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

26 April 1984

John Coles Esq
10 Downing Street

Prime Minister

To note

JA

Dear John

COMMUNITY BUDGET NEGOTIATIONS: 1984 BUDGET SHORTFALL

27/4

Your letter of 24 April records the Prime Minister's comments on the question of the Community's Budget shortfall and on the possibility of supplementary national contributions during 1984 to deal with it.

Just before Easter the Commission agreed to put forward to the Council a proposal that member states should, in effect, make a loan to the Community totalling 2.3 billion ecu to finance the shortfall this year. This would require the unanimous agreement of all member States. Their proposal is that the loan would be contributed by member States pro rata with their normal VAT contributions to the Budget and that it should then be repaid by instalments beginning in 1986.

Our officials are now writing a paper, analysing the Commission's proposal and recommending what response HMG should give to it, which it is proposed should be discussed at OD(E) on 3 May. In the meantime in the preparatory discussions which are already beginning in Brussels, UKREP have been instructed to stick firmly to the line taken by the Minister of Agriculture at the price fixing negotiations, namely that the Community must live within its existing budgetary provision of 16.5 billion ecu for agriculture and that, if there are any difficulties in doing so, it is up to the Commission to bring forward proposals for the necessary savings and economies.

The Chancellor made it clear in his discussion with Ortoli in Washington that there could be no question of our agreeing to consider the possibility of supplementary financing in the absence of not only the payment of our 1983 refunds, but of a satisfactory and final agreement for dealing with budgetary imbalances and budgetary discipline for the future. Even when those pre-conditions are met, it should still be our objective that, to the greatest extent possible, the budgetary shortfall should be bridged by savings and economies (including the deferment of CAP expenditure into 1985) rather than by additional finance.

I understand that the FCO are supplying some Notes for Supplementaries on this issue given the likelihood that it will be raised at question time in the House this afternoon.

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

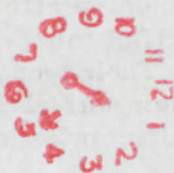
Yours ever, David

D L C PERETZ

When did this arrive?

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EURO Budget
#24



26 APR 1984



10 DOWNING STREET

PRIME MINISTER

You asked when this note about the Community Budget negotiations arrived. The answer is Friday. It was prepared in the Treasury on Thursday but failed to receive the Chancellor's imprimatur before Thursday evening. The Notes for Supplementaries did arrive but since we discussed them orally during Questions briefing I did not think that you would require them (correctly as it turned out).

A handwritten signature in blue ink, appearing to be 'D.F.' or similar initials.

30 April 1984