



Ref. A084/2207

PRIME MINISTER

---

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the action taken by the new European Parliament on 27 July to block the United Kingdom's 1983 refunds. Following the agreement at Fontainebleau the only substantial step needed before the refunds could be paid was the European Parliament to approve the necessary transfer. This was done by the Parliament's Budgets Committee on 12 July. Following that, the Advisory Committees of member states approved on 26 July the decisions actually implementing payment of the refunds on projects in the United Kingdom. This completed the procedures to enable the refunds to be paid. The new European Parliament, however, chose to link payment of the refunds with the Supplementary Budget the Commission is seeking to finance the 1984 budget overrun. Its action has been roundly condemned in this country and criticised by the French Government as being inconsistent with the Fontainebleau conclusions and as making agreement on the 1984 budget problem more difficult. Preliminary legal advice is that there would be procedural and legal difficulties to legal action against the Parliament or the Commission, and that payment of our refunds would be delayed further while proceedings were under way. You have made it clear that we expect the 1983 refunds to be paid, that we are working with other member states on the detailed implementation of the Fontainebleau conclusions, in particular of the agreement on budget discipline, and that our Parliament will not be asked to approve an increase in own resources until measures guaranteeing budget discipline have been adopted. A more recent potential complication is pressure within the Commission to put our 1983



refunds into the 1984 Supplementary Budget. Commissioner Tugendhat is seeking to block this at least until the full Commission can discuss it after the holidays. The Foreign and Commonwealth Secretary will note that all the outstanding budgetary issues - the 1984/85 budget overrun, budget discipline and the new own resources decision - will come up for decision at the Budget Council on 6-7 September. You have asked him to let you have his further thoughts on the handling of these issues before you go away on 9 August, for discussion on 4 September with the Ministers most closely concerned.

RIA

ROBERT ARMSTRONG

1 August 1984