



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

13 February 1985

Charles Powell Esq
10 Downing Street
LONDON
SW1

Dear Charles,

VISIT OF THE ITALIAN PRIME MINISTER: COMMUNITY ISSUES

The Chancellor has seen a copy of the Foreign Secretary's minute to the Prime Minister dated 8 February. *in intg. folder.*

The Chancellor has asked me to let you have two comments on the Foreign Secretary's proposals for handling the discussion of Integrated Mediterranean Programmes (IMPs) and the 1985 Budget problem.

As regards IMPs, the Chancellor sees no need in this discussion to concede to S. Craxi that Italy should be a net beneficiary from IMPs. He suggests it would be better to concentrate on the proposition that Greece should receive a higher share of a very much smaller sum (the Prime Minister mentioned a figure of 600 mecu as the total for all IMPs to Mr Lubbers recently); and that an IMP or IMPs for Greece will need to begin in 1985. Decisions on any IMPs for France and Italy can wait until 1986 when new own resources will be available. Even to guarantee that the Italians will not be a net contributor to IMPs would mean adding around 25 per cent to the cost of whatever is agreed for Greece. The Chancellor's view is that the Italians should be made to fight for whatever they can get in Brussels and not be given any assurances at this stage.

As regards financing the 1985 Budget, it is possible that S. Craxi will seek our views on the German proposal that both the agricultural overrun and our 1000 mecu abatement should be met by a second IGA. The Chancellor's view is that it would be better to make it clear to S. Craxi that our difficulty with this proposal is not so much one of principle; but primarily that we do not believe it would be acceptable to some other Member States, notably France. If the Italian Presidency can overcome these objections and line up all other Member States behind this proposal, we should not turn it down. If not, we must insist on implementation of the Fontainebleau agreement.

I am sending copies of this letter to Len Appleyard (FCO), Ivor Hewelyn (MAFF) and Richard Hatfield (Cabinet Office).

Yours ever
Revel

MRS R LOMAX
Principal Private Secretary

CCFC
Prime Minister
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13 FEB 1985

