

PRIME MINISTER

UK 1982 BUDGET REFUNDS

mf.

(2)

(attached)

I have had a word with Michael Franklin about your manuscript note on the Foreign Secretary's minute about budget restructuring. There are, I think, two aspects of the timing issue - a procedural one and a political one.

On procedure, we have plenty of time. During 1982, we shall be getting refunds in respect of 1981. As during this year (in respect of 1980) we shall probably get some in January, the bulk in March and the remainder in the autumn. All the necessary framework exists for our refunds to reduce what we will effectively pay in 1982. As well as making provision for these (which should not cause major difficulties) we will want to ensure that the 1982 Budget contains provision for us to get advance payments in respect of 1982. We shall aim to get the Commission to propose this in the Preliminary Draft Budget (PDB) it puts forward this summer. However, since such advances would not be payable until late 1982, and could if necessary be made the subject of a supplementary budget, we would not need to die in the last ditch about getting them included in the 1982 Budget. From a purely budgetary point of view we do not need agreement on the advances of our 1982 refund before the very end of 1981. (The detail on this is at Flag B.)

From a political point of view, it is of course inconceivable that the Government could go into next year (and let the November European Council pass) without a clear understanding that we would get refunds in respect of 1982. But in securing that understanding we want to avoid diverting the Community's attention from the need for fundamental long term reform, or implying that we are not in a hurry for such reform. We hope the Commission's document will at least draw attention to the problem. But if we try to get a negotiation going on the 1982 refund, e.g. in the Foreign Affairs Council or at Ecofin during the autumn, it will cut right across our Presidency attempts to pursue the fundamental debate on the budget.

/It is

It is almost certainly unrealistic to suppose that discussions will have proceeded far enough to get decisions on fundamental reform at the European Council. That being the case it will be necessary to secure agreement on the need for the third year extension at the Council. The best way to do so may well be to introduce it towards the end of the Council meeting. Other Heads of Government will not be able to deny on 30 November that a carry forward is necessary; and agreement on that point can then emerge as a practical decision of that meeting.

*Ant*

30 April 1981