



file B

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(Jan 80) 'Visit of Cossiga'

10 DOWNING STREET

From the Private Secretary

30 January 1980

Visit of Signor Cossiga

Further to my letter to you of 29 January enclosing a record of yesterday evening's conversation between the Prime Minister and Signor Cossiga, I enclose for ease of reference the text of the piece of paper which the Prime Minister handed over.

I am sending copies of this letter and enclosure to John Wiggins (HM Treasury), Garth Waters (MAFF) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

KRB

UNITED KINGDOM BUDGET PROBLEM

1. The communique of the Dublin European Council provided the framework for a possible solution. There are no issues of principle outstanding. A satisfactory settlement might contain the following elements.

2. First, the removal of the existing constraints on the operations of the Financial Mechanism. The Regulation embodying this Mechanism (1172/76) should be extended with the existing review clause replaced by a new one with a similar timescale i.e. a review not later than the end of the sixth year.

3. Second, there must be supplementary measures, as foreseen in the Dublin communique, leading to greater participation by the United Kingdom in Community expenditure. We can decide on the method or methods in the light of the Commission's proposals. They would be subject to review at the same time as the Financial Mechanism.

4. Thirdly, we are willing to accept that the United Kingdom should be a modest net contributor to the Community Budget. The combination of the Financial Mechanism and the improved receipts in the UK from Community expenditure should be devised in such a way that the UK would remain a modest net contributor not only for 1980 but in future years.

5. The United Kingdom believes that its net contribution should be below that of the Member State having the next highest GNP per head in the Community. The difference should be at least proportionate to the difference in levels of GNP per head.

6. For the medium term, the European Council should instruct the Commission to make proposals for achieving a better balance within the Community budget and ensuring that, by 1986, the proportion devoted to the Common Agricultural Policy (FEOGA Guarantee Section) would not exceed 55 per cent of the total. The Council should take account of the effect of implementing such proposals on the United Kingdom's net contribution at the time of the review of the Financial Mechanism and the supplementary measures.

7. I hope you can agree that this would represent a reasonable compromise and will be willing to consult our partners on this basis.