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Prime Minister

A.S.C. 20/3

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

30 March 1984

A J Coles Esq
Private Secretary
10 Downing Street

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Dear John

ADVANCE OF COMMUNITY OWN RESOURCES

The Chancellor is not in the office today, but I am sure he would like the Prime Minister to know the background to the Commission's withdrawal, yesterday, of their request for an advance on 30 March. As you know, this is now public knowledge.

The Commission's explanation for this change is that the forecast shortfall (excluding refunds which they have at no stage included in their figuring) is less than expected. Expenditure is less than expected and revenue greater, so that the deficit that was originally expected to be 619 mecu is now expected to be 235 mecu at end-March. This can easily be covered by the Commission's postponement of agricultural payments.

3. This news clearly confirms the government's conclusion that without UK and German refunds being paid there was no need for an advance today. Our press line will be that, like the invitation itself, the withdrawal of an invitation to make an advance is a matter for the Commission. The Government's reaction to the request has already been made clear. The Economic Secretary will be writing formally to Terence Higgins, as Chairman of the Treasury Committee, and will be informing the House by way of an arranged PQ early next week.

Copies of this letter go to Roger Bone (FCO) and David Williamson (Cabinet Office).

Yours sincerely
David Peretz

D L C Peretz