

PRIME MINISTERSeen by
Prime Minister

CDD 13/7

~~Prime Minister.~~
This sets out the
issues very clearly.
The Parliament's decision
on the 1983 refunds reduces
the others' leverage against
us.

EUROPEAN COMMUNITY: SUPPLEMENTARY BUDGET FOR 1984 AND
PRELIMINARY DRAFT BUDGET FOR 1985CDD
12/7BRIEF FOR THE PRIME MINISTER FOR MEETING OF MINISTERS,
13 JULY, 6.30 pmQuestions for decision

1. It is necessary to decide what line the United Kingdom should take in the Council of Ministers (Budget) on 18-19 July on:

(i) the Commission's proposed supplementary budget for 1984 and (ii) the Commission's proposed preliminary draft budget for 1985. Both proposals are in excess of the resources available with the 1 per cent VAT ceiling in effect. The proposed approach of the United Kingdom is set out in the minute of 11 July to you from the Chancellor of the Exchequer. The chances of achieving our objectives will be increased if we can start to influence the Presidency and some other member states in advance of the Budget Council.

2. It is recommended that you should base the discussion on the Chancellor of the Exchequer's specific proposals in paragraphs 8 and 9 of his minute:

(i) reducing the 1984 overrun (para 8(a)). We should certainly aim to reduce the overrun below the
/Commission's

Commission's latest figure of about 2000 million ecu and will probably have some success. There will remain, however, some expenditure which most or all other member states will want to be paid in 1984 but which it is in the United Kingdom's strong financial interest to defer into 1985.

- (ii) Financing what remains of the 1984 overrun (para 8(b)).
 The Chancellor of the Exchequer's proposal that any irreducible minimum overrun in November/December 1984 should be financed by the national intervention agencies with reimbursement from the Community's 1985 budget is clearly the most advantageous for the United Kingdom. The difficulty will be to persuade the other member states to accept it, since it has the effect of pushing Community expenditure away into 1985 when the United Kingdom benefits from the new system of budget refunds. Our chances of obtaining our objective will be better if other member states believe that new own resources will become available later in 1985.
- (iii) 1985 budget to be within the 1% VAT ceiling (para 8(c)).
 We believe that agreement on this could be reached in the Budget Council.
- (iv) Date of entry into force of new own resources (para 8(d) and para 9)
 The Chancellor of the Exchequer is realistic in seeking negotiating discretion that "we should not exclude bringing forward new own resources into autumn 1985". Whether in the end the revised Own Resources Decision after ratification enters into force on 1 January 1986 or in autumn 1985 depends also on the decision of the Germans. The Foreign and Commonwealth Secretary will probably argue in the meeting that we should make clear

/in the

in the contacts before the Budget Council that we would be ready to see the increase in own resources in 1985. If so, the essential elements are, first, to keep some discipline on the Community's expenditure in 1985 and, secondly, not to aggravate any difficulties in the House of Commons. One possibility, as suggested by the Chancellor of the Exchequer, would be an interim VAT ceiling for 1985 (eg 1.1 per cent or 1.2 per cent: almost 0.1 per cent will be needed for the UK refund alone). Another possibility, which would probably attract less attention in the House of Commons, would be that the revised Own Resources Decision should enter into force one month after the completion of ratification in all member states and that the higher VAT ceiling would not be retroactive. We could explain that in our view this would probably mean entry into force in the autumn of 1985 or January 1986 at the latest, depending on the procedures in other member states.

HANDLING

3. The Ministers present at the meeting will be the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food. Sir Michael Butler will also be present.

4. You may wish to ask the Chancellor of the Exchequer to introduce his minute and the Foreign and Commonwealth Secretary to comment. The Minister of Agriculture, Fisheries and Food's concern is mainly with the financing at the end of 1984 and in our view he should be satisfied with the Chancellor of the Exchequer's proposal ("temporary funding with reimbursement").

5. You may be able to conclude in favour of the Chancellor of the Exchequer's proposals in para 8(a), (b) and (c) of his

/minute;

minute; depending on the discussion, in favour of not excluding entry into force of the new VAT ceiling in 1985 (para 9); and that we ought to limit the impact of the higher VAT ceiling, if it comes into force in 1985, either by setting an interim ceiling for that year or on the lines suggested above.

D F Williamson

D F WILLIAMSON



CR

QZ 03820

MR POWELL - NO 10

EUROPEAN COMMUNITY: SUPPLEMENTARY BUDGET FOR 1984 AND
PRELIMINARY DRAFT BUDGET FOR 1985

1. I attach a brief for the Prime Minister for the meeting at 6.30 pm tomorrow. My minute of 10 July is also relevant in explaining what the problems are.

2. I am sending a copy to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

12 July 1984

Encl.

Caroline CR. 10/17. 1830 on Friday

MR. POWELL

cc: Mr. Barclay

Now 1830 on Friday, without
the Lord President.

Dms
9/7

MEETING TO DISCUSS HANDLING OF THE COMMUNITY BUDGET

Cabinet Office asked me to set this up on Friday and in your absence I attempted to do so. The attendance is the Foreign and Commonwealth Secretary, Chancellor of the Exchequer, Lord President and Minister of Agriculture. Friday was no good.

So, I fixed it for Monday, 16 July at 1100 hrs. David Williamson is unhappy to leave it until next week. But I see no option unless we take some time out of the diary allotted for Wednesday's speech.

You may get a call from David Williamson. Do you want officials?

CR.

9 July, 1984