



FROM: Minister of State

DATE: 16 December 1985

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PRIME MINISTER

MS

*Prime Minister
Highly unsatisfactory,
you should say so
if questioned in the House.
CDP
16/12*

EC BUDGET COUNCIL, 11 DECEMBER

The Budget Council and the representatives of the European Parliament failed on Wednesday to reach agreement on the Community budget for 1986.

The President of the Council, on his own initiative after discussion in the Council, offered them an additional 242 mecu of non-obligatory expenditure on top of the increase (on 1985) of 1.25 billion ecu in the Council's revised draft budget. He also offered some prejudicial language implying the need for a supplementary budget for the structural funds during 1986. The representatives of the Parliament, deeply divided among themselves, did not accept the offer.

The Council then decided nevertheless, by qualified majority, to confirm the President's offer - both the extra 242 mecu figure and the language - on condition that the Parliament accepted it. As at the previous Council, I argued that the whole level of expenditure under discussion was too high and voted against.

The Parliament's plenary voted on Thursday to increase the Council's revised draft budget by the larger sum of some 570 mecu in payment appropriations (629 mecu after allowing for the consequential increase in refunds to Spain and Portugal) and some 410 mecu in commitment appropriations. The President of the Council then formally withdrew the Council's 242 mecu offer.

The question now is whether the President of the Parliament, M. Pflimlin, will sign the budget as voted and, if so, whether and in what form the Commission will implement it. If M. Pflimlin does sign - and it may be difficult for him not to do so - the

Parliament will have adopted illegally a budget which the Council has not agreed. The Council and individual member states will have then to decide whether and how to bring the matter before the European Court and how much to pay in the meantime. If M. Pflimlin does not sign, there may be attempts to set up a further round of negotiations between the Council and the Parliament.

My officials are discussing these issues intensively with the Government's lawyers in preparation for further consideration by Ministers at an early stage.

I am copying this minute as before.

P.B.

PETER BROOKE