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TO IMMEDIATE BONN
TELEGRAM NUMBER 164 OF 19 MARCH
AND TO OTHER EC POSTS

COMMUNITY BUDGET

1. YOU WILL HAVE SEEN PRESS REPORTS OF THE ANSWER GIVEN BY THE PRIME MINISTER IN THE HOUSE YESTERDAY TO A SUPPLEMENTARY QUESTION ON THE POSSIBILITY OF THE UK WITHHOLDING OUR VAT CONTRIBUTION IF THERE IS NO SOLUTION TO OUR BUDGET PROBLEM.
2. THE PRIME MINISTER SAID 'I CONFIRM THAT IF THERE WERE NO CHANGE THEN OUR CONTRIBUTION TO THE EUROPEAN BUDGET THIS YEAR WOULD BE SOME 1.1 BILLION POUNDS OR MORE, BECAUSE THE FINAL BUDGET FOR THE COMMUNITY AS A WHOLE HAS NOT YET BEEN FIXED. IF OF COURSE WE DO NOT GET AN EQUITABLE SOLUTION WE SHOULD HAVE TO CONSIDER WITHHOLDING PART OF OUR CONTRIBUTION, BUT I HOPE THAT IT WILL NOT COME TO THAT'.
3. IN ANY COMMENT YOU SEE FIT TO MAKE, YOU SHOULD DRAW AS NECESSARY ON THE FOLLOWING:
 - (A) THE PRIME MINISTER'S REMARKS DO NOT REPRESENT ANY CONSIDERED CHANGE IN THE UK POSITION. THE PRIME MINISTER MENTIONED WITHHOLDING IN THE HOUSE AS LONG AGO AS 3 DECEMBER (MY TEL NO 145 TO UKREP).
 - (B) THEY SHOULD BE SEEN IN CONTEXT. THEY WERE NOT VOLUNTEERED. INSTEAD, AS IN HER INTERVIEW ON PANORAMA (MY TEL NO 126) THEY WERE IN ANSWER TO A SPECIFIC SUPPLEMENTARY QUESTION.
 - (C) THEY WERE NOT A THREAT. WE DO NOT THINK THREATS ARE A HELPFUL WAY TO CONDUCT NEGOTIATIONS WITH OUR PARTNERS. ALL OUR EFFORTS ARE AT PRESENT CONCENTRATED ON FINDING A SATISFACTORY

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SOLUTION THROUGH NEGOTIATIONS. WE BELIEVE WE CAN GET ONE AT THE EUROPEAN COUNCIL AT THE END OF THE MONTH.

(D) BUT, THAT SAID, OF COURSE WE HAVE TO LOOK AT WHAT POSSIBILITIES EXIST IF WE FAIL. NO DECISIONS HAVE BEEN TAKEN.

4. OTHERWISE PLEASE CONTINUE TO BE GUIDED BY MY TEL NO 145 TO UKREP EC BRUSSELS.

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