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Qz.05106

MR POWELL

COMMUNITY 1986 BUDGET

I should draw your attention to the attached telegram No. 1913 of 4 June from UKREP Brussels. This point may be referred to at the Prime Minister's meeting at 9.30 am on 12 June although the purpose of that meeting is principally to look further ahead.

If, as we expect, the European Court of Justice follows the Opinion of the Advocate General, the Community will cease to have a legal budget and the United Kingdom will take on the Presidency on about the same day. In our view the objective should be to get a legal Community budget into place again as fast as we reasonably can. This is likely to be beneficial to us nationally (since the European Parliament will be less likely to try to interfere with the United Kingdom abatement, including the additional sum of 500 million ecu (about £300 million) which is in the draft supplementary budget). It would also clearly be of advantage to us as Presidency since there are good practical reasons for having a properly established legal budget rather than the system of "provisional twelfths".

I am sending a copy to Michael Stark.

D F WILLIAMSON

6 June 1986

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 FM UKREP BRUSSELS
 TO DESKBY 041630Z F C O
 TELNO 1913
 OF 041450Z JUNE 86
 INFO PRIORITY EUROPEAN COMMUNITY POSTS

FRAME ECONOMIC

YOUR TELNO.235 TO MADRID :
 1986 BUDGET: E.C.J ADVOCATE-GENERAL'S OPINION.

1. NOW THAT THE ADVOCATE-GENERAL'S OPINION IS AVAILABLE TO ALL THOSE CONCERNED, THE TEMPO OF CONTINGENCY PLANNING FOR HANDLING THE OUTCOME OF THE JUDGEMENT WHEN IT IS ISSUED WILL CERTAINLY QUICKEN. WHILE IT WOULD BE UNWISE TO ASSUME THAT THE COURT WILL FOLLOW THE ADVOCATE-GENERAL IN ALL RESPECTS, THE CHANCES OF THE MAIN STRUCTURE OF HIS OPINION BEING ENDORSED MUST BE LARGE.

2. AS THE INCOMING PRESIDENCY, WE FACE SOME IMPORTANT TACTICAL CHOICES. THIS ISSUE WILL BULK LARGE AT THE BEGINNING OF OUR PRESIDENCY AND OUR SUCCESS IN HANDLING IT WILL BE THE TOUCHSTONE FOR MUCH THAT IS TO FOLLOW.

3. THERE ARE TWO BROAD OPTIONS, EITHER TO WORK HARD AND SYSTEMATICALLY FOR THE ADOPTION BEFORE THE SUMMER HOLIDAY BREAK OF A 1986 BUDGET, INCLUDING THE SUPPLEMENTARY BUDGET PROPOSED BY THE COMMISSION, WITHOUT OF COURSE BEING IN A POSITION TO GUARANTEE SUCCESS, OR TO ESCHEW SUCH AN EFFORT AND TO WORK FROM THE OUTSET FOR ADOPTION IN SEPTEMBER AT THE EARLIEST, IT BEING AXIOMATIC THAT THAT WILL INVOLVE THE COMMUNITY LIVING FOR THREE MONTHS AT LEAST ON A SYSTEM OF PROVISIONAL TWELFTHS.

4. WE WILL NEED TO ASSESS THE PROS AND CONS OF EACH COURSE VERY CAREFULLY, TAKING ACCOUNT OF THE VIEWS OF THE OTHER MAIN PLAYERS (THE COMMISSION, THE PARLIAMENT, THE OTHER MEMBER STATES) AND WEIGHING UP NOT ONLY OUR OWN NATIONAL INTEREST BUT ALSO WIDER COMMUNITY CONSIDERATIONS. IT IS TOO SOON TO OFFER FIRM ADVICE FROM HERE. THE PURPOSE OF THE CONTACTS OFFICIALS ARE GOING TO HAVE WITH THE COMMISSION AND THE COUNCIL SECRETARIAT AT THE END OF THIS WEEK AND OF MR BROOKE'S MEETING WITH PARLIAMENTARIANS IN STRASBOURG NEXT WEEK WILL INDEED BE TO PUT OURSELVES IN A BETTER POSITION TO MAKE A JUDGEMENT BETWEEN THESE TWO BROAD OPTIONS.

5. WHEN WE DO COME TO MAKE A CHOICE BETWEEN THE OPTIONS, ONE MAJOR CONSIDERATION WILL NEED TO BE TO FIND A TACTICALLY ADVANTAGEOUS POSITION VIS-A-VIS THE PARLIAMENT, WHO, WHATEVER THE COURT JUDGEMENT, WILL STILL BE STRIVING FOR TACTICAL AND SUBSTANTIVE ADVANTAGE VIS-A-VIS THE COUNCIL. LANDING THE PARLIAMENT WITH THE FULL AND PUBLIC RESPONSIBILITY FOR ANY FURTHER DELAY

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IN THE ADOPTION OF A 1986 BUDGET AND FOR THE PROBLEMS FLOWING FROM SUCH A DELAY, WOULD BE VERY ATTRACTIVE AND ALSO HELPFUL IN THE CONTEXT OF THE PRESIDENCY.

// 6. MEANWHILE, IT SEEMS TO ME IMPORTANT TO KEEP BOTH OPTIONS GENUINELY OPEN. WE COULD TAKE THE LINE THAT OUR BASIC PRESIDENCY OBJECTIVE IS TO REDUCE TO THE MINIMUM LENGTHS OF TIME TECHNICALLY AND POLITICALLY FEASIBLE THE HIATUS BETWEEN THE COURT JUDGEMENT AND THE ADOPTION OF A LEGALLY WATERTIGHT BUDGET. IT IS OBVIOUSLY THE JULY OPTION WHICH IS THE MOST LIKELY TO GET CLOSED OFF IF A DELIBERATE EFFORT IS NOT MADE TO KEEP IT OPEN AND POTENTIALLY USEABLE. I HOPE THEREFORE THAT, WHILE NOT AS YET EXPRESSING A CLEAR PREFERENCE OURSELVES, WE CAN URGE VERY FIRMLY THE NEED TO BASE CONTINGENCY PLANNING BY ALL THE INSTITUTIONS ON TWO ALTERNATIVE OPTIONS. THAT WILL MEAN PLANNING TWO POSSIBLE CRITICAL PATHS TOWARDS DECISION WITH THE ACCOMPANYING DATES FOR COMMISSION PROPOSALS, COUNCIL MEETINGS AND PARLIAMENTARY CONSIDERATION.

HANNAY

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ADVANCE:

(ADVANCED AS REQUESTED)

PS/S OF S FCO

PS/MRS CHALKER FCO

RENWICK FCO

WALL FCO

WILLIAMSON CAB

JAY CAB

PS/CHANCELLOR TSY

PS/MST TSY

LAVELLE TSY

EDWARDS TSY

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