

115

SECRET

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

OD(80) 2nd Meeting

COPY NO

42

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

MINUTES of a Meeting held at
10 Downing Street on
FRIDAY 25 JANUARY 1980 at 10.30 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Peter Walker MP
Minister of Agriculture,
Fisheries and Food

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon Sir Michael Havers QC MP
Attorney General

The Rt Hon Lord Mackay of Clashfern QC
Lord Advocate

Sir Michael Butler
United Kingdom Permanent
Representative to the European
Communities

SECRETARIAT

Sir Robert Armstrong
Mr M D M Franklin
Mr D M Elliott

CONTENTS

Item	Subject	Page
1	EEC BUDGET: FORMS OF PRESSURE	1
2	FOLLOW-UP TO THE DUBLIN EUROPEAN COUNCIL	2

SECRET

SECRET

SECRET

- 1. EEC BUDGET: FORMS OF PRESSURE
Previous Reference: OD(79) 11th Meeting, Minute 3

The Committee considered a note by the Secretaries (OD(80) 5) covering a note by officials designed to enable Ministers to assess the merits and demerits of withholding contributions to the Community budget or obstructing Community business if the outcome of the next European Council was so inadequate as to justify such a course. Annex D to the note by officials contained the advice of the Law Officers on the legal implications of withholding contributions in domestic law.

The Committee's discussion is recorded separately.

THE PRIME MINISTER, summing up the discussion, said that domestic public expenditure constraints were such that it was important to avoid delay in getting the net United Kingdom contribution reduced. The first priority was to work for a satisfactory settlement of the problem at the next European Council. The Government needed to have precise plans ready in case the next European Council did not produce a satisfactory settlement of the problem. Officials should work up detailed contingency plans for both possible courses for the Committee to consider at a later meeting.

The Committee -

Instructed the Secretaries to arrange for detailed contingency plans to be prepared covering both withholding and obstruction.

SECRET

- 16
- 17
- 18
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- ME
- ME
- 13
- 14
- 15

SECRET

SECRET

2. FOLLOW-UP TO THE DUBLIN EUROPEAN COUNCIL

The Committee considered a report from the Lord Privy Seal on his bilateral consultations and his suggestions for the line to be taken with Signor Cossiga on 29-30 January. Their discussion is recorded separately.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that she should give Signor Cossiga a rather more precise indication of our requirement, that the requirement should be expressed in terms of the net contribution the United Kingdom was prepared to pay, and that she should encourage Signor Cossiga to take soundings before the next European Council. It was urgent that such a meeting should produce a solution to the problem. British public opinion would not understand if she attended another Council which did not produce results. She would reflect on the indication to be given to Signor Cossiga of the level of net contribution which would be acceptable.

The Committee -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Instructed the Secretaries to revise the draft note for use with Signor Cossiga in the light of the discussion.

Cabinet Office
28 January 1980

SECRET

SECRET

Prime Minister

COMMUNITY BUDGET : VISIT OF SIGNOR COSSIGA

Signor Cossiga was asked by the European Council to decide when the Council should reconvene to 'pursue the search for appropriate solutions' to the United Kingdom budget problem. When he meets you on 29/30 January he will be looking for some movement on our part. Without it, he is unlikely to be able to secure any corresponding movement from our partners. You have therefore agreed that we should give him some indication that we would settle for less than we were asking for in Dublin, although we should obviously not reveal a final position. In this minute, I suggest what our approach might be.

The absence of a Commission proposal is unfortunate, but if we are to get any value out of the meeting on 29/30 January, we cannot wait for it before we show something of our hand. In any case, we have a fair idea what they are likely to say, and they will almost certainly not propose a figure at this stage.

It will probably be better to set the indication of our figure in some slightly wider framework and, particularly because it is an Italian Presidency, in the context of medium term restructuring of the budget.

Our proposition could be expressed as the amount of reduction in our net contribution that we want (eg a refund of £800m instead of £1,000m) or as the level of net contribution we are prepared to pay. The latter is safer since we do not know exactly what our net contribution would otherwise be in 1980 (or later years). Moreover, there are presentational advantages in stating what we are prepared to pay rather than how much we 'want back'.

/Although

SECRET

16

17

18

3

4

5

6

7

8

9

10

11

12

13

14

15

Although we are basing our calculation on figures for 1979, we are asking for a solution which lasts. We could not expect to get an absolute ceiling on our net contribution irrespective of developments, but we do need a continuing limitation on its future growth.

Taking these considerations into account, the possible ways in which we could express our requirement seem to be:

- (i) that our net contribution in 1980 should not exceed, say, 300 meua and should not grow faster than the Budget as a whole in future years; or
- (ii) that our net contribution should not exceed a given proportion of our GNP; or
- (iii) that our net contribution should be linked in some way to that of the French (how this might be done, with the necessary calculations, is in a separate note at Annex A).

Each of these has some merit as an indicator of what would be acceptable to us. We would not be asking for them to be written into any legal text, but that the revised Financial Mechanism and whatever is agreed for measures on the receipts side should together produce that result. Option (i) is the simplest; option (ii) has some economic logic but would be criticised as another form of juste retour; option (iii) taken by itself could turn the negotiations into too much of an Anglo-French battle.

Taking all this into account Annex B sets out the line I think we should take. It could be used as a speaking note, or possibly handed over. As you will see, it combines the ideas of (i) and (iii) in expressing what we are asking for. If it were decided to hand over a note, I think the figure we decide on should be given to him orally. If it is 300 meua (roughly £200m) then we would be paying about two-thirds of what the French would have to pay. This is what the draft implies because that is approximately the difference between the French GNP per head and ours. If we were

/to

to pay the same as the French we would make a net contribution of £304 million on the existing Commission figures.

This is too high for an opening bid.

Annex B does not deal with the question of financing nor whether Italy and Ireland should be expected to pay. We want to remain neutral on this; but if it were thought necessary to give the Italians something, it would be possible to add an additional paragraph along the lines of:

'5. Other member states with below Community average GNP should also benefit from supplementary measures so that their budgetary position was unaffected by the changes envisaged under (1) above.'

Nor does the note deal with the 1 per cent VAT ceiling. It is better from our point of view not to raise it specifically in the context of our Budget problem. If necessary, we can argue that it is covered by the Dublin remit to the Commission.

Finally, the note sticks to our existing line on the question of duration, ie indefinite, subject to review; but the reference in (4) is intended to establish a link between the special measures for the United Kingdom and progress with restructuring the budget.

I am sending copies of this minute to Members of OD, to the Minister of Agriculture, Fisheries and Food, the Secretary of State for Energy, the Attorney General, and to Sir R Armstrong and Sir M Butler.

24 January 1980

ANNEX A

UNITED KINGDOM 1980 NET CONTRIBUTION TO THE COMMUNITY BUDGET
COMPARISONS WITH FRANCE

1. On the existing Commission figures for 1980, the United Kingdom will make a net contribution of 1814 meua/£1225 million (exporter benefits) or 1552 meua/£1048 million (importer benefits). The corresponding figures for France are 19 meua/£13 million and 120 meua/£81 million.
2. If the United Kingdom and France were to make exactly the same net contribution, the result would be:

	meua	£m
mca exporter benefits	431	291
mca importer benefits	450	304

3. If we wish to propose that the United Kingdom should be a net contributor of the order of £200 million, then our net contribution would need to be approximately two-thirds of that of France. This could be justified on the basis of relative GDP per head (5786 eua in the United Kingdom and 8356 eua in France).

4. The figures in this annex assume that all Member States, including the United Kingdom, will contribute to our refund and our additional receipts.

ANNEX B

UNITED KINGDOM BUDGET PROBLEM:
NOTE TO BE GIVEN TO SIGNOR COSSIGA

Drawing on the conclusions of the Dublin European Council, the following basis of settlement is suggested:

- (1) Removal of the existing constraints on the operation of the Financial Mechanism. Regulation 1172/76 to be extended indefinitely with provision for a new review clause not later than the end of the sixth year.
- (2) Supplementary measures leading to greater participation by the United Kingdom in Community expenditure. The method or methods should be decided in the light of Commission proposals and be subject to review as in (1) above.
- (3) The combined effect of (1) and (2) above should be such as to leave the United Kingdom a modest net contributor [say 300 meua in 1980]. The United Kingdom's net contribution should be in an appropriate relationship with the member state having the next highest GNP per head in the Community.
- (4) The European Council should instruct the Commission to make proposals for achieving a better balance within the Community budget and ensuring that, by 1986, the proportion devoted to the Common Agricultural Policy (FEOGA Guarantee Section) would not exceed 55 per cent of the total. The Council should take account of the effect of implementing such proposals on the United Kingdom's net contribution at the time of the review called for under (1) above.

prime Minister

I am reporting to Cabinet today on the completion of my tour of the capitals of our Community partners to discuss the United Kingdom's net contribution to the Community budget. I thought it would be useful to let you and colleagues have a somewhat more detailed account of my impressions.

In general I think the tour served a useful, if limited, purpose. We have re-focussed our partners' minds on our budget problem at a time when they might have been inclined to give priority to other issues; we have achieved some kind of consensus in very general terms that efforts must now be concentrated on finding practical means to increase Community expenditure in the United Kingdom; and we have demonstrated our determination to get this matter settled in the next month or two.

The most welcome of the reactions I found almost everywhere was a matching wish to settle the matter at the next European Council, a stated political will except in Paris to go beyond what was on offer at Dublin and a clear recognition that it was in the Community's overall interest to find a satisfactory solution rapidly so that we could together face up to the other problems about us. I think the crises over Iran/Afghanistan are helping our cause in this way. Against this it is clear that none of our partners is yet thinking of figures which we would find reasonable, that there remain many doctrinal hang-ups about agreeing to the substantial and lasting solution we need and that the French, while they may not be playing a wrecking game, are certainly not going to make life easy for us or our

/other

other partners. But only the French dispute that the contribution side of the problem was effectively settled at Dublin.

The main points covered, with my own conclusions, are:

- (i) Amount. Because I was not ready to say in round terms what we would settle for, nor were our partners; although I was questioned on this point, the matter was not pressed. But I think we need to recognise that, while a 'genuine spirit of compromise' and 'small room for manoeuvre' have served us well this far, we now need to give at least some indication that, for example, we are ready to see ourselves as modest net contributors. I have minuted you separately about the line I think you might take with Cossiga when he comes here next week.
- (ii) Duration. This is going to be one of the most difficult issues. While I found a general recognition that it was in everyone's interest to solve our budget problem once and for all, I equally found an unwillingness to face up to the need for machinery which would bring about this desirable end. There is much talk of a fixed period of two, three or four years with a review towards the end of it of whatever arrangements we agree. This is closely linked with the next point.
- (iii) A receipts mechanism. There is now a better understanding of our thinking on this point but there is not much support for it. There remain strong, doctrinal reservations in most capitals and also a short-sighted financial view that it could prove more expensive than an alternative approach. We must expect the French to play on these fears. I certainly do not think we should weaken in our advocacy of the idea as the best way of achieving a lasting solution. We may well gain ground as others see more clearly the shortcomings of other methods. But I think we need to continue to make it clear that we do not see it as the

/only

only solution; and thus avoid getting into a deadlocked issue of principle which will delay negotiation of the substance.

(iv) Increased Community Expenditure in the United Kingdom.

Thanks to Dublin this is now the focus of our partners thinking and that of the Commission. The problems of achieving the objective by across-the-board increases in existing policies or new Community-wide expenditure programmes are well understood. So special programmes to boost expenditure in the United Kingdom are to the fore and will be even more so when the Commission proposals come forward at the end of this month, if, as we expect, they firmly endorse this approach. Some of the ideas we have given the Commission and the Member States (investment in coal, Northern Ireland) seem to be falling on reasonably fertile ground. If the idea of a mechanism were after all to prove possibly acceptable, it might help presentationally to link it with expenditure of this kind in the United Kingdom.

(v) Additionality. Not an issue which was much raised with me and certainly not one I raised. I think we can hope that this will remain a non-issue so long as we do not make too much of it in our own public statements at home.

(vi) Re-structuring the Budget. There is widespread support for this by most of our partners and I made clear that we were in favour. It seems now to be understood that re-structuring will not bring early or substantial benefits to the United Kingdom and that it does not therefore have a key role to play in solving our immediate problem. So I think we have nothing to fear from giving all-out support for the general objective and a good deal to gain, given the importance attached to it by some of our partners and the long-term interest we have in it ourselves.

/(vii)

(vii) Agricultural Prices and the Economy Proposals.

I made clear that we saw no justification for price increases for products in surplus, particularly milk. Many of our partners will find it hard to follow so rigorous a line, and they are all keeping their powder dry, until the Commission makes its proposals next month. The French, at least, will then try to link a solution to our budget problem to certain assurances on the price package, if, as seems likely, that package cannot be agreed before the next European Council. On Gundelach's economy proposals I found some misunderstanding of our position and a tendency to interpret our problems over individual items as a negative attitude to CAP reform in general. I attempted to put this straight. It is very damaging to us in a number of important capitals (Bonn, Rome and The Hague in particular) if we are believed not to favour reform.

I think we have to make it clear, as we did in Bonn, that economy proposals from the Commission have to be looked at together with decisions on CAP prices, especially for products in surplus: and that the form of any agricultural economy package must not be such as to inflict differential damage on the United Kingdom. In our budget situation that would be clearly unacceptable and would impair, if not destroy, the principle that re-structuring of the budget should in the long term make a contribution to easing our budget problem.

(viii) The Linkage Items (Fish, Energy, Sheepmeat). Very few people owned up to being in favour of specific linkages themselves but all, without exception, were convinced that someone else (usually the French) would insist on them. The French fully bore this out by adding to the usual three, the rejected 1980 budget, agricultural prices and economy proposals. I stuck to our line about willingness to make progress on all subjects but need to treat issues on their merits.

(a) Fish. Here I think there is a reasonably wide understanding that it might not be tactically in anyone's interest for a link to be made. So long as some progress continues to be registered in the Fish Council, then I think this one might fade away as a linkage candidate, although the French spoke of it in those terms.

(b) Energy. Mentioned by almost everyone as a necessary and desirable element in any settlement of our problem. Ideas are not very specific and there is less tendency than there was to peddle half-baked suggestions such as the United Kingdom selling oil cheap to our Community partners. Many see this as the crucial political element enabling them to say to their Parliaments and public opinion that there was a reasonable balance in any settlement with us. I am becoming more and more convinced that a unilateral statement by us on a number of ways in which we intended to take account of our partners' interests in operating our oil policies, could be of quite disproportionate political benefit at the European Council without involving any major commitments. Meanwhile our present line is a good way of up-valuing the card should we eventually decide to play it.

(c) Sheepmeat. This is the French and they alone. They seem now to be quite categorical as to linkage. I think we will eventually have to accept that and make the most of it in tactical terms.

So much for the issues of substance. I found little enthusiasm at an early, special meeting of the European Council, partly because we believed a solution would be in sight before the end of March and partly also because of a reluctance to go to a meeting devoted to our problem. We will have to talk this over with

/Cossiga



Cossiga next week but my feeling is that, while we should go on pressing for a settlement as early as possible, we should not make an issue of an early meeting.

On future procedure the picture is much less clear. Bilateral contacts are obviously going to continue to play a crucial, probably the crucial, role in the search for a solution. Others are now going to be more active - Cossiga plans to see Schmidt and Giscard, and we should encourage this, the latter two are meeting in early February, Jenkins is seeing Schmidt soon and will obviously be doing his usual pre-European Council rounds. We need now to reflect carefully how best to orchestrate our own bilateral contacts. Peter Carrington will be seeing Francois-Poncet the weekend after next. But beyond that we have not got very much planned. Certain multilateral procedures will no doubt grind into gear as soon as the Commission proposals are on the table but I doubt whether either the Foreign Affairs or the ECO/FIN Councils will contribute much to narrowing the gap. We will first need in any case to discuss future procedure with Cossiga and hear what he has in mind.

I have considered a suggestion that we might float with Cossiga the idea of an informal meeting of Heads of Government in February to prepare a definitive solution but, on balance, my conclusion is that the risks outweigh the possible advantages of such a course of action. The French in any case would not go along with it and we do not want to court a rebuff.

I am sending copies of this minute to Members of OD, to the Minister of Agriculture, Fisheries and Food, the Secretary of State for Energy, the Attorney General, and to Sir R Armstrong and Sir M Butler.

24 January 1980

c/v

SECRET

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

OD(80) 2nd Meeting

COPY NO 11

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

LIMITED CIRCULATION ANNEX

OD(80) 2nd Meeting, Minutes
FRIDAY 25 JANUARY 1980 at 10.30 am

SECRET

1. EEC BUDGET: FORMS OF PRESSURE

Previous Reference: OD(79) 11th Meeting Minute 3

The Committee considered a Note by the Secretaries (OD(80) 5) covering a Note by Officials designed to enable Ministers to assess the merits and demerits of withholding contributions to the Community budget or obstructing Community business if the outcome of the next European Council was so inadequate as to justify such a course. Annex D to the note by officials contained the advice of the Law Officers on the legal implications of withholding contributions in domestic law.

THE CHANCELLOR OF THE EXCHEQUER said that he had a strong preference for withholding rather than obstruction. If the latter were to be made effective it would have to be generalised over every field of Community activity, whereas withholding our contributions would concentrate on the source of the United Kingdom's grievance and ensure that the money was retained in the meantime. He accepted in the light of the Law Officers' advice that withholding would lead to proceedings before the European Court of Justice, and that, if those proceedings were followed by proceedings in British Courts, domestic legislation might be required to protect the Government from the consequences of an adverse ruling. But the need for such legislation would in practice probably arise only after the Commission had retaliated by stopping payments to the United Kingdom. If withholding was presented as only a temporary device, it should be possible to operate under the

SECRET

SECRET

Appropriations Act for some months before resorting to legislation, and no serious political problems should arise in arranging to fund substitution payments. While the Law Officers had advised that there was some risk of action against withholding in the United Kingdom courts, it was unlikely that the Commission would proceed in this way and improbable that any individual outside the United Kingdom would have a valid legal basis for so doing. Equally, provided substitution payments were properly organised, erring if necessary on the side of generosity, Her Majesty's Government were not likely to be taken to the courts by a United Kingdom citizen, though the possibility of a politically motivated case could not be entirely excluded.

THE FOREIGN AND COMMONWEALTH SECRETARY, said that both withholding and obstruction were unattractive courses, since neither could be guaranteed to lead to a satisfactory settlement of our budget problem. But withholding suffered from the serious disadvantage of being obviously illegal. There would be no prospect of continuing negotiations while the European Court pronounced on the issue; and if they ruled against the United Kingdom, which was likely, the Government would be in a much more difficult political and legal position from which retreat would be impossible short of a final settlement. The United Kingdom would be in breach of Community law, all the Community partners would be against her, and they would be unwilling to resume negotiations under duress. Obstruction might equally exasperate the partners rather than induce them to settle. On balance it would be better to combine the two courses, using obstruction first to block the 1980-81 Common Agricultural Policy (CAP) price fixing and the 1980 Budget and keeping withholding in reserve.

THE ATTORNEY GENERAL, with the Lord Advocate concurring, confirmed that the choice between resort to the Appropriations Act instead of legislation as authority for making payments to United Kingdom citizens in lieu of payments due from but withheld by the Commission was a question of judgement of constitutional propriety. While legislation would be necessary to avert the risk of an adverse ruling by a United Kingdom court, which it would be

SECRET

SECRET

unthinkable for the Government to defy, it should be possible to achieve this result through a temporary renewable bill overriding the jurisdiction of the courts. In his view, it should be possible for the Parliamentary draftsmen to find a way of avoiding amendment of Section 2 of the European Communities Act 1972, though it would be necessary to make clear the effect the bill would have on that Act.

In discussion the following main points were made -

a. Withholding could have consequences going well beyond the budget objective to which it was addressed. It could put into question respect for international treaties, the United Kingdom's commitment to the Community and even the future of the Community itself. Though the treaty contained no provision for expulsion, any treaty would be denounced by its signatories and it was possible that British membership of the Community could be put in jeopardy by this course of action. This point merited further consideration; and the full implications of withholding should be weighed with the utmost care before any decision were taken.

b. A policy of obstruction depended in the last resort on the ability of Her Majesty's Government to invoke the Luxembourg compromise, for which the acquiescence of the other member states would be needed. It should be feasible to block the CAP price fixing by this means, since the Luxembourg compromise originated in this field. It would be more risky to apply it in the budget context where majority voting was well established, but even here it should be possible to rely on the great importance the French attached to the ability of a member state to veto a decision which cut across its vital national interests. If the United Kingdom could block the price fixing and the 1980 Budget this would bring considerable pressure to bear on the partners, but not until after the next European Council.

SECRET

16

17

18

3

4

5

6

7

8

9

10

11

12

13

14

15

SECRET

c. Withholding need not be presented in terms of stark defiance of the treaty. The Government could start by merely procrastinating over payment of the United Kingdom contribution and could make clear its continuing desire to play a full part in the Community once the budget problem was out of the way. Meanwhile the United Kingdom could collaborate in the usual way on all other matters.

d. Significant progress had already been made in bringing the Dublin European Council to the point of offering £350 million on the contribution side and instructing the Commission to make proposals for additional receipts. Contingency planning was necessary; but it would be wrong to let it appear now that the Government was assuming that no further progress would be made at the next European Council. It was nevertheless possible that a final settlement might have to await a summit meeting in mid-summer, taking in CAP price fixing and the 1980 Budget as well as a solution to the net contribution problem.

THE PRIME MINISTER, summing up the discussion, said that domestic public expenditure constraints were such that it was important to avoid delay in getting the net United Kingdom contribution reduced. The first priority was to work towards a satisfactory settlement of the problem at the next European Council. The Government needed to have precise plans ready in case the next European Council did not produce a satisfactory settlement of the problem. Officials should work up detailed contingency plans for both possible courses for the Committee to consider at a later meeting.

The Committee -

Instructed the Secretaries to arrange for detailed contingency plans to be prepared covering both withholding and obstruction.

4
SECRET

SECRET

SECRET

2. FOLLOW-UP TO THE DUBLIN EUROPEAN COUNCIL

The Lord Privy Seal said that his two minutes of 24 January to the Prime Minister contained a report on his bilateral consultations and suggestions for the line to be taken with Signor Cossiga on 29-30 January. Three key points had emerged from his talks in Community capitals and with the Commission. First, while everyone was anxious to dispose of the problem of the British contribution to the Community budget, future progress would depend upon a clearer and more detailed statement of the British objective and a demonstration of the Government's readiness to compromise. Second, most of the partners were still reluctant to contemplate arrangements for the United Kingdom lasting as long as the problem lasted; there was much talk of a fixed period of 2 to 4 years with a review at the end of it. Third, it was still necessary to find a means of dynamising any agreed arrangements, in order to put a continuing limitation on the future growth of the net United Kingdom contribution. This might be achieved by expressing the objective in terms of the level of net contribution the United Kingdom was prepared to pay rather than the amount of reduction sought. Against this background, and in the context of the Prime Minister's earlier agreement that she should give Signor Cossiga on 29-30 January an indication that she would settle for less than she was seeking in Dublin, he had set out in his second minute three possible ways in which a revised demand could be expressed along with a proposed note for use with Signor Cossiga. The formula he proposed was that the combined effect of removing the existing constraints on the operation of the financial mechanism and supplementary receipts measures should be such as to leave the United Kingdom a modest net contributor - say 300 MEUA in 1980; and that the United Kingdom's net contribution should be in an appropriate relationship with the member state having the next highest GNP per head. In effect this formula said that the United Kingdom should be below France by the difference in our relative GNP per head. On related issues, fish was not likely to pose any problems provided that Britain continued to contribute to progress in the Fisheries Council; the partners would be looking for some reassuring but largely presentational statements on energy; and France alone would insist on a linkage with sheepmeat. As to future procedure, an informal meeting of Heads of Government in advance of the next European Council was not likely to be productive, but further bilateral contacts at appropriate levels would be necessary in the weeks ahead.

5
SECRET

16

17

18

3

4

5

6

7

8

9

10

11

12

13

14

15

71

In discussion it was suggested that 300 MEUA was too high a figure to use with Signor Cossiga; it might be better to talk in terms of a range of say 150-250 MEUA in 1980 or to pitch the figure at a level which would cover all United Kingdom receipts from the budget plus a reasonable share of the Community's administrative costs. It would also be necessary to find a formula to safeguard the future: eg a limit on the United Kingdom contribution as a proportion of the total Community budget. Such a formula might be included in any final settlement. On the related issues, it was argued that the United Kingdom should not be expected to make any concessions, especially to the French on sheepmeat, as a price for redressing the inequities of our present budgetary burden. At the same time the Government should bear in mind Mr Jenkins' suggestion that a willingness to play a constructive role in the forthcoming debate about a Community energy policy in the mid-1980's would help Britain's partners to come towards her on the budget, though it was noted that the question of a possible Community oil levy needed careful and separate consideration.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that she should give Signor Cossiga a rather more precise indication of our requirement, that the requirement should be expressed in terms of the net contribution the United Kingdom was prepared to pay, and that she should encourage Signor Cossiga to take soundings before the next European Council. It was urgent that such a meeting should produce a solution to the problem; British public opinion would not understand if she attended another council which did not produce results. She would reflect on the indication to be given to Signor Cossiga of the level of net contribution which would be acceptable.

The Committee -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Instructed the Secretaries to revise the draft note for use with Signor Cossiga in the light of the discussion.

Cabinet Office
28 January 1980