

Ref. A084/1299

PRIME MINISTER

Cabinet: Community Affairs

You may like to inform Cabinet of the Community aspects of your talks with the Federal German Chancellor on 2 May.

2. The Foreign and Commonwealth Secretary will report that Ministers have reached agreement on how to respond to the Commission's proposals for dealing with the expected shortfall of 2.7 billion ecu in the 1984 budget. The Commission had proposed that member states should provide a 2.3 billion ecu interest bearing loan this year which would be repayable from 1986. The Chancellor of the Exchequer and the Foreign and Commonwealth Secretary have agreed with colleagues that the United Kingdom's aims should be to probe the Commission's figuring and to press for a thorough examination of the forecasts; to emphasise that it is not a question of finding additional funds but of securing savings; and to avoid any conclusion on the Commission's proposals until acceptable solutions have been agreed on budgetary imbalances and financial discipline. The Commission's proposal, being made under Article 235 of the Treaty, requires unanimity.

3. You are having a working lunch with the French President on 4 May, when you will wish to determine whether there is any readiness on his part to reach a budget settlement before the European election campaign gets under way or whether it will have to be taken up again at the European Council in June. The Agriculture Council meets on 7-8 May and the Transport Council on 10 May.

RIA

ROBERT ARMSTRONG

2 May 1984