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NOTE OF A MEETING AT No.11 DOWNING STREET
ON TUESDAY, 16 OCTOBER 1984, AT 12 NOON

Present: Chancellor
M. J Delors
M. Pascal Lamy

②
Print Minister
Delors seems to
have repeated to
the Chancellor what
you said to him!

mf CDP
19/x.

M Delors started the substantive discussion by asking the Chancellor how he saw the European Community's role likely to develop in international financial matters.

2. The Chancellor said he saw scope for greater co-operation between EC countries on financial matters. ECOFIN meetings were as valuable for the opportunity they gave for informal relations between Finance Ministers as for the formal business on the agenda. It was also useful that the convention had been established that ECOFIN, in effect, should decide on who should be the Chairman of the IMF Interim Committee. The opportunity that ECOFIN meetings gave for the finance ministers of the UK, France and Germany to get together was often particularly useful.

3. In reply to a question from M Delors about the current work of the G10, the Chancellor said he thought it would prove to be no more than a very small step forward.

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4. Turning to Community affairs, the Chancellor said he now saw an important opportunity for advance within the Community. The UK had pressed for progress on budgetary discipline, not just because of the size of the UK contribution to the budget, but also because we believed that it was right in principle that the Community should - like individual governments - have a proper system of financial discipline. Although the Chancellor hoped that the current discussions on budgetary discipline would have reached a satisfactory conclusion before M Delors took over as President, he asked whether M Delors had any advice on how best to proceed in the short term.

5. M Delors said it was hard to know precisely what the French position on budgetary discipline now was. But he felt that the French might be prepared to remove their reserve on budgetary discipline once the 1985 Budget and new own resources decision had been adopted. This might not be before the Dublin Summit. The Chancellor said that if base drift was allowed, then in effect there would be no budgetary discipline. M Delors agreed.

6. Turning to the future, the Chancellor said the UK was seeking an arrangement that would, in effect, bind the Council to a proper framework of budgetary discipline. But that would, in his view, put a heavy responsibility on the Commission to put forward proposals that were likely to be acceptable to the Council, and in the spirit of the Fontainebleau Agreement.

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7. M Delors agreed, and said he hoped this will be possible.

He did not believe that guarantees of agricultural prices were either helpful or in the end sustainable for the Community. But he feared the Chancellor underestimated the ability of the European Parliament to disrupt the process. Even though the Parliament had no right to propose expenditure going beyond the maximum rate, it could do so and refuse to approve a budget until the Council had agreed to raise the maximum rate. So he saw it as particularly important for the Commission to develop a relationship with the Parliament's Budget Committee. He also thought it might be helpful were ECOFIN, to some extent, to replace the Budget Council in the Council's relationship with Parliament on such matters - because the Budget Council had developed a tradition in recent years of giving in to the Parliament.

8. Turning to other matters, M Delors said he had in mind seeking to make parallel progress in the Community on development of the internal market; harmonisation of rules; and measures to help or promote co-operation between European firms.

9. The Chancellor said he felt that the present Commission had avoided the difficult areas and concentrated on proposals to spend more money. So he welcomed this change of emphasis, and felt it most important to get down to tackling the difficult issues relating to the barriers that were preventing the Common Market from working as intended.

10. In reply to the Chancellor's question about portfolios in the new Commission, M Delors stressed that he wished to stick to the principle that no country should retain the portfolio they had in the current Commission. On that basis, he saw Lord Cockfield getting an important portfolio consisting of some combination of responsibilities in the industry/internal market area.

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11. The Chancellor said his first choice for Lord Cockfield would have been Budget Commissioner. M Delors said he could guarantee that the Budget portfolio would be allocated to a "tough" Commissioner; and also that he personally would be much engaged with budgetary matters. On the other portfolios he said that agriculture would not be assigned to an Italian Commissioner; and that he regarded it as fortunate that none of the Commissioners regarded themselves as agricultural experts.

12. The meeting ended at 12.45 pm.

A handwritten signature in dark ink, appearing to be 'DLCP'.

D L C PERETZ

Dist: Economic Secretary
Sir P Middleton
Mr Littler
Mr Unwin
Mr Fitchew
Mr Mortimer
Mr Hopkinson
Mr Powell, No.10
Mr Budd, FCO
Mr McCarthy, DTI
Mr Llewellyn, MAFF
Sir M Butler, UKREP
Mr Williamson, Cabinet Office

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