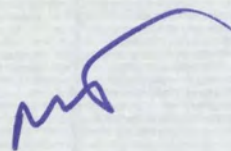


PRIME MINISTER

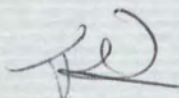


Community Budget

I attach the text of the Lord Privy Seal's statement to the House this afternoon.

The House was quite full, but this did not excite much attention. Mr. Heffer, leading for the Opposition, argued that the money involved was relatively little, but that the Assembly had exceeded its powers, and there was therefore an important issue of principle. The Opposition reserved its position, and might wish to press for a change.

Subsequent questioning was dominated by the anti-marketeters who wished to take the opportunity to cut the European Assembly down to size. There was little that was new, but it is perhaps worth recording Dennis Skinner's comments that this extra money was scandalous when set aside the cuts in social services, etc., demanded by the Government. Closing for the Opposition, Guy Barnett asked whether the Government considered it had legal authority to draw money to make these payments, and what the Government would do if the House voted down the estimates provision. But, over all, the exchanges produced nothing new.



MAP

3 February, 1982.



TO BE CHECKED  
AGAINST DELIVERY

## THE EUROPEAN COMMUNITY BUDGET 1982

WITH PERMISSION, I SHALL MAKE A STATEMENT ABOUT THE PROBLEM WHICH HAS ARISEN BECAUSE OF THE DIFFERENCE OF VIEW BETWEEN THE COUNCIL AND THE EUROPEAN PARLIAMENT ON THE ADOPTION OF THE 1982 COMMUNITY BUDGET. WHEN I REPORTED TO THE HOUSE ON THE 27TH OF JANUARY ABOUT THE MEETING OF THE COUNCIL OF MINISTERS ON THE 26TH OF JANUARY, I SAID THAT THE COUNCIL HAD TAKEN NO FINAL DECISIONS ON THIS MATTER. I AM NOW GLAD TO BE ABLE TO REPORT TO THE HOUSE THAT THE COUNCIL HAS SUBSEQUENTLY DECIDED THAT IT SHOULD INSTITUTE PROCEEDINGS BEFORE THE EUROPEAN COURT OF JUSTICE CONCERNING THIS BUDGET; THAT MEANWHILE MEMBER STATES WILL PAY IN FULL THE SUMS RESULTING FROM THE BUDGET AS ADOPTED; AND THAT THE COUNCIL WILL OPEN DISCUSSIONS WITH THE PARLIAMENT AND THE COMMISSION AS SOON AS POSSIBLE TO RESOLVE THE PROBLEM.

WE HOPE THAT THESE DISCUSSIONS WILL SUCCEED. AT THE SAME TIME, WE HAVE TO PROTECT OUR LEGAL POSITION, AND ENSURE THAT, IF AN ANSWER IS NOT FOUND BY DISCUSSION, WE SHALL HAVE A RULING OF THE COURT. BY FAR THE BEST WAY OF DOING THIS IS THROUGH AN ACTION BY THE COUNCIL AS A WHOLE.

/As



AS SOME OTHER MEMBER STATES WERE IN FACT WILLING TO ACCEPT THE BUDGET AS ADOPTED, AND WERE RELUCTANT TO GO TO THE COURT, THE PRESIDENCY PROPOSED, AS A COMPROMISE, THAT THE COUNCIL SHOULD TAKE THE MATTER TO THE COURT BUT THAT ALL MEMBER STATES SHOULD PAY THEIR CONTRIBUTIONS ON THE BASIS OF THE BUDGET AS ADOPTED. WE ACCEPTED THIS.

BECAUSE, IN OUR VIEW, THAT PART OF THE BUDGET ADDED BY THE PARLIAMENT AFTER THE SECOND BUDGET COUNCIL ON THE 24TH OF NOVEMBER WAS NOT LEGALLY ADOPTED, WE CANNOT TREAT IT, AS WE DO THE REST OF THE BUDGET, AS A DIRECT CHARGE ON THE CONSOLIDATED FUND ON THE BASIS OF SECTION 2(3) OF THE EUROPEAN COMMUNITIES ACT 1972. WE SHALL THEREFORE MAKE A SEPARATE PAYMENT OF OUR PART OF THIS EXTRA SUM (ABOUT £2.5 MILLION PER MONTH). THE AUTHORITY OF PARLIAMENT WILL BE SOUGHT FOR THIS PAYMENT IN A SUPPLEMENTARY ESTIMATE FOR THE CURRENT FINANCIAL YEAR AND IN A MAIN ESTIMATE FOR 1982/3. MEANWHILE THE PAYMENT WILL BE MET BY MEANS OF REPAYABLE ADVANCES FROM THE CONTINGENCIES FUND. ONCE THE ISSUE HAS BEEN RESOLVED, PREFERABLY THROUGH DISCUSSIONS BETWEEN THE COMMUNITY INSTITUTIONS, BUT, IF NOT, THROUGH A JUDGMENT OF THE EUROPEAN COURT, WE SHALL KNOW THE AMOUNT WHICH WE ARE OBLIGED TO PAY. WE SHALL THEN EITHER RECEIVE A REPAYMENT OR BE UNDER A FIRM COMMUNITY OBLIGATION TO PAY THE FULL AMOUNT.