

Euro 201



Foreign and Commonwealth Office

London SW1A 2AH

16 February 1982

Dear John,

European Community Budget

/ I enclose a brief for the Prime Minister for the meeting ~~tomorrow~~ with Mr Maurice Macmillan and other MPs about the negotiations over the European Community budget.

Yours over,

(F N Richards)  
Private Secretary

A J Coles Esq  
10 Downing Street



MEETING WITH MR MAURICE MACMILLAN MP AND OTHERS :  
17 FEBRUARY 1982

EUROPEAN COMMUNITY BUDGET

Points to Make

1. Believe that fears expressed in your letter are misplaced. Situation not the same as in 1980:

(a) our partners agreed in 1980 to try to find a longer-term solution to the problem. Present negotiations designed to fulfil that commitment.

(b) issue is not only size of our net contribution, but also reform of CAP and development of other Community policies. Major opportunity to improve balance of budget between CAP and other policies.

(c) already got broad agreement that UK position should be corrected by a special arrangement for four or five years with a review at the end of the period.

(d) negotiation has been a more low-key affair and has attracted much less public interest.

2. Confident that outcome of negotiation will be a substantial reduction in our net contribution over the medium term. Important that it should be; cannot accept your view that amount of public money involved (£1,000m in 1982 before refunds) is not significant.

3. Size of net contribution is an important factor in shaping public attitudes towards Community. Indeed, success of 30 May agreement may be one reason for recent welcome improvement in opinion polls. Successful outcome to present negotiation would enable us to argue both that UK has a better deal and that EC policies are better structured for the future.



4. In conducting negotiation we are mindful of the two dangers mentioned in your letter. We have so far been careful not to build up public expectations. We have also avoided being isolated in the Community and have won favourable comment both here and in Europe for the conduct of our Presidency. Ministerial speeches, eg Douglas Hurd's on 4 February, present a realistic view of the negotiation. Taking care to ensure a co-ordinated Government line through Francis Pym's machinery, in which some of you are involved.

5. As we start to focus on amounts of refunds, going in Brussels may well get rougher. We shall bear problem of public opinion in this country in mind, but have to defend basic British interests. Could not for example accept, as our partners wish, that our refunds should decline automatically over time without regard to whether our problem was getting better or not. That would be wholly arbitrary and could worsen our position in only a few years' time.

6. [If suggested that we should go for a short-term solution over two or three years]

See no advantage in this. Other Member States already prepared to accept four or five years. Much better not to have to go through another budget negotiation after an even shorter period which would be damaging to the Community. Amounts of refunds unlikely to be higher, even if duration shorter; our partners realise that we shall require refunds for some while yet.



### Essential Facts

A 7. This meeting arises from a letter sent to the Prime  
Minister on 4 February by Mr MacMillan and other MPs. They  
are concerned that a confrontation over the budget may damage  
public attitudes towards the Community, which according to  
recent opinion polls have been improving. The views  
expressed in the letter are in some respects similar to those  
B of an editorial in the "Sunday Times" on 7 February. This  
said that we should be prepared to settle for a two year  
budget deal. The MPs do not mention this in their letter,  
but it is possible that it may be raised in discussion.

C 8. Paragraph 3 of the Points to Make refers to a recent  
speech by Mr Hurd on the budget problem, and a copy of an  
extract from this is attached. The same paragraph also  
refers to the arrangements for the Lord President of the  
Council to co-ordinate the presentational aspects of EC  
affairs, such as Ministerial speeches, as part of a sustained  
effort on which Ministers agreed a year ago to promote  
greater public understanding of the facts about our EC  
membership. A number of backbench MPs, including some of  
those in this group (such as Sir A Mayer) are involved in  
helping the Government's efforts in the regions.

9. There is something of a pause at present in the  
negotiation on the 30 May Mandate. Foreign Ministers met  
informally for the third time on 25 January but again failed  
to agree on guidelines covering the four issues indentified  
by the European Council - milk support, Mediterranean  
agriculture, the overall level of capital expenditure and the  
budget problem. The main point of difficulty was our  
partners' insistence that any budget arrangement should  
involve a declining level of compensation to us irrespective



of whether our underlying problem was improving - automatic degressivity. Foreign Ministers agreed that the Presidents of the Council and Commission should take soundings among the Member States to try to find the basis for a solution. Lord Carrington has urged them to table the figures which would enable the Council to start discussing the detailed points which need to be settled on the budget including the precise method and amount of our compensation. The Germans however are still reluctant to abandon the guidelines exercise. The Belgian Presidency is proposing that Foreign Ministers should discuss the way forward over lunch at the Foreign Affairs Council on 23 February. We understand that the figures which we have requested will then be available.

10. The estimate of our 1982 unadjusted net contribution is based on the latest indication received from the Commission, which is in our view rather conservative. They now estimate that our net contribution will be about 1800m ecu, which, converted at today's sterling/ecu exchange rate, is almost exactly £1000m.