



*Mufared
to Chequers*

Prime Minister

APPROVALS PROCEDURE FOR EC BUDGET REFUNDS UNDER ARTICLE 235
REGULATION

I have seen a copy of the Chancellor of the Exchequer's minute to you of today's date.

I agree with the Chancellor's conclusion that we should be prepared to agree to a negative qualified majority procedure if this will clinch an overall solution.

I think that it is important to get some new momentum back into this negotiation, and there are signs at the eleventh hour, that the French and Germans are willing to move from their previously unhelpful positions.

There will be a meeting between the Foreign Secretary and the French Foreign Minister on Monday afternoon at the latter's request. French officials have hinted privately at a more forthcoming line. Herr von Dohnanyi has also indicated that he would like to talk with the Foreign Secretary before the Council. It is therefore possible that the stage could be set for the simultaneous solution of the major points of disagreement in spite of the fairly unpromising discussion in COREPER this week.

In these circumstances we should be in a position to accept the negative qualified majority procedure, which is what the Luxembourg Presidency have proposed, if this will secure rapid agreement.

I am copying this minute to the Chancellor of the Exchequer and to Sir Robert Armstrong.

J. H. G.

12 September 1980