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PRIME MINISTERCabinet: Community Affairs

The Foreign and Commonwealth Secretary reported to Tuesday's Cabinet on the budget discussions at last weekend's informal Foreign Ministers' meeting, and you may be discussing our next steps on the budget with the Ministers directly concerned on Friday.

2. You will wish the Minister of Agriculture to report on the 10-11 May Agriculture Council. As expected, a final Common Agricultural Policy price package was put forward which attracted the support of the nine other member states. The United Kingdom was accordingly pressed to break the link with the budget, and invoked the Luxembourg compromise to avoid a vote being taken. Commission and Presidency attempts to get round the compromise failed. The Council will meet again on 17 May.

3. In the absence of the Chancellor of the Exchequer, you might wish the Chief Secretary, Treasury to report briefly on the 11 May Budget Council. The Council agreed a Presidency mandate satisfactory to the United Kingdom for the next round of negotiations with the European Parliament on the classification of expenditure. This dialogue is aimed at removing the main causes of the recurring disputes on the budget between the Council and the Parliament; within this broad objective the Council's mandate also seeks to tighten the budgetary procedure in its own favour and to limit the Parliament's freedom to act unilaterally.

4. It is possible that a meeting of Foreign Ministers may be convened this coming weekend to deal with the budget or the renewal of the Argentine trade embargo or both. Next week the Agriculture and Finance Councils meet on 17 May and the Fisheries Council is scheduled to take place on 18 May. You will be seeing the French Prime Minister on 15 May and President Mitterrand on 17 May.

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