



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

*ms*

PRIME MINISTER

EUROPEAN COMMUNITY: BUDGET FOR 1982

The Financial Secretary chaired a Budget Council on 21 December to consider the votes in the previous week by the European Parliament which had:

(a) exceeded by 42 million ecus the totality of Budget payments which the Council had agreed to offer;

(b) similarly exceeded by 149 million ecus the totality of Budget commitments which the Council had agreed to offer;

(c) defied the Council by classifying 31 million ecus of food aid as "non-obligatory", thereby purporting to arrogate to itself the final decision on the amounts to be spent on this item.

2. In view of these disputes the Council decided to ask Madame Veil not to declare the Budget adopted. But she chose nevertheless to make the declaration.

3. Resolving the resultant confusion is likely to be time-consuming and difficult, but it is not a disaster. In particular, the refunds due to the UK in respect of 1981 under the 30 May Agreement are likely to be more secure with a Budget for 1982 which has been adopted, even in these tiresome circumstances, and which the Commission declare is legal, than without a Budget.

4. What we have to do, in consultation with our partner countries (other than Ireland, Italy and Greece, who have no difficulty with





the outcome) is to consider how, in making our payments in respect of 1982, we respond to the disputed items. The sums at stake are not large. The options are already being considered. We have until the beginning of February in which to make our decisions, since the payment due on the first working day of January is calculated by reference to the draft 1982 Budget.

5. The Financial Secretary's experience has convinced him that the Community's budgetary procedures and especially the relationship with the European Parliament, are profoundly unsatisfactory. I am sure that he is right, and that we must consider carefully the possibilities for improvement, though they are embodied in the Treaty, and the trouble starts there.

6. I am sending copies of this minute to our colleagues in OD(E), and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G.H.' with a flourish.

(G.H.)

24 December, 1981





124 DEC 1981

124 DEC 1981