



①

CONFIDENTIAL

PERSONAL

Prime Minister

Qz.04114

MR POWELL

Do you agree to grant the negotiating authority sought by

*Yes - but I am keen on another not very important agreement in view of the current situation.*

Mr. Williamson?

CJP 23/12

EUROPEAN COMMUNITY: THE REVISED OWN RESOURCES DECISION AND THE 1985 BUDGET

The European Parliament having rejected the 1985 budget, we are now on to the provisional twelfths regime. Despite the current difficulties over the inter-governmental agreement for financing the 1984 supplementary budget, we continue to take the view that we ought to have, as sensible contingency planning, negotiating authority to deal with the 1985 budget overrun either through advancing some own resources (our current public position) or through an inter-governmental agreement subject to the conditions set out in my minute of 27 November. I sent forward that minute with the agreement of the Treasury and the Foreign and Commonwealth Office and, as you know, the Chancellor of the Exchequer does take the view set out in paragraph 4 of my minute.

D F WILLIAMSON

20 December 1984

CONFIDENTIAL

FILE

da

CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

MR. WILLIAMSON  
CABINET OFFICE

The Prime Minister has now seen your minute of 20 December about the current position on the revised own resources decision and the 1985 budget. She agrees that you should have the negotiating authority to which you refer in your minute although she has recorded that she is not very keen on another intergovernmental agreement since the currency is becoming devalued.

Timothy Flesher

27 December 1984

CONFIDENTIAL



CONFIDENTIAL

Qz.04063

MR POWELL

CDD  
1/12.

①  
Prime Minister  
This is the Williams  
NOTE. The important  
part is para 3/4.  
Agree?  
CDD  
27/11

EUROPEAN COMMUNITY: THE REVISED OWN RESOURCES DECISION AND  
THE 1985 BUDGET

The Prime Minister may find it helpful to know, before the briefing meeting tomorrow for the Anglo-French summit and the European Council, the latest situation on the revised Own Resources Decision and on the dispute between the Council and the European Parliament on the 1985 budget. It can be summarised as follows -

(i) the text of the revised Own Resources Decision properly implements the Fontainebleau agreement (including the ad hoc 1000 million ecu reduction of our VAT contribution in 1985 in respect of 1984). The launching of the ratification by all member states is held up only by the disagreement on the date of application (German reserve) and by the need for the Council to take a firm decision not to accept the European Parliament's wrecking amendments;

(ii) the Council proposed the 1985 budget within the 1 per cent VAT ceiling; accepted that there would be some irreducible overrun which would need a supplementary budget when the own resources become available; and correctly dealt with the United Kingdom's 1000 million ecu as a reduction in our VAT contribution. The European Parliament has taken the opposite view: it has proposed very large increases in the 1985 budget and the payment of the 1000 million ecu for the United Kingdom by an expenditure programme rather than by reduction of the VAT contribution. The next step is for the Council to throw out the European Parliament's amendments. This should be achievable but, as the Council/European Parliament dispute continues in high key, experience indicates that other member states will tend to weaken.

CONFIDENTIAL

2. We recommend that the United Kingdom objectives should be -

(i) Own Resources Decision: text. The European Parliament's ideas for tampering with the text must be comprehensively rejected. We stand on the Fontainebleau agreement;

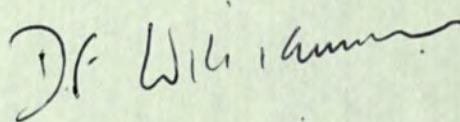
(ii) 1985 budget. The two essential conditions for the United Kingdom are that the United Kingdom's 1000 million ecu should be effected by reduction of our VAT contribution (as agreed at Fontainebleau) and that total Community expenditure in 1985 should be held down as effectively as possible.

3. The fundamental conditions are clear and can be obtained. The tactics are more open. We can sit the matter out, with the revised Own Resources Decision in suspense and the 1985 budget disagreed between Council and European Parliament. If, however, we cannot get early agreement to bringing forward own resources in 1985, the Economic Secretary may find in the next rounds in the Budget Council, that it would be to the United Kingdom's financial advantage to get the text of the revised Own Resources Decision launched quickly and to settle the 1985 budget overrun through an intergovernmental agreement. This could make available earlier the 1000 million ecu abatement of our VAT contribution and could hold down total 1985 expenditure by setting the budget limit now before other member states and the European Parliament think up new expenditures. If we were to go for an intergovernmental agreement, it would of course only be on the condition that both the revised Own Resources Decision and the 1985 budget were settled; that the 1000 million ecu was made available by abatement of our VAT contribution and that this was an integral part of the Own Resources Decision; that our contribution towards any intergovernmental agreement was covered by the Fontainebleau mechanism (it would be so covered if the agreement were in the same form as this year); and that the member states' contributions to the budget overrun should not be reimbursable.

CONFIDENTIAL

4. I understand that the Chancellor of the Exchequer takes the view that there should be discretion to settle the 1985 budget overrun either by bringing forward some own resources into 1985 or through an intergovernmental agreement subject to the conditions above. This would make it possible to choose the option more financially favourable for the United Kingdom at the appropriate point in the further budget discussions.

5. I am sending copies to Colin Budd (FCO), David Peretz (Treasury) and to Sir Robert Armstrong.



D F WILLIAMSON

27 November 1984



Foreign and Commonwealth Office

London SW1A 2AH

7 November, 1984

*QPC*

*Dear David,*

*NBRM  
C/D  
7/11*

Advance of New Own Resources

Thank you for copying to us your letter of 5 November about the Commission's latest request for an advance of own resources.

The Foreign Secretary agrees that we should agree to an advance against the December own resources and that this should be announced to Parliament by written answer.

As for the inter-governmental agreement, our understanding is that the Commission are asking for the sums due under the agreement to be paid as soon as possible and with a value date of 5 November. We cannot of course make any payments under the agreement until our remaining condition, the conclusion of a satisfactory text on budget discipline, has been met and until Parliament's approval has been obtained.

I am copying this letter to Charles Powell (No 10), Ivor Llewellyn (MAFF) and Richard Hatfield (Cabinet Office).

*Yours Sincerely,  
Colin Budd*

(C. R. Budd)  
Private Secretary

David Peretz Esq  
HM Treasury

Budget: Euro per A27

Abgelehnt 21-

12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100



hite r.

SH

cc PC

10 DOWNING STREET

*From the Private Secretary*

6 November 1984

Advance of Own Resources

Thank you for your letter of 5 November reporting the Commission's request to Member States to advance their December payment of levies and duties to 20 November.

The Prime Minister agrees that we should comply with this latest request and with the method proposed by the Chancellor for doing so. She also agrees that we should on no account pay our share of the supplementary finance for 1984 under the inter-governmental agreement until agreement has been reached and approved by Parliament on budget discipline.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), Ivor Llewelyn (Ministry of Agriculture Fisheries and Food) and Richard Hatfield (Cabinet Office).

C D Powell

David Peretz Esq  
H M Treasury

lo.





cc No  
PC (F)

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

5 November 1984

C D Powell Esq  
10 Downing Street  
LONDON  
SW1

Prime Minister  
Content?

CDP  
S/xi

Dear Charles

Yes and

**ADVANCE OF OWN RESOURCES**

You will recall that following the Chancellor of the Exchequer's minute to the Prime Minister of 17 October Cabinet agreed to advance the November payment of own resources to 22 October. This enabled the Commission to pay us the bulk of our 1983 refunds on 26 October.

The Commission still, however, face cash flow problems until the supplementary finance under the inter-government agreement has been paid over to them, and are now inviting member states to advance their December payment of levies and duties to 20 November. Our advance would amount to some £130 million.

All the other member states are likely to comply with this latest request and the Chancellor thinks we should do so again as well. He therefore proposes to make the payment, like previous ones, by a repayable advance from the Contingencies Fund. We shall subsequently present a supplementary estimate to Parliament to repay the Fund the amount of this and last months advance, and in the meantime make an announcement about this further advance by Written Answer as soon as the House returns.

Quite separately, the Commission have also now invited member states to pay their shares of the supplementary finance under the inter-government agreement on 5 November. As we have made clear, however, there is no question of our making any payments under the agreement until the budget discipline issue has been settled and we have obtained Parliament's approval for the agreement.

I am copying this letter to Len Appleyard (FCO), Ivor Llewellyn (MAFF) and Richard Hatfield (Cabinet Office).

Yours ever,  
David

D L C PERETZ  
Principal Private Secretary

Euro PA  
~~Partners~~ Pt 27  
Budget

25 NOV 1991

11 12 11 2 5  
4 3  
1  
10 9 8 7 6 5 4 3 2 1