

CONFIDENTIAL



FROM: M E DONNELLY
DATE: 31 January 1983

NOTE OF A MEETING HELD IN THE FINANCIAL SECRETARY'S ROOM AT 2.45PM
ON 28 JANUARY ON THE EC BUDGET

Those present: Financial Secretary
Minister of State FCO
Mr Hannay)
Mr Spreckley) FCO
Mr Lampard)
Mr Hancock - Cabinet Office
Mrs Hedley-Miller)
Miss Court) Treasury
Mr Edwards)

1983 Supplementary Budget

The Financial Secretary invited officials to report developments on the draft 1983 Supplementary Budget. Officials said that the UKREP telegrams 394 and 411 set out the current position. The Presidency's meeting with the Parliament's Budget Committee had gone fairly well. If the draft Budget could be adopted over the next few days, either through a further meeting of the Budget Council on Monday, or possibly as an A point at another Council, the Parliament might adopt it on 9 February. Mr Hurd said that this view had been confirmed by his talk with Herr Lautenschlager earlier in the day. The French Foreign Office was apparently prepared to move on the key question of classification; but they had yet to persuade the Trésor. The French could be outvoted on the adoption of the Budget. The Regulations, which would be before the March Foreign Affairs Council, required unanimity; but once the French had agreed to the refunds deal in principle there would be no purpose in their vetoing the Regulations.

The Financial Secretary said that the major remaining concern over the Supplementary Budget was whether Dankert could in fact deliver the Parliament. The outcome would be affected by Thorn's keynote addressed to the Parliament on 7 February, and whether the Parliament

felt that this sufficiently met their preoccupations. There was one remaining risk, probably slight, that the Parliament might be tempted to reclassify UK Supplementary Measures as non-obligatory; and there might still be problems with the declaration.

Commons Debate

The Financial Secretary said that the general atmosphere in the UK Parliament and in the press remained relatively relaxed about the UK refunds, despite the European Parliament's rejection of the 1982 Supplementary Budget. This was due largely to the reassuring nature of the Chancellor's statement in the House before Christmas. We needed to be able to continue this line. The best timing of the Parliamentary debate on recent European documents was therefore difficult to determine. It had to be held soon. If it were held before the EP's February plenary session it could be seen by the EP as unacceptable pressure for a settlement favourable to the UK. But after the Plenary there was a fair chance of good news to report. Mr Hurd agreed that the week beginning 14 February would on balance be the best one to go for. The Commission's Green Paper on future Own Resources would have been published by that date but might not have been deposited, and so would not appear on the Scrutiny Committee's list of papers to be debated. If MPs wished to discuss it in the course of the debate they would be free to do so. It would arise later in the context of the debate on the Foreign Office White Paper on developments within the Community to be published in May.

Contacts with MEPs

The Financial Secretary said that it would be important to keep up lobbying of MEPs over the next six weeks with the immediate object of influencing them over the 1983 Supplementary Budget. He was giving a lunch in Strasbourg for prominent MEPs on 8 February. Mr Hancock thought that it would be worth considering which party Groups one could most easily influence. Mr Hurd suggested that the German Social Democrats and the European Liberals were in some ways easier to influence than the German Christian Democrats, who took a

particularly independent line. Such contacts should be developed and extended even after the present problem of the 1982 refunds had been settled. Mr Dankert would be paying an official visit to the UK as President of the European Parliament in May. And Mr Hurd had already invited Herr Lange, Chairman of the EP Budget Committee, to come to London in mid-February.

Longer Term Solutions

Looking ahead, the Financial Secretary said that it would be important to get a line for 1983 refunds put into the Commission's 1984 draft Budget. It would then be less vulnerable. Mr Hurd agreed. General discussions of future Community financing needed to focus both on the longer term and on providing the UK with some form of refunds for at least 1983 and 1984. Insisting that the longer term discussions should be linked with arrangements for the transitional period was almost the only lever which the UK had. The immediate goal should be a statement on both these issues from the March European Council.

Mr Hancock said that there would be a meeting of the senior Ministers involved on 15 February in order to discuss strategy. The Cabinet Office was preparing a paper for this. On balance it was not in any other country's interest to prevent an outcome acceptable to the UK. But the background had changed and in taking their decisions Ministers would now need to take into account the fact that the two issues had become linked: realistically there was no prospect of the UK receiving further financial refunds unless these could be closely tied in with progress on longer term Community financing. The Financial Secretary agreed. The UK's relations with the Parliament could also be a useful further source of pressure on the Council. But a satisfactory refund deal for 1983, even if agreed in the Council, would almost certainly be vetoed again by the Parliament unless they were satisfied about progress towards a longer term solution. The 15 February Ministerial meeting would be very important in clarifying the UK's approach to the forthcoming discussions about 1983 and beyond.

The meeting ended at 3.45pm.

MEJ
M E DONNELLY
31 January 1983

Circulation:

Those present
PS/Chancellor
Mr Littler
Mr Unwin
Sir M Butler) UKREP
Mr Butt)