

Duty Clerk
LMS.PM/84/82PRIME MINISTERThe Budget Negotiations

1. I thought it would be useful to write briefly to bring colleagues up to date on the budget negotiations within the European Community.

2. The negotiations are not making much headway. Our partners are insisting that they will not go beyond the size of the notional relief of 1000 mecu proposed at the Brussels European Council in late March and that it is up to the United Kingdom to accept this. This ignores the fact that for the Nine to move involves much less of a sacrifice for each of them separately than it does for us alone; and that we shall remain the second largest contributor to the budget for the foreseeable future even under our own proposals. Clearly there cannot be an agreement on this "take it or leave it" basis and it would be valuable if those of our colleagues who have an opportunity to do so could speak to their opposite numbers over the next weeks to reinforce the line you and I have been taking in bilateral contacts. I enclose a list we have drawn up of when such opportunities might occur. I suggest that they should take the following line.

3. Despite the gloom, considerable progress has been made in the post-Stuttgart negotiations. The provisionally-agreed Presidency conclusions from the Brussels European Council show that there is a large measure of consensus on the way in which the Community should be going.

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4. The United Kingdom is ready to work for a solution at the Fontainebleau European Council on 25/26 June on the one remaining major issue - the size of the notional refund to the United Kingdom which will determine how the system works from 1985 onwards.

5. We have made a number of major concessions in the negotiations on both the nature of the budgetary system and the figures, and are ready to work with our partners to reach an agreement in the context of a final settlement. The difference between what is on offer by our partners (1000 mecu notional refund for 1983 in a Community of 12) compared with the figure we put forward at the March European Council (1250 mecu) is not so large as to rule out possibility of agreement. We have indicated that we have a little - though only a little - room for manoeuvre. But the Community as a whole must make an effort. The cost of compromise for each of the Nine separately will not be great since the burden will be divided between them.

6. Agreement must be on the basis that after one more year of ad hoc refunds of 1000 mecu for 1984, the budgetary system as set out in the Presidency proposals from the European Council should come into effect. We would not be prepared to agree to further ad hoc refunds and any suggestions that the system is no longer on the negotiating table should be dismissed as meaning that no agreement would then be possible.

7. We are also suggesting that in the interim while we are waiting for agreement, the Community should get on with detailed work elaborating the provisional agreements reached at the Brussels European Council.



8. Our position is a very reasonable one. But it must be clear that if there is no agreement at the European Council we would not agree to any increase in own resources. That increase requires the unanimous agreement of all ten Member States. Failure to agree will therefore condemn the Community to run out of money in the autumn and will delay the relaunch of the Community to which we, like our partners, are firmly committed.

9. John Biffen may like to have these points in mind if he is tackled by the lobby on the Government's approach at the present phase of the negotiations.

10. I am copying this minute to all Cabinet colleagues and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
18 May 1984

10 MAY 1984



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21 May 1984

THE BUDGET NEGOTIATIONS

The Prime Minister has noted the contents of the Foreign and Commonwealth Secretary's minute of 18 May in which Sir Geoffrey Howe brings Cabinet colleagues up-to-date on the Budget negotiations within the European Community and suggests points which they should make in bilateral contacts with our European partners in the weeks ahead.

Roger Bone, Esq.,
Foreign and Commonwealth Office.

NR

CJK



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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From the Minister

RESTRICTED

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Downing Street
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f.a.

24 May 1984

EC BUDGET NEGOTIATIONS

I refer to your minute (PM/84/82) to the Prime Minister copied to Cabinet colleagues.

I think there is a slight misphrasing in paragraph 8 of your draft. It is suggested there that Ministers from many Departments should say to their colleagues in other member states that "failure to agree", which in the context must mean to a satisfactory system of budgetary refunds for the United Kingdom, "will therefore condemn the Community to run out of money in the autumn". The inference is that either a solution on the budget would allow for an increase in own resources in 1984, which is technically impossible, or that we would in those circumstances agree to some other form of financing like the loan recently advocated by the Commission.

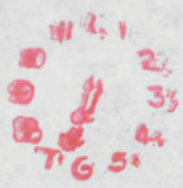
I am sure that you would not wish Ministers to make such a concession at this stage and I would therefore suggest that the words "therefore condemn the Community to run out of money in the autumn and will" be deleted from the final sentence of paragraph 8.

I am copying this letter to the Prime Minister, other members of the Cabinet and to Sir Robert Armstrong.

MICHAEL JOPLING

Enno Rd
Budget
Pt 24

24 MAR 1984



MINISTERIAL CONTACT WITH COMMUNITY COLLEAGUES BEFORE THE
FONTAINEBLEAU SUMMIT ON 25/26 JUNE

PRIME MINISTER

Multilaterals

8/9 June London Western Economic Summit

Bilaterals

8 June London President Mitterrand
9 June London Chancellor Kohl
9 June London S Craxi
9 June London M Thorn

FOREIGN AND COMMONWEALTH SECRETARY

Multilaterals

14/15 May Brussels Foreign Affairs Council
17/18 May Paris OECD Ministerial
24 May Paris WEU Ministerial
25/27 May Salon de Provence Informal Foreign Ministers' Meeting
29/30/31 May Washington North Atlantic Council Ministerial
8/9 June London Western Economic Summit
18/19 June Luxembourg Foreign Affairs Council

Bilaterals

13 May Brussels M Thorn
14 May Brussels M Dumas
25 May Paris Speech to Franco-British Chamber of
Commerce
8/9 June London Possible bilaterals yet to be
arranged in the margins of the
Economic Summit.
21/24 June London Herr Moelleman, FRG Minister of
State for Foreign Affairs

MR RIFKIND

Multilaterals

23 May Brussels Economic and Social Committee

Bilaterals

23 May Brussels Mr de Keersmaeker, State Secretary
for European Affairs and Agriculture

LADY YOUNG

Multilaterals

19 June Paris WEU Assembly

MINISTER OF AGRICULTURE

Multilaterals

28/30 May	Angers	Informal meeting of Agriculture Ministers
18/19 June	Luxembourg	Agriculture Council

MINISTER OF STATE FOR AGRICULTURE (MR MACGREGOR)

Multilaterals

24 May	Brussels	Fish Council
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DEFENCE SECRETARY

Multilaterals

16/17 May	Brussels	NATO Defence Planning Committee
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EDUCATION SECRETARY

Multilaterals

21 May	Brussels	Education Council
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EMPLOYMENT SECRETARY

Multilaterals

7 June	Luxembourg	Social Affairs Council
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ENERGY MINISTER OF STATE

Multilaterals

22 May	Brussels	Energy Council
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HOME SECRETARY

Multilaterals

25 May	Madrid	European Ministers of Justice Conference
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Bilaterals

4/5 June	London	Herr Zimmermann, FRG Minister of the Interior
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TRADE AND INDUSTRY SECRETARY

Bilaterals

13 June (possible)	Paris	M Fabius, French Minister of Industry and Research
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TRADE AND INDUSTRY MINISTERS OF STATE

Multilaterals

29 May	Brussels	Research Council
5 June	Luxembourg	Consumer Affairs Council

TREASURY (CHANCELLOR)

Multilaterals

12/13 May	Paris	Informal Finance Council
4 June	Luxembourg	Finance Council