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PRIME MINISTER

6 June 1984

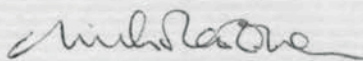
EC BUDGET NEGOTIATIONS

There is a mounting unease among our own backbenchers that in the course of these negotiations we will concede our trump card - agreement to an increase in the Community's own resources - without getting the CAP back into its cage. The Community is overspending on agriculture this year by over 2 billion Ecu. In 1985, the Commission is planning to increase farm price support by 17% over the original 1984 Budget provision. These pointers suggest that neither the Commission nor our partners have really grasped the point which we have embedded in the Presidency text, namely, that net expenditure on agriculture should increase at less than the rate of growth in the own resources base. They want more own resources because farm spending is out of control but if this principle were adopted they could not use these resources on agriculture!

Nigel Lawson has set out the options for pursuing the Great Negotiations. His preferred option is to delay the own resources increase until 1986, refuse any supplementary finance in the meantime, at the cost of delaying our 1984 refund until 1986. The Foreign Office may well prefer the alternative; bringing forward the own resources increase to "late 1985". This would finance the overruns envisaged and provide for our refund in (late?) 1985.

Both these options could be construed by press, public and backbench opinion as defeat. There has to be agreement on how the CAP expenditure is to be controlled before any increase in own resources, whether in 1985, 1986, or beyond. This would further delay our 1984 refunds, but do we not have to accept delay as the price well worth paying to secure a limit on the wasteful, destructive, and highly unpopular CAP? Food prices do have to be brought down closer to world levels.

In the course of the Summit bilaterals you might want to take the opportunity to emphasise the simple point that the British public has no enthusiasm for increasing Community resources, and would adamantly refuse to accept doing so unless CAP expenditure is firmly under control.

  
NICHOLAS OWEN

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