



10 DOWNING STREET

THE PRIME MINISTER

28 December 1983

Mr. Caste,

Thank you for your message of 19 December.

I am grateful for your firm support over the Parliament's treatment of our 1983 refunds. The Parliament's action in voting last week to change unilaterally the classification of two-thirds of our 1983 refund and to place the whole refund in the reserve chapter of the budget has indeed been seen in Britain as blatantly discriminatory. I am glad you made this point so forcefully to Mr. Dankert.

I also welcome your efforts to try to persuade Mr. Dankert not to close the door on further discussions in January. As you know, the Council wrote to Mr. Dankert on 19 December formally setting out the Council's objections to the Parliament's action in unilaterally altering the classification of British and German refunds and placing them in the reserve chapter of the budget and in increasing the maximum rate for non-obligatory expenditure without the agreement of the Council. These actions raise serious issues of principle which concern all Member States. We were therefore greatly disappointed that Mr. Dankert decided to go ahead and adopt the budget regardless. We shall be consulting our partners further about how the Council should now proceed.

/You suggested

You suggested that we should now withhold part of our budget contribution from next month. Much as I deplore the Parliament's action, the fact remains that the Parliament has not yet defaulted on the Stuttgart agreement for our 1983 refund. Provision for the refund is in the 1984 budget as adopted, albeit in the reserve chapter. You will recall that at this time last year, the European Parliament rejected a budget containing the UK refunds in respect of 1982, but the bulk of our refunds were nevertheless paid by the end of March. Our aim is to secure a similar result on this occasion. The question of default would only arise if it were not possible for the bulk of the payments to be made by the end of March. As I have already told the House of Commons, we would then have to take steps to safeguard our position.

Despite the failure of the Athens European Council, we remain determined to bringing the negotiations launched at Stuttgart to a successful conclusion and to ensure that the Community finds long term solutions to the fundamental problems which it faces. As part of these long term solutions we are seeking agreement on effective control of the growth of agricultural and other expenditure. As regards budgetary contributions, while we said that we are prepared to remain a modest net contributor, we have made it clear that there must be a lasting arrangement to ensure the fair sharing of financial burdens so that neither we nor any other member State has to pay a share disproportionate to its relative national wealth.

Yours sincerely
Barbara Castle

The Rt. Hon. Barbara Castle, M.E.P.