



Treasury Chambers, Parliament Street, SW1P 3AG  
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*Prime Minister has vis.*

*You may like to see this  
further minute from the  
Chancellor, and  
that below from  
Mr. Walker,  
before your talks  
with Signor  
Andreotti.*

14 June, 1979

*P.A.  
18/6*

*SW  
14/6*

PRIME MINISTER

You will have seen Peter Carrington's letter to me of June 12th, enclosing the text of a formulation on this subject for the European Council.

2. I understand that this text was approved by you subject to my comments. I have agreed that, since time is so short before Sr. Andreotti's visit, the text should be put to the Italians for their reactions as it stands, though with the caveat that it might still be amended.

3. Indeed, I think that the text goes a long way towards meeting the points raised in my letter of 8th June. It contains a number of pointers which, if adopted by the Council, could be very useful in the difficult task of follow-up: notably, recognition by the Council that the Budget is creating difficulties for the UK and Italy; the notions that the Budget should be equitable and should not continue to hinder the economic performance of member states with below-average G.D.P per head; and a clear invitation to the Commission to propose solutions in good time for decisions at the next European Council in Dublin. ||

4. However, I still have some doubts, both on substance and on tactics, which are not entirely resolved by the arguments in Peter Carrington's reply to me. My doubts