

Prime Minister

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PM/84/150

PRIME MINISTERCDP  
20/9[A very bland  
minute: you would  
hardly know there's  
a problem!]Community Budget Negotiations

1. Following the Chancellor's discussions on budget discipline with his colleagues at the informal meeting of Finance Ministers at Dromoland Castle in Ireland, I sought to carry matters further forward on the whole package at the Foreign Affairs Council on 17/18 September.

New Own Resources Decision

2. I tabled a proposal which would permit new own resources to be available through the proper Treaty procedures during 1985, to deal with the 1000 mecu correction of our 1984 budget contributions (agreed at Fontainebleau) and any absolutely irreducible budget over-run.

3. The Germans stuck to the position that they could not agree at this stage to new own resources in 1985. The position they have always taken before the Bundestag is that this could only happen with enlargement on 1 January 1986. They accepted, however, that we must have our 1000 mecu by reduction of our VAT contribution in 1985. The Germans are in increasing difficulty in reconciling these two propositions and are under pressure from other member states. Our proposal, which was more or less adopted by the Irish Presidency, would permit new own resources to come into force earlier while not requiring the Germans to agree forthwith. The others want assurance that the irreducible over-run in 1985 will be financed through the own resources at the same time as our VAT abatement is financed. We are told that Mitterrand will be raising the timing of new own resources with Kohl at their meeting on Friday. There will be a need for discussions with the Germans before the next Council; I discussed the point with Genscher when we met again on 19 September, and we agreed that there should be early bilateral talks between officials.





#### Budget Discipline

4. On budget discipline there was no substantive discussion, but the French showed signs of wanting to go back on the text provisionally agreed by the Chancellor and his colleagues in Ireland. The Dutch, Germans and the Commission made helpful interventions emphasising the importance of work being completed on the basis of that text. The high level group is meeting to carry forward work on the text later this week. Decisions will need to be taken at the ECOFIN meeting on 1 October.

#### 1984/1985 Budgets

5. I made clear that we would not agree to the establishment of the 1984 supplementary budget while these matters remain unresolved; that there would be no question of our putting proposals for supplementary finance to the House of Commons until the European Parliament had released our 1983 refunds; and that the financing of any irreducible over-run in 1985 should be through the own resources. We were able to maintain the package approach and, as a result of the proposals we tabled, to retain the initiative in the Council. The Irish Presidency played a more helpful role. There was no disposition to press us on the adoption of the supplementary budget on this occasion, as others knew that we will not settle until we get results on budget discipline.

6. The 1985 budget will have to be sent to the European Parliament by 5 October and that effectively is the deadline also for the adoption of a supplementary 1984 budget. Decisions on the outstanding budget issues will have to be taken in the ECOFIN Council on 1/2 October. I shall be attending the Foreign Affairs Council on 2 October. The Chancellor and I will be concerting tactics in these Councils and looking for ways to advance matters on the outstanding texts meanwhile.

7. Our objective remains to settle these matters as a package. That means pinning down the others on budget discipline and the outstanding points on the new own resources decision; and, of course,

/securing



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securing the release of our 1983 refunds.

8. I am sending copies of this minute to the Chancellor, the Minister of Agriculture, the Economic Secretary and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

20 September, 1984

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bepc. JQ

10 DOWNING STREET

*From the Private Secretary*

21 September 1984

COMMUNITY BUDGET NEGOTIATIONS

The Prime Minister has noted the Foreign Secretary's minute (PM/84/150) reporting on the outcome of discussions at the Foreign Affairs Council on 17/18 September on Community budget problems.

I am sending copies of this letter to David Peretz (HM Treasury), Ivor Llewelyn (MAFF), Adrian Ellis (Economic Secretary's Office) and to Richard Hatfield (Cabinet Office).

(C.D. POWELL)

Colin Budd, Esq.,  
Foreign and Commonwealth Office.