

*The shorter - the period -  
the more frequent the  
any number -  
I think  
4 years is a realistic  
we started out  
for 7 1/2 not*

Prime Minister

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*Content that Mr. Lynn should agree  
for a solution covering 4 years after  
1982 but settle for 3 years if  
necessary?*

Qz.02586

MR COLES

*A.S.C. 21/5*

COMMUNITY BUDGET SETTLEMENT FOR 1982

1. OD this morning gave clear instructions to Sir Michael Butler about the authority within which we can negotiate at the Foreign Affairs Council on the application of the 30 May agreement to 1982, except for one point. It is agreed that we are to insist that the other member states and the Commission commit themselves to negotiating a longer term solution by a certain date which must be well before the end of the year. (We plan to advise the Foreign Secretary to go for 31 October.)

2. The question is how long the longer term solution should be. The Prime Minister said at one point this morning that it should be for 4 years, ie the 4 years after 1982. But in previous discussions Ministers have indicated that they would agree to settle in the last resort for 4 years including 1982.

3. As the Prime Minister knows, France and Germany toughened up their attitude considerably in the closing stages of the discussions on the multi-year solution and one of the manifestations of this was that they were only offering a 3 year agreement, including 1982, ie 1982, 1983 and 1984. I am not confident that they will now agree that the longer term solution should cover the 4 years after 1982. The realistic options for the agreement in my view (and Sir Michael Butler agrees) are between:-

- (i) Using the time honoured Community phrase "a pluri-annual solution" without specifying the number of years; and
- (ii) accepting that the longer term solution will cover the 3 years after 1982, ie 1983, 1984 and 1985.

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4. The Prime Minister may feel that using (ii) above may be safer than (i), given the risk that France and Germany will stick to their line that they are only going to commit themselves up to 1984, ie 2 years after 1982.

Recommendation

5. I recommend that the Foreign Secretary be advised to argue in the first instance that the longer term solution should cover 4 years after 1982; but that he should have authority to settle for 3 if absolutely necessary.

D.H.

D J S HANCOCK

21 May 1982

Prime Minister

The Chancellor's private secretary rang to say that the Chancellor agrees with this recommendation but does not think there is much point in arguing hard for 4 years after 1982 because we shall not obtain it.

A. J. Wals 2/5.