer it to the Chapter dealing with special measures to the UK before the Commission can advance the money to us.

The Germans and the French have said that they will oppose the insertion of this figure.

<sup>(the Chancellor)</sup>  
He discussed this matter with Herr Matthöfer in Bonn on 10th June. At first ~~the latter insisted~~ that the Germans could not make any advance payment to the UK in 1980; but later in their discussion Herr Lahnstein indicated it was not impossible that the German budgetary difficulties might seem less oppressive towards the end of this year and that some payment to the UK might be possible.

All this points to avoiding a row when the Commission's rectifying letter is considered by the Budget Council next Tuesday, 17th June. Our Ambassador in Bonn has seen Herr Lahnstein today and pointed out at the Chancellor's request that the inclusion of 300 MUA in Chapter 100 of

/the 1980 Budget

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the 1980 Budget does not necessarily mean that the money will be spent since a formal UK request would still be required followed by a vote to transfer the money to the operative chapter. Lahnstein has agreed to consider this point at an internal meeting in the Ministry of Finance on 13th June.

If this way of avoiding a confrontation does not prove acceptable, our fallback position might be to accept that no sum is entered into the 1980 Budget but merely a token entry in the chapter which provides for the UK solution. We would then have to rely on the Commission proposing a supplementary budget to secure advances later in the year. We might aim to secure the agreement of the Budget Council to a form of words which accepted the possibility of a supplementary budget after the regulations implementing the 30th May agreement had been passed and the consequential infra-structure programmes approved.

The Italian Presidency, in a misguided attempt to be helpful, have suggested as a "compromise" that the 300 MUA be inscribed in Chapter 100 as commitments appropriations and not as payments appropriations. This would be a great deal worse than having no inscription of any amount at all. The whole point of the advances proposal was to secure money for us this year. Payments appropriations are essential for this purpose. Furthermore the acceptance of the principle that the provision for commitments appropriations could be different in any year from the provision for payments appropriations could store up a great deal of trouble for us in the future. We are therefore taking steps to kill off this idea and it would be helpful if this point could be put to the Italians forcibly in Venice.

I am sending copies of this letter to George Walden, Michael Richardson and David Wright.

*Yours  
John*

A.J. WIGGINS



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