

CONFIDENTIAL

Ref. A0351

MR. ALEXANDER

Prime Minister

Appe para 3?

Yes out

Am: 2/4

Community Budget

A note by officials OD(79) 25 which deals with possible mechanisms to achieve our Budget objective is due to be discussed in OD on Monday, 8th October when the Chancellor is back from Belgrade. We have learnt however that, at their informal meeting this coming weekend, the Commission will be having a first discussion of our (and the Italian) problem and that the Secretary General of the Commission has asked his officials for preliminary advice on possible solutions. We have good contacts among these officials and it seems important that we should not lose this opportunity to give them some steer.

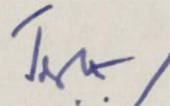
2. The Chancellor of the Exchequer has reservations about two points in the paper. He believes we should have a permanent provision for limiting the United Kingdom's net contribution even if the United Kingdom's GNP rose above the Community average whereas the paper suggests that it might be sufficient to cover this (unlikely) event by a temporary phasing arrangement (paragraph 6). Secondly, he would like to see a quicker acting method of abating our payments than those suggested in paragraph 19. In the Chancellor's absence it will not be possible to resolve these points before the OD discussion next Monday. However, the second point is not one which we need to discuss with the Commission at this stage. As to the first, the Chancellor's position should be protected by making clear that Ministers are still considering whether and, if so, in what form there should be a further provision for limiting the United Kingdom's net contribution even if the United Kingdom ceased to have a below average GNP.

3. I should be grateful to know whether subject to these points the Prime Minister agrees that Sir Donald Maitland should be authorised to speak informally and on a personal basis to our contacts in the Commission on the basis of paragraphs 22 and 23 of OD(79) 25. This at least should avoid the Commission's

Yes out

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discussions getting off on the wrong foot. The Prime Minister will be able to consider on Monday what we should say formally to the Commission about the solutions they are due to propose. I hope that, if at all possible, you will be able to consult her overnight: we only received the Chancellor's reactions earlier today.



(John Hunt)

2nd October, 1979

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Euro 102

10 DOWNING STREET

From the Private Secretary

SIR JOHN HUNT,
CABINET OFFICE.

Community Budget

The Prime Minister has seen your minute to me of 2 October on this subject and the OD paper to which it referred.

As I have already informed Mr. Franklin, the Prime Minister has agreed that Sir Donald Maitland should speak informally and on a personal basis to our contacts in the Commission on the basis of paragraphs 22 and 23 of OD(79)25.

M. O'D. B. ALEXANDER

3 October 1979

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