



10 DOWNING STREET

THE PRIME MINISTER

9 March 1983

Dear Monsieur Thara

Thank you for your letter of 18 February enclosing a copy of your speech in the European Parliament on 8 February.

I agree with you that there is much work for us to do. We need to make rapid progress on such matters as the internal market, the Social Fund and energy, and we need to prepare for enlargement. We need also to ensure that we are managing our existing activities in the Community in the most effective way. That means tackling such problems as the agricultural surpluses and the budgetary imbalances, and finding practical solutions to them.

I am, however, far from convinced that what you call 'removing the budgetary constraint' will contribute to that. Under present arrangements there would be nothing to prevent any new money being used just to finance the disposal of even more surpluses. And an increase in available revenue could worsen, rather than help to solve, the problem of budget imbalances. Indeed, if firm action is not taken to control the rate of growth of CAP expenditure and if expensive new proposals are agreed for the Mediterranean area, that is very likely to be the outcome. So I do not see a revenue increase as being either helpful or necessary.

I do, however, believe that we must find practical answers to all these problems rapidly. In particular, as you know, I attach great importance to achieving a budget settlement by the time of

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the June European Council. I hardly need explain to you the sensitivity of this issue in this country and its political importance in the context of public debate about our Community membership here. I hope that the Commission will make specific proposals for a solution, both to the wider issue of the future financing of the Community and to the interim problem of the imbalances for certain member states, very soon after the March meeting of the European Council.

I look forward to your visit to London on 17 March when we shall have a chance to discuss all these matters more fully.

Yours sincerely
Margaret Thatcher

His Excellency M. Gaston Thorn