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Prime Minister:

We discussed this yesterday.

My own inclination is all the

circumstances would be to oppose

the budget modifications proposed by

the European Parliament. Agree?

Dear Michael,

Foreign and Commonwealth Office

London SW1A 2AH

21 November 1979

Could we ask Len Lawson

I think our M.P.s

helped to draft the budget content

Ann. 21(x)

1980 COMMUNITY BUDGET: MODIFICATIONS BY THE EUROPEAN PARLIAMENT

You told me on the telephone that the Prime Minister had asked for advice on whether we should, at the Finance Council on 23 November, accept the Parliament's modification concerning the sums available for the support of milk prices. The possible courses of action are set out in the minute of 16 November by the Lord President of the Council to Mr Lawson. We are all, I think, agreed that we must vote against the Parliament's proposals on the co-responsibility levy.

There is no important matter of agricultural or budgetary policy immediately involved. The Parliament's modification relates to an estimated figure in the 1980 Budget and, in supporting the amendment, we would be following the logic of our own policy that milk prices, and therefore surpluses, should be held down as far as possible, as well as demonstrating some support to MEPs (particularly British) who take the same view. The actual prices, and consequently the real expenditure for 1980, will in fact be decided by Agriculture Ministers at the next price fixing and the Parliament's vote will not have any direct effect, whatever attitude the Council takes to it.

It follows therefore that it is open to us to support the Parliament on this point if we want to and if there is no stronger reason for us not doing so. We would not be infringing the Council agreement reached in March this year on the maximum rate since this applied only to non-obligatory (ie non-CAP) expenditure.

The issue therefore turns on the Prime Minister's talks with President Giscard and the impression which the President is likely to have gained. It is obviously important at this juncture to avoid a situation in which he can claim that by voting in favour of the Parliament's modification we have in some way gone back on an understanding he had reached with the Prime Minister. If, therefore, there is any possibility that President Giscard may have concluded from what the Prime Minister said to him that the UK would support French resistance to the Parliament's modification, the wisest course would be to instruct Mr Lawson to take this line in the Budget Council.

I am sending copies of this letter to Garth Waters (MAFF), Martin Hall (HM Treasury), Jim Buckley (Lord President's office) and Martin Vile (Cabinet Office).

Yours wa

Paul
(P Lever)

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21 NOV 1979

