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Rise Minister  
Option 1 looks reasonable, option 2 reasonable & option 3 horrid.  
Agree to 1 & 2, but not use 3 without further consultation?

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FROM: Minister of State

ccf

DATE: 21 November 1985

PRIME MINISTER

1986 COMMUNITY BUDGET  
STRATEGY FOR BUDGET COUNCIL, 26-7 NOVEMBER

The Budget Council meets next Tuesday for its second reading discussion on the 1986 Community budget. I shall be representing the United Kingdom.

2. The September Budget Council established a draft budget in which agricultural guarantee expenditure for the Ten was within the budget discipline guideline and the increase in non-obligatory expenditure was kept just below this year's 'maximum rate' of 7.1 per cent.

3. The European Parliament decided last week to propose a massive increase of some 2.2 billion ecu (36 per cent) in non-obligatory expenditure. They argue that this is needed to meet the needs of Spain and Portugal and to deal with the so-called 'cost of the past' problem (the overhang of past commitments in the Regional Development and Social Funds). The Parliament's proposals are clearly incompatible with the recent budget discipline agreement.

4. Our objective must be to promote agreement on the lowest possible increase in expenditure. It will however be extremely difficult to find the necessary qualified majorities in the Council.

5. My preferred option would be for the Council to refuse to exceed the expenditure totals agreed at the first Budget Council plus the Parliament's statutory margin of 3.55 per cent (217 mecu). Non-obligatory expenditure would then rise by some 650 mecu (10.65 per cent). No specific provision would be made for the so-called 'cost of the past' problem, but the Council would make clear that the understandings reached with Spain and Portugal in the accession negotiations would be fully respected within the budget totals. Unhappily, I see little prospect of obtaining

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a qualified majority for this approach, given the enlargement and 'cost of the past' problems.

2 6. A more practical option, as I see it, would be for the Council to adopt a new draft budget as in paragraph 5, with the same declaration on enlargement, but to indicate that the Council will be willing to explore with the Parliament the possibility of reaching agreement on a limited amount of extra provision so as to reduce the impact of enlargement on Community expenditure in the Ten. On this approach the Council would effectively commit itself to raising the statutory maximum rate only if agreement could be reached with the Parliament on an acceptable new maximum rate. I propose to argue strongly at the appropriate time for this option. It may well, however, not attract a qualified majority either.

3 7. The other broad option for the Council will be to propose to the Parliament a new, higher maximum rate. This would undoubtedly lead to a horse-trade between the Parliament and the Council in which the Council's negotiating position would lack strength. The Treaty states that, once the basic maximum rate provisions of the Treaty are exceeded, the Council and the Parliament have to agree on a new maximum rate.

8. I very much dislike this option. If however the earlier options are not available and our willingness to support this option would enable the Council to find a qualified majority for putting forward a significantly lower new maximum rate than would otherwise be possible, I would propose to support it rather than be outvoted.

9. I hope that the approach set out in this minute will be acceptable to you and other colleagues. I will of course report back on the outcome of the Council.

10. I am copying this minute to the members of OD(E)\* and Sir Robert Armstrong.

*and  
\* to the Secretaries of State for Transport  
and Energy, to the Minister for  
Overseas Development*

**P.B.**

PETER BROOKE

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10 DOWNING STREET

*From the Private Secretary*

25 November, 1985.

1986 Community Budget: Strategy for Budget Council

The Prime Minister has considered Mr. Brooke's minute of 21 November about our strategy on the second reading of the 1986 Community Budget.

The Prime Minister is content for Mr. Brooke to pursue the options set out in paragraphs 5 and 6. But she shares his strong dislike for the option in paragraph 7 and would not want him to support it, at least without further consultation.

I am copying this letter to the Private Secretaries to the members of the OD(E) and to David Williamson (Cabinet Office).

Charles Powell

Mike Norgrove, Esq.,  
HM Treasury.

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JDS AFL  
bc pe

JP



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Prime Minister

Budget Council

The situation in  
Brussels is very  
confused.

The Chancellor's view

is that:

(a) we must vote  
against some of the  
absurdly high figures for  
extrm expenditure which  
are being discussed; but

(b) if there is a  
chance of getting a more



reasonable figure to  
cover the cost of  
enlargement while  
remaining within the  
budget discipline  
guideline, Mr. Brooke  
has discretion to  
suggest a compromise.

It is hard to  
set a precise  
figure. But the border  
between reasonable &  
unreasonable is around  
1 billion écu (of which our  
share is determined by the  
Fontainebleau mechanism).

C.D.P.

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*cel*



Chancellor of the Duchy of Lancaster

CABINET OFFICE,  
WHITEHALL, LONDON SW1A 2AS

Tel No: 233 3299  
7471

26 November 1985

Private Secretary to the Minister  
of State, Treasury  
HM Treasury  
Parliament Street  
LONDON  
SW1

*CDP*  
*26/11*

*Dear Private Secretary,*

1986 COMMUNITY BUDGET  
STRATEGY FOR BUDGET COUNCIL, 26-7 NOVEMBER

The Chancellor of the Duchy has seen a copy of your Minister's minute of 21 November to the Prime Minister.

The Chancellor shares your Minister's dislike of the option set out in paragraph 7 of his minute. He would advocate stopping short of support for this option, if at all possible.

I am copying this letter to Charles Powell (No 10), private secretaries to members of OD(E), and to Michael Stark (PS/Sir Robert Armstrong).

*Yours faithfully,*  
*Andrew Lansley*

ANDREW LANSLEY  
Private Secretary







10 DOWNING STREET

~~CDP~~

message from P. Wynn Owen.  
Budget Council

Peter Brooke reported to  
Ch Exch today that  
Brussels is going badly.  
We're being deserted  
by our allies ie  
French, Dutch & Germans  
are lining up behind  
European presidency  
compromise around a  
figure of 1.45 billion  
ECU (ie higher than we  
accept).

It will likely be  
passed within the  
next few hours by a  
qualified majority  
of European countries.

PTO



but the Chancellor  
has instructed the  
minister to vote  
against it.

JB

26/11



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*ccpc*



Foreign and Commonwealth Office

London SW1A 2AH

22 November 1985

*Dear Charles,*

1986 Community Budget: Strategy for Budget Council,  
26-27 November

*with COP?*

I have not been able to consult the Foreign Secretary about Mr Brooke's minute to the Prime Minister of 21 November, but am confident he would agree with the following comments.

The line Mr Brooke proposes for the second Budget Council reflects prior consultation with the French, Germans and Dutch. Such consultation and the coordination of our positions is the key to a satisfactory result in the Budget Council. It is also very important that this pattern of prior concertation has been set for the future.

✓ As the Foreign Secretary suggested in his minute of 16 September to Mr Gow, we should aim for an outcome in which any additional sums for enlargement are covered by the Spanish and Portuguese own resources contributions. An outcome in which the maximum rate for the EC Ten was respected, with an additional 540 mecus for Spain and Portugal fully covered by the Spanish and Portuguese own resources contributions, would be fully defensible in terms of budget discipline. We agree with Mr Brooke's letter, which is consistent with that approach.

I am sending copies of this minute to Private Secretaries to Mr Brooke, other members of OD(E), the Secretaries of State for Transport and Energy, the Minister for Overseas Development and Sir Robert Armstrong.

*Yours ever,  
Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
PS/10 Downing Street

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Curo PDI: Budget P430

