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Budget  
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PRIME MINISTER

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Cabinet: Community Affairs

You may wish to inform the Cabinet about your discussions with President Giscard on 19th-20th November. On defence and foreign policy issues, you and your colleagues had a useful exchange, but on the budget issue there was no meeting of minds. The gap will be difficult to bridge in 1½ days in Dublin. The French are clearly trying to make a link with sheepmeat, which President Giscard will raise at Dublin.

2. The Chancellor of the Exchequer and the Foreign and Commonwealth Secretary might be invited to report on the 19th November Finance Council and the 20th November Foreign Affairs Council respectively. There was no change in member states' attitudes on the budget issue. The Commission will be making further proposals on Wednesday, 21st November. The Germans made a link with recent oil price increases by BNOG, alleging that these increases had gone beyond OPEC agreed prices and giving notice that Chancellor Schmidt would raise this point in Dublin.

3. The Foreign and Commonwealth Secretary might also mention the Report of the Three Wise Men, which will be discussed in Dublin. As expected it recommends that the European Council should lay down, before 1981, a master plan of priorities for the Community as a whole; advocates a reduction in the number of Commissioners to 1 per member state; argues for greater delegation to the Commission and the Permanent Representatives Committee; and urges closer relations between the Council and the Commission on the one hand and the European Parliament on the other.

4. The Minister of Agriculture has recently discussed French intentions on sheepmeat with Commissioner Gundelach, and could report. The Commission will also be announcing this week its proposals for bringing the surpluses, especially of milk and sugar, under control.

MSV.  
AP

(Robert Armstrong)

21st November, 1979