

COMMISSION
OF THE
EUROPEAN COMMUNITIES

The President

Prime Minister

Just received. Relevant
to this evening's meeting
on the Community
budget.

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12. VII. 1984

C D P 13/7 . SG (84) D/ 9087

Dear Margaret,

The agreement we reached at Fontainebleau has been greeted by the public with relief and hope. It is seen as offering the prospect of a reactivated Community at last freed from the internal squabbling that had been paralyzing it for years.

That hope would be dashed, and the credibility of the European Council gravely impaired, were it to emerge in the coming weeks that, contrary to the European Council's clear resolve, the normal functioning of the Community is not set to continue in the short term.

And given the way the post-Fontainebleau budget proceedings in the Council machinery have been going, I am obliged to say that there is a very real risk that this functioning will be disrupted from the coming autumn onwards. To avert this, it is vital to restore consistency between policy guidelines decided by the European Council and budgetary decision-making forthwith.

For unless the Commission's proposals for the 1984 Supplementary Budget are adopted it will have in a few week's time to suspend agricultural payments to the Member States. This would have serious implications for the budget year 1985, whose own funding is not assured.

The effect on public opinion, now in the wake of Fontainebleau regaining faith in Europe, would be disastrous. People in general, and the farmers in particular, would be equally incensed at the Council's inconsistency in refusing the Community the wherewithal to honour the commitments arising out of its own legislation.

The Rt. Hon.
Margaret THATCHER
Prime Minister
10, Downing Street
LONDON

The position as regards 1985 is difficult too.

- The Budget has to provide the funds to keep the common agricultural policy on course, and hence to cover all foreseeable expenditure under the existing legislation.
- In addition it has to provide the funds to continue the other Community policies and mount the new priority technological and scientific operations endorsed by the European Council itself. Non-compulsory expenditure will therefore have to be determined accordingly; furthermore Parliament's powers in respect of non-compulsory expenditure must be duly deferred to; it is also essential that the Council establishes from the outset good relations with the newly elected European Parliament, the other arm of the budgetary authority.

The only way to ensure this, and ensure that Britain is paid in 1985 the lump-sum rebate accorded her for 1984, is for the new own resources agreed on at Fontainebleau to come on stream in 1985, as urged by the Commission, and for the national Parliaments' ratification proceedings to be completed accordingly by the autumn of 1985.

The decisions by the Councils, starting with the session of Ministers for the Budget on 19 July, are thus all-important. They will be the test of the will to Community reactivation shown at Fontainebleau: far more will hinge on them than the actual tenor of the matters the Ministers will be considering.

This is why I am writing to you, and to all the members of the European Council, to ask you, in full awareness of the immensity of the issues, to impress this on those of your Ministers more especially involved.

Yours very sincerely,

Gaston E. Thorn