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10 DOWNING STREET

From the Private Secretary

15 June 1984

Dear Roger

EUROPEAN COMMUNITY

The Prime Minister discussed with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer this morning possible ways in which Chancellor Kohl might be encouraged to play a more positive role in seeking a fair settlement of the question of Community budget inequity in the period immediately before and at the next European Council. Sir Jock Taylor, Sir Michael Butler, Sir Crispin Tickell, Mr. Unwin and Mr. Williamson were also present.

The Prime Minister said that, particularly as the recent bilateral meeting with President Mitterrand had not given grounds for optimism about the settlement of this question, it was important to engage Chancellor Kohl's attention positively with a view to a good solution. The United Kingdom's position remained that there would be no permanent increase in the Community's own resources without a lasting system to correct the budget inequity and provide an adequate reduction in the United Kingdom's contribution. In the course of discussion it was agreed that the role of the French Presidency was vital and it was noted that the French did seem now to be re-engaged in a search for a solution. Sir Jock Taylor reported that the Germans seemed still to be waiting on some initiative by the French Presidency, although the recent British paper "Europe - the future" had been well received in Bonn and would help to improve the negotiating atmosphere.

Summing up the discussion the Prime Minister said that Sir Jock Taylor should take an early opportunity to make clear to Chancellor Kohl on her behalf that the United Kingdom would play its part in seeking a fair settlement to

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the outstanding question on the correction of the budget inequity at the European Council at Fontainebleau on 25-26 June. It was essential, however, that no member state should go back on the position reached in the last European Council or try to abandon the system for correcting the budget inequity on a lasting basis. The United Kingdom would not be prepared to accept more than one ad hoc year and would be looking for a solution within the system and within the parameters (1000 million ecu - 1250 million ecu on 1983 figures) which had been under discussion on the last occasion.

There was also a discussion of the Community budget overrun in 1984, the date at which new own resources might be introduced if a satisfactory overall settlement were reached and the related question of the United Kingdom's 1984 refund. The Chancellor of the Exchequer had set out his views in his minute and note of 4 June to the Foreign and Commonwealth Secretary, and, following the discussion between them, the Foreign and Commonwealth Secretary had recorded the conclusions in his minute of 12 June to the Prime Minister.

Summing up the discussion the Prime Minister said that if specific proposals for financing the 1984 Community budget overrun were put to the United Kingdom at the Foreign Affairs Council on 18-19 June, we should reject those which were obviously unacceptable and, in any event, should state that we were willing to look at other possibilities without commitment. In no circumstances should we agree. Similarly, in relation to any specific proposal on the date at which increased own resources might take effect if there were a satisfactory overall settlement, we could agree to consider such proposals without commitment taking account of our needs on the 1984 refund.

I am copying this letter to David Peretz (HM Treasury) and David Williamson (Cabinet Office).

*yes sincerely*  
*R.B. Bone*  
(C.D. Powell)

R.B. Bone, Esq.,  
Foreign and Commonwealth Office

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To offer  
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MR POWELL

EUROPEAN COMMUNITY

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As promised, I attach a short draft letter recording the decisions taken at the Prime Minister's meeting this morning.

*D F Williamson*

D F WILLIAMSON

15 June 1984

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Draft letter from Mr Powell to Mr Bone

EUROPEAN COMMUNITY

The Prime Minister discussed with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer this morning possible ways in which Chancellor Kohl might be encouraged to play a more positive role in seeking a fair settlement of the question of Community budget inequity in the period immediately before and at the next European Council. Sir Jock Taylor, Sir Michael Butler, Sir Crispin Tickell, Mr Unwin and Mr Williamson were also present.

2. The Prime Minister said that, particularly as the recent bilateral meeting with President Mitterrand had not given grounds for optimism about the settlement of this question, it was important to engage Chancellor Kohl's attention positively with a view to a good solution. The United Kingdom's position remained that there would be no permanent increase in the Community's own resources without a lasting system to correct the budget inequity and provide an adequate reduction in the United Kingdom's contribution. In the course of discussion it was agreed that the role of the French Presidency was vital and it was noted that the French did seem now to be re-engaged in a search for a solution. Sir Jock Taylor reported that the Germans seemed still to be waiting on some initiative by the French Presidency, although the recent British paper "Europe - the future" had been well received in Bonn and would help to improve the negotiating atmosphere.

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3. Summing up the discussion the Prime Minister said that Sir Jock Taylor should take an early opportunity to make clear to Chancellor Kohl on her behalf that the United Kingdom would play its part in seeking a fair settlement to the outstanding question on the correction of the budget inequity at the European Council at Fontainebleau on 25-26 June. It was essential, however, that no member state should go back on the position reached in the last European Council or try to abandon the system for correcting the budget inequity on a lasting basis. The United Kingdom would not be prepared to accept more than one ad hoc year and would be looking for a solution within the system and within the parameters (1000 million ecu - 1250 million ecu on 1983 figures) which had been under discussion on the last occasion.

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