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PRIME MINISTER

Community Affairs

In the absence of both the Foreign and Commonwealth Secretary and the Lord Privy Seal, you may wish to mention that you have sent a message of congratulation to the Greeks on their accession to the Community. You may then like to invite Mr. Hurd (who will be attending Cabinet for this item as well as Foreign Affairs, in the absence of Lord Carrington and Sir Ian Gilmour) to report on the allocation of portfolios to Mr. Tugendhat (who is likely to retain the budget portfolio) and to Mr. Richard (who may get Social Affairs or part of the industrial portfolio).

2. The Chancellor of the Exchequer might be invited to report on the latest position with regard to the allegations of procedural irregularities in the adoption of the 1980 Supplementary Budget and the 1981 Budget. France, Germany and Belgium have limited their January contributions in respect of the Supplementary 1980 Budget to the amount accepted by the Council and are thus withholding payments towards the extra sum added by the Parliament. The French seem also to be disputing the validity of the 1981 Budget, but no payments under this head are due until February. The Commission have confirmed that they intend to implement the two Budgets as adopted by the Parliament, including the payment to the United Kingdom in the next few weeks of the amount due to us under the Financial Mechanism.

3. The Minister of Agriculture might be invited to report on the action taken, following your agreement in correspondence, to make clear to the new Commission our view that this year's CAP price fixing should not result in an average price increase of more than 4 to 5 per cent.

RA

(Robert Armstrong)

7th January 1981

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