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*(Euro. Policy, May 1979)*



FCS/79/118

CHANCELLOR OF THE EXCHEQUER

Re-negotiation of the Lome Convention

1. I came under heavy pressure from my Community colleagues in Paris yesterday to agree to a British contribution of 850 MUA to the European Development Fund (EDF) in the successor, for the period 1980-1985, to the current Lome Convention. Our offer of only 750 MUA has surprised and disappointed them.
2. It is my judgement that if we continue to stick to our present maximum of 750 MUA we could find ourselves in very considerable additional difficulties over achieving, at this week's European Council, our much more important objectives over the United Kingdom's contribution to the Community Budget as a whole. I would go so far as to say that amongst almost all the other eight Governments with whose Foreign Ministers I spoke yesterday, a refusal on our part to go as far as they had thought we were ready to go will sour the atmosphere at Strasbourg. I therefore think that we need to be ready at the European Council to indicate that we shall be able to agree to 850 MUA, so that the Community can improve its overall offer on the Fund when the Conference with the African/Caribbean/Pacific countries (ACP) resumes on 24 June. In such circumstances we shall have to find the additional 100 MUA from within the aid budget, though this will be very difficult. But the amounts we are talking about are not large: 100 MUA disbursed over, say, ten years, represents about £6.5 million a year and disbursements will not start until 1981-82, by which time I hope that some of the financial pressure on the aid programme will have eased.
3. I realise that 850 MUA will not represent the overall improvement in our present share of the EDF which we should have liked. But our share of the additional amount which the Community proposes to offer in excess of the 4540 MUA already agreed will, on present proposals, be more equitable than our current share. And in any

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case, the EDF is poor ground from our point of view on which to fight about the UK's financial contribution to the Community since most member states regard the Lome arrangements as a benefit in aid almost exclusively to the ex-Anglo/French colonies.

4. I am sending a copy of this minute to the Prime Minister and to Sir John Hunt.

A handwritten signature, appearing to be 'C', with a horizontal line underneath it.

(CARRINGTON)

Foreign and Commonwealth Office

19 June 1979