



Prime Minister

To note

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PM/82/39

PRIME MINISTER

The Luxembourg Compromise and Next Steps on the Budget

1. I have now had time to reflect on Nigel Lawson's interesting minute of 20 May.
2. I agree with him that we will need to find a new lever in order to secure a satisfactory solution to the budget problem. We shall need to discuss all this after next week's Council.
3. I also very much agree with him that, if we could devise some positive initiative of our own which was fully consistent with our national interests, that would materially help us in the uphill struggle we have over our budget contribution. It remains essential to convince our partners that we are determined to promote the Community's development actively if we are to persuade them of the need to reach a satisfactory solution to the budget problem. I therefore welcome Nigel Lawson's offer to look again at energy to see what we might consider doing in this area; and I suggest we might look at a paper on this aspect in a few weeks time.
4. I am copying this minute to members of OD, the Minister of Agriculture, Fisheries and Food, the Secretary of State for Industry, the Attorney General and Sir Robert Armstrong.

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(FRANCIS PYM)

Foreign and Commonwealth Office

26 May, 1982