



Ref. A085/1241

PRIME MINISTER

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Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report on the Foreign Affairs Council on 29-30 April, at which the United Kingdom was represented by the Minister of State (Mr Rifkind). There was a meeting with the European Parliament about the revised Own Resources Decision. The European Parliament representatives made the predictable points (the United Kingdom's rebate should be on the expenditure side of the budget and limited in time and that the Decision should provide for an automatic increase in the VAT ceiling to 1.6 per cent without requiring the approval of national Parliaments). The European Parliament has no power to block or change this text and the Presidency, on behalf of the Council, made clear very firmly that their proposals were rejected. On a separate point the European Parliament representatives suggested a small amendment in relation to research on the new technologies. Nine member states could accept this. The Federal Republic of Germany could not approve it immediately, but their written agreement is expected by the end of the week. If so, the European Parliament will have been seen off on the text of the revised Own Resources Decision containing the Fontainebleau mechanism. This will be formally adopted and submitted to national Parliaments for ratification. The European Parliament may yet be able to cause us some short term difficulties on the 1985 budget but, once ratified, the new text will be law and the United Kingdom's continuing abatement will be firmly based on the law.

2. The Chancellor of the Exchequer may report that the European Parliament will have a first reading next week of the 1985 Community draft budget, as now established by the Budget



Council. The European Parliament may transfer the United Kingdom's 1,000 million ecu abatement for 1984 on to the expenditure side of the budget. If so, the Council will not accept this and it is probable that the European Parliament will give way on a second reading. It will be important to avoid, as far as possible, any press speculation that the United Kingdom may not get the 1,000 million ecu. The European Parliament is not disputing that the United Kingdom should receive the 1,000 million ecu net in the 1985 budget. Any argument about the method of payment is likely to be resolved in favour of the Council and the United Kingdom.

3. The Minister of Agriculture, Fisheries and Food may comment on the prospects for agreement on farm prices for 1985-86 at the Agriculture Council on 2-5 May. The Presidency is expected to try for decisions at this Council. The principal difficulties remain the rigid German opposition to a reduction in cereal prices and the Italian and Greek objective, partly concealed behind the German difficulty, to get a more favourable result on Mediterranean products. The Commission is at present maintaining its proposals.

4. In addition to the Agriculture Council on 2-5 May, there are informal meetings of Health Ministers on 3-4 May and Education Ministers on 6 May, and an Internal Market Council on 7 May.

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ROBERT ARMSTRONG

1 May 1985