

CONFIDENTIAL

PRIME MINISTER

Community Affairs

The following are the main developments since the Cabinet last discussed Community Affairs on 13th September.

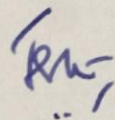
2. The Chancellor of the Exchequer might report on the outcome of the 17th September Finance Council, at which a first discussion took place of the Commission Reference Paper on the Community Budget problem and the Chancellor made clear our need for a corrective mechanism dealing with both our excessive contributions and our inadequate receipts. The debate will be resumed at the 15th October Finance Council, after which the Commission will present their proposals for solution. OD is to discuss a range of possible corrective mechanisms on 8th October. The main object of your visit to Rome will be to impress on the Italian Prime Minister the need to give priority to our budget problem. You will also be seeing Mr. Roy Jenkins on 22nd October.

3. The Foreign and Commonwealth Secretary might mention that the Spierenburg Report on the Commission's organisation has now been published. Inter alia it proposes that the number of Commissioners be reduced to 1 per ~~cont~~ member country. The wider report by the Three Wise Men is expected at the end of October. Both sets of recommendations will need to be considered by OD(E).

4. The Secretary of State for Energy might be invited to report on the outcome of the 20th September Energy Council and the prospects for the next Council on 9th October. Our readiness to accept an export target of 5 million tons of oil in 1985 encouraged others to move and made it possible to agree on individuals national targets compatible with the Community target for 1985 of 475 million tons. The Community was accordingly able to present agreed figures to the 26th September meeting of Tokyo Summit Energy Ministers. The 9th October Energy Council will be devoted largely to coal questions, on which - subject to discussion in OD(E) on 3rd October - the United Kingdom is likely to launch an initiative designed to promote Community financial support for investment in coal production to our benefit.

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5. The Chief Secretary, Treasury might refer to the European Monetary System currency realignment which took place on 23rd September, resulting in a 2 per cent revaluation in the Deutschmark and a 3 per cent devaluation in the Danish krone. The United Kingdom was not represented at the meeting; due probably more to oversight than intention, we were only invited after it had begun. Subsequent adjustments to green rates to offset the effects of this realignment gave the United Kingdom a 1.1 per cent devaluation of the green pound.


(John Hunt)

3rd October 1979