

CONFIDENTIAL

PRIME MINISTER

Community Affairs

You may wish to confirm for the record that the Italian Presidency have postponed the March European Council in order to give Signor Cossiga a breathing space to form a new Government before concentrating on finding a way through the apparent impasse on the United Kingdom net contribution problem. We have made clear that the Council must be reconvened before the end of April: the most likely time seems to be the period 26th-29th April.

2. The Chancellor of the Exchequer might be invited to report on the latest Commission document on the Budget problem, against the background of the Debate in the House on 24th March. The Commission paper is generally helpful to our cause, but it does not constitute a breakthrough; its main purpose is to bring together in a single document the proposals the Commission have made before and after Dublin and to bring up to date the figures for 1980. Our net contribution is now estimated to be in the range 1683-1813 MEUA (£1122-£1209 million at 1.5 EUA to £1.)

3. The Foreign and Commonwealth Secretary might be invited to report on his talks on 24th March with the Dutch Foreign Minister on the Budget question.

4. The Agriculture Council will be taking place as the Cabinet meets. The Minister of Agriculture, who will thus not be present, can report on the outcome next week.

5. You will be meeting Chancellor Schmidt and other German Ministers in the regular Anglo-German Summit, on this occasion linked to the Konigswinter Conference in Cambridge.

ROBERT ARMSTRONG

(Robert Armstrong)

26th March 1980