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10 DOWNING STREET

From the Private Secretary

4 July 1979

Dear Paul,

EEC BUDGET

When the Prime Minister telephoned the President of the Commission on 3 July about another matter (the UK/Australian Safeguards Agreement) she asked Mr. Jenkins whether the Commission would be able to put its reference paper on the Community Budget to the September meeting of the Finance Council.

Mr. Jenkins told the Prime Minister that the Commission would be tackling this problem in two stages: it first had to prepare its objective report and then make proposals for remedies. The Prime Minister said that if the Commission's proposals were not ready until October, there would not be time for them to be considered by other governments before the November meeting of the European Council in Dublin. Mr. Jenkins agreed that the proposals should not be put forward too late but commented that he was equally anxious that they should not be put forward too early since this would give too much time for member governments to take up hard positions and "get at" the Commission's suggested solutions. The Prime Minister said that she saw the force of this, but thought it important that the reference paper, at least, should be put to the Finance Council in September. Mr. Jenkins said that he would do his best to get the reference paper to Finance Ministers at their September meeting and thought that this should be possible: the proposals could follow at the later meeting of the Finance Council.

I am sending copies of this letter to Martin Hall (Treasury) and Martin Vile (Cabinet Office).

Yours ever,
James Callaghan

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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