



Ref. A083/2676

PRIME MINISTER

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Cabinet: Community Affairs

You may like to report to Cabinet the Community aspects of your talks with the Italian Prime Minister on 16 September, with the Dutch Prime Minister on 19 September and with Chancellor Kohl on 21 September.

2. The Foreign and Commonwealth Secretary will report on the Special Council on 20 September. Two issues in the post-Stuttgart negotiations were discussed: first, the central question of the action necessary to correct the unfair budget and, secondly, the development of other policies. The Foreign and Commonwealth Secretary once again made quite clear that there was no question of the United Kingdom considering the question of the Community's own resources unless the budget inequity were corrected on a lasting basis and that in our view the safety net was the right way to do this. At this meeting the Germans did support the principle of the safety net and made clear that they too would be looking for a limit to the size of their contribution (although we know that they are prepared to continue to contribute a substantial amount). Other member states opposed the safety net, the French position being harder than before but some countries leaving their options open. Of those who were so far against the safety net some supported the Commission's proposal to modulate member states' VAT contributions (which goes in the right direction but does not give the United Kingdom enough money) and others supported the Danish idea of a "Convergence Fund" which would create new expenditure in favour of the United Kingdom but only on a limited basis and for a limited period and does not therefore meet our objectives. All the proposals, including the safety net, will now be worked up by the Preparatory Group of officials. The discussion on other policies was not controversial. The papers from the Commission and member states (including the





United Kingdom) will be considered by the Preparatory Group, in order to advise which questions are sufficiently important to be covered at the Athens European Council.

3. The Foreign and Commonwealth Secretary will also report on the Foreign Affairs Council on 19 September at which the Minister of State (Mr Rifkind) insisted that the full payment of the extra element of our 1982 budget refunds due to the risk-sharing remained to be settled. The United Kingdom received no support but Mr Rifkind made clear that we would put the question forward again (the draft budget has not yet been discussed in the Parliament and will almost certainly have to come back to the Budget Council).

4. Over the next seven days there will be informal meetings of Energy Ministers on 23 September, of Industry Ministers on 24 September, Development Ministers on 26-27 September and Employment Ministers on 29-30 September. The Agriculture Council will discuss certain Mediterranean products on 26-27 September (the continuing delay on this so-called Mediterranean agricultural acquis is now threatening to delay the Spanish/Portuguese accession negotiations more significantly).

ROBERT ARMSTRONG

21 September 1983