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Treasury Chambers, Parliament Street, SW1P 3AG
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Prime Minute
Very awkward. I suggest we discuss at the beginning of your meeting on the European Council tomorrow - with the Chief Whip and Leader of the House present.

PRIME MINISTER

Agree?

A- J.C. 7/3.

COMMUNITY CASH POSITION 1984: 1983 REFUNDS

In my minute of 28 February to the Foreign Secretary I warned that the Commission, faced by serious cash flow difficulties, might not be able to meet obligations falling due during March without recourse to an advance of own resources, use of overdraft facilities, or postponement of some CAP payments.

2. The situation has deteriorated further. I understand that Sir Michael Butler is still pressing the Commission to delay any request until after the European Council, and there is still a possibility that he will succeed. But the more probable outcome is that the Commission will make an early request that member states advance their next payment of own resources by one month from 20 April to 20 March. As you will recall, such advance payments, not being obligatory under the European Communities Act, cannot be met from the Consolidated Fund. Instead, a Supplementary Estimate is necessary, and probably by 20 March. The sum involved would probably be £100m.

3. My earlier minute mentioned how awkward this timing will be, in relation to the European Council. There is bound to be strong criticism from both sides of the House that, if we meet the Commission's request, we in practice relax the pressure on the CAP, when we could strengthen our negotiating position by refusing to do so. And we shall not know until 26-27 March whether the European Parliament will be willing to authorise our 1983 refunds, though we shall seek the firmest possible assurances



from the Commission that they will have sufficient funds to pay the bulk of the refunds by 31 March. And the prospect of getting the Supplementary Estimate through the House during the week of the Budget debates is not an alluring one: the partial suspension of Standing Orders may well be required.

4. Notwithstanding all this, I have reluctantly concluded that the right course is for us to go on playing strictly by the Community rules. To hold back the payment, I believe, would play into the hands of other member states, and the Parliament, and complicate still further your task at the European Council. The line we have been taking is that we will only withhold our contributions if at the end of March the Community is in default on its obligations to us. I believe that we should stick to that line at least up to the European Council. It must be business as usual for the present, and the Commission request for an advance payment is a perfectly valid one.

5. My present plan, which Ian Stewart is discussing with the Whips, therefore is that if we receive a formal Commission request within the next 48 hours, we should lay a Supplementary Estimate before the House. Subject to the views of the Treasury Select Committee, to whom the Estimate has to be submitted for scrutiny (and who could well make difficulties), there might then have to be a debate after 10pm on Wednesday or Thursday of next week followed by the passage, probably in one day, of a Special Consolidated Fund Bill, which itself is not open to debate provided it is taken as first order business. We would hope that it could go through the Lords immediately thereafter. That would put us in a position to make the payment on 20 March.

6. We need not bind ourselves at this stage actually to pay the money over. You may well wish to review the position on 20 March in the light of what has in fact happened at the European Council. If necessary, we could even at that late

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stage decide not to pay, though this, as last year, would expose us to a claim for interest.

7. Copies of this minute go to the Lord President, the Lord Privy Seal and the Chief Whip, all of whom have already been alerted to this problem, and to the Foreign Secretary, the Minister of Agriculture, and Sir Robert Armstrong.

XL.

N.L.

6 March 1984

*You will obviously
work to ensure
Chief Whips aware of this.
jr.*

CONDICION

17 MAR 1984

