

cc Iran (sit) Pt 6

CONFIDENTIAL

Ref. A02007

PRIME MINISTER

---

Cabinet

FOREIGN AFFAIRS

The Foreign and Commonwealth Secretary will want to report on the outcome of the EC Council of Ministers' discussions on Iran. Agreement was reached on trade and economic sanctions to be implemented on 17th May, failing decisive progress towards the release of the hostages. Immediate measures approved include a reduction in diplomatic representation on both sides and the introduction of visas for Iranians travelling to the Nine.

COMMUNITY AFFAIRS

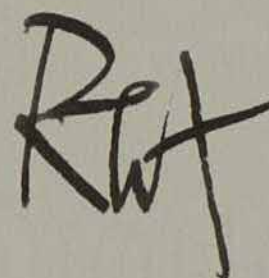
2. The Foreign and Commonwealth Secretary might be invited to report on the discussions in the Foreign Affairs Council and (in the absence of the Chancellor of the Exchequer) in the Finance Councils, on our budget problem in preparation for the European Council. New elements were: all member states accepted the Article 235 approach for supplementary expenditure in the United Kingdom, though there was some discussion about the procedure for disbursements; the French pressed for some kind of ceiling on the amount to be dispensed under the amended Financial Mechanism, and tabled a text on Community principles for the European Council communique; the Commission stuck to their 1980 figures as the basis for discussion in the European Council, but they will be accompanied by comments from France and others that they exaggerate our net contribution and by us that they may underestimate it. There was no advance on dynamism or duration. (The French also want marine pollution discussed at the European Council.)

3. The Minister of Agriculture might be invited to report on the 21st-23rd April Agriculture Council which could not reach agreement on the substance of the Commission's prices and economy package but was aiming to agree a report to the European Council setting out the issues to be resolved and their budgetary implications.



CONFIDENTIAL

4. You will wish to inform the Cabinet of the arrangements for Signor Cossiga's visit following the postponement of his planned trip earlier in the week. The postponement of the European Council has probably in the event enhanced the prospects for a settlement. By insisting on the reaffirmation of Community principles, the French may be preparing a position which, along with an assurance that CAP prices will be settled on a basis closer to their wishes, will enable President Giscard to justify giving us temporary relief on the budget issue. But it will be difficult to secure an arrangement for five years, the minimum period to be sure that it will not become an election issue. There is also a gap on an acceptance figure for 1980 and on ways of ensuring that it can be adjusted in future years to prevent another unacceptable rise in our net contribution. So there can be no guarantee of a successful outcome. You will wish to confirm that you and the Foreign and Commonwealth Secretary will be guided in the 27th-28th April European Council discussions on the budget by the conclusions reached by the Cabinet on 20th March.



(Robert Armstrong)

23rd April, 1980