



SECRETARY OF STATE FOR FOREIGN &  
COMMONWEALTH AFFAIRS

Prime Minister

To note.

A.J.C. 30.  
7

1 must have visited  
this, what happened?  
It looks very serious.  
MS

EC BUDGET : 1982 REFUNDS

It was disappointing that, despite your efforts, the last Foreign Affairs Council failed to agree to the implementation of the 25 May EC Budget agreement. It will be a serious matter if the next Council also fails. We might then not get provision for our refunds into the Community's Budget for 1983, and we would therefore not get the receipts in our own 1982-83 financial year, as we need to do if we are to avoid our net contribution for 1982-83 rising to around £1 billion.

2. It may be helpful to recall why it is that the timetable is now so tight. The procedure for adoption of the Budget is a lengthy one involving the Commission, the Council and the European Parliament. The Budget Council establishes a draft Budget on the basis of a preliminary draft proposed by the Commission - this part of the procedure for 1983 was completed earlier this week. The draft established by the Council then goes to the European Parliament. Once this has happened, the initiative for further amendment to it lies largely with the Parliament. There can be further Council proposals by means of what is known as an amending letter. But the Regulation prescribes that, save in very exceptional circumstances, such an amending letter must be proposed by the Commission at least 30 days, and adopted by the Council at least 15 days, before Parliament's first reading.



3. Since the Parliament's first reading of the Budget this year begins on 26 October, the Commission must be able to propose an amending letter incorporating the relevant provisions relating to the UK's refunds in respect of 1982 by 26 September. Final decisions on the substance at the Foreign Affairs Council on 20/21 September are thus crucial.
4. It is small consolation that, if the 26 September deadline is missed, we could try to invoke the exceptional circumstances clause of the relevant Regulation. Such an attempt could well run into trouble. Last year, the Commission proposed an amending letter on an agricultural matter 16 days before Parliament's first reading. Nicholas Ridley, as Chairman of the Budget Council, had the greatest difficulty in persuading the European Parliament that the invocation of the exceptional circumstances clause was justified even though the relevant information had only recently become available. It would be difficult to argue convincingly for invoking the clause in connection with the implementation of an agreement made as long ago as 25 May. We would be offering the Parliament - and perhaps other member states who might not be sorry if the matter came adrift - a good opportunity to muddy the waters. If Parliament chose to ignore the amending letter incorporating UK refunds, we would have great difficulty reinstating them.
5. If we missed the main Budget for 1983, we would have to seek provision in a Supplementary Budget. But there would be no guarantee that the Parliament would be prepared to act quickly and adopt such a Supplementary in time for us to receive the money before 31 March. There is equally no solution via any proposition that refunds should be financed out of savings in the 1982 (not the 1983) Budget. The problem would still arise of leaving enough time for Parliament to scrutinise and adopt the necessary Supplementary Budget. This course would anyway involve another risk.

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We would have to be sure of agreement to enter the money in 1982 before the deadline for 1983 is past: otherwise we could fail to get the money into either Budget.

6. Nicholas Ridley took the opportunity of making these points to his colleagues in the Budget Council this week, and he was supported by the Germans. The Council subsequently agreed on a text for despatch to the European Parliament explaining to them that they can expect further budgetary proposals arising from the 25 May agreement shortly. Our partners should now be taking seriously the need for urgency.

7. Nevertheless, I think it may be necessary for you to take Olesen through the timetable constraints when you meet early in September: he was quite wrong to pretend, as he did at the last Council, that decisions are not urgent. Neither was he right in implying that there is only one main issue outstanding: the points which need to be settled include downward risk-sharing, the treatment of the less prosperous, and the choice between the 1982 and 1983 Budgets as well as the financing of the German refund. The Presidency has a clear duty to arrange for preparatory discussions by officials in the early part of September and then to push matters to a conclusion on 20/21 September. You could put it to Olesen that further delays over implementation of the 1982 Agreement could do nothing but harm to the Community as a whole.

8. Copies of this minute go to the Prime Minister and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe'.

GEOFFREY HOWE

30 July 1980.

30 JUL 1982

