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From the Secretary of the Cabinet: Sir John Hunt GCB

4th October, 1979

Ref. A0365

EEC Budget: Contingency Planning

At OD(79) 6th Meeting on 12th September there was general agreement that the Prime Minister would need to know in good time before her bilateral with Chancellor Schmidt on 31st October what cards we would have to play if we did not get satisfaction over our contribution to the EEC Budget.

2. Two papers were envisaged:-

- (i) a paper by the Foreign and Commonwealth Secretary on the various means by which we could if necessary put pressure on the Commission or on other member States to meet our Budgetary requirements;
- (ii) a paper by the Chancellor of the Exchequer on whether we could in the last resort withhold our contribution to the Community's Budget.

3. It was originally envisaged that paper (i) would be taken at OD on 8th October when the Committee will be considering the paper on the Corrective Mechanisms: and that paper (ii), on which you were awaiting the advice of the Law Officers, would have to be taken a little later and possibly in a smaller group because of its sensitivity.

4. During the course of the briefing meeting yesterday for her visit to Rome the Prime Minister, unprompted, asked about these papers and why they were not ready. I said that we had never envisaged putting them to her before Rome but that they were well on track and that she would have ample time to reflect on them before she sees Chancellor Schmidt. Since yesterday however I have made further enquiries and am slightly disturbed by what I have heard. In the first place the FCO paper will not now be ready for OD on 8th October: this is a pity but in many ways the FCO paper is more closely related to yours on "withholding" than to the paper on financial mechanism, and there could be advantage in taking both the "cards to play" papers at the same meeting. I understand however that the Treasury have not yet received advice from the Law Officers on the "withholding" point and that your people cannot say when your own paper will be ready.

/5.

Sir Douglas Wass, KCB

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5. I am therefore writing this letter to tell you and Michael Palliser that we have a slot in the Prime Minister's diary on Wednesday, 24th October to take both papers: that she will certainly not want to consider them any later than this: and that she will want ample time to study them in advance. They ought therefore to be circulated on Friday, 19th October at the latest and preferably earlier. Unless I hear to the contrary I shall assume that you will both be able to manage this.

6. I am sending a copy of this letter to Michael Palliser: and also to Bill Beckett and Clive Whitmore.

JOHN HUNT



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With the compliments of
Sir John Hunt GCB
Secretary of the Cabinet

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