



PM/79/51

PRIME MINISTER

Prime Minister

Approve the action in para. 4, subject to the Chancellor's views?  
See report - JHM  
(dispute of F.O. members)  
no

COMMUNITY BUDGET

1. In the light of your very useful talk with President Giscard, and of my own discussions with the German Foreign Minister on the same day, there seems to be a reasonable chance of getting a decision out of the European Council in Strasbourg which gets the first stage of our campaign for a fair deal on the Community budget off the ground in an acceptable way. But the drafting of the instruction to the Commission which the Council adopts will be of crucial importance since the subsequent stages will be hard fought both in the Commission and between the member states.

2. The first element which the decision needs to contain is that the Community budget should produce a fair balance of costs and benefits to all member states. That is a difficult proposition for others to argue against.

3. But a second element is equally important. Our supporters in the Commission and our representatives in later negotiations will need some agreed guidelines as to what results should flow from the proposals which the European Council calls for. Otherwise the French and Germans will try to fob us off with minor palliatives. On the other hand, if we try to go for too explicit a statement that we ought not to make a net contribution, we shall find that it is not negotiable. So I think that we must aim to get it agreed that Community policies taken as a whole and their financial consequences as reflected in the Community budget should not hinder member states with below-average GDP per head in their efforts to improve their economic performance. Unless we include this concept we have no basis for arguing that we ought to emerge with, preferably, no net contribution and, at the very least, with a far smaller one than France or Germany.

??

4. I enclose a draft along these lines. If you and Geoffrey Howe agree, I suggest that we should try to prepare the ground in advance

V/

(don't expect no net contribution. It is the size of the contribution - /so net. is prohibitive. no



so that you have the best possible chance of getting agreement on such a draft at Strasbourg. This will entail early consultation with the Italians with whom we need to work closely; an attempt to sell our draft to the French Presidency who will be preparing the draft conclusions of the Council (though without agreeing to water it down at their request); some bilateral consultation with the Germans as suggested to you by President Giscard; and finally tabling in Brussels in time for all governments to receive it a day or two before Strasbourg.

5. I am copying this minute to the Chancellor of the Exchequer, the Lord President, and Sir John Hunt.

C

(CARRINGTON)

Foreign and Commonwealth Office

8 June 1979



COMMUNITY BUDGET

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The European Council recognised that at present the financial consequences of the Community budget create difficulties for certain member states in achieving the Community's aim of convergence in economic performance. In time, these difficulties should become less serious as a result of reductions in agricultural surpluses which will in turn reduce the cost of the CAP and make it easier to increase expenditure on policies designed to reduce regional disparities. Meanwhile solutions are required to ensure that the Community budget produces a fair balance of costs and benefits for all member states and, in particular, does not continue to hinder member states with below-average GDP per head in their efforts to improve their economic performance. The European Council invited the Commission to make proposals before the end of September to deal with this problem in order to permit decisions to be taken at the next European Council in Dublin.

*This is jargon to me. What is it supposed to mean?*



10 DOWNING STREET

Prime Minister

You thought the  
Draft formulation in the  
Community Budget at  
Flag A was too  
jargon-ridden. I ~~thought~~ <sup>attach</sup>  
a revised version  
below. Are you content  
that we should now  
try to sell it to  
our partners? But  
yes ok. "to

COMMUNITY BUDGET

The European Council recognised that at present the financial consequences of the Community budget create difficulties for two of the three member States with below-average GDP per head, ~~in improving their economic performance~~. In time, these difficulties should become less serious. Reductions in agricultural surpluses should reduce the cost of the c.a.p., ~~which will~~ <sup>that</sup> in itself <sup>will</sup> lighten the budgetary burden and should make it easier to ~~increase~~ <sup>reduce</sup> expenditure ~~on~~ <sup>to</sup> policies designed to reduce regional disparities. Meanwhile solutions are <sup>wigently</sup> required to ensure that the Community budget produces a fair balance of costs and benefits <sup>for all member States</sup> ~~throughout the Community~~ and, in particular, does not continue to hinder member States with below-average GDP per head in their efforts to improve their economic performance. The European Council invited the Commission to make proposals before the end of September to deal with this problem in order to permit decisions to be taken at the next European Council in Dublin.

ap/10/23.

~~has to be~~  
~~done~~