

Euro Pol.

Ref. A08461

Top copy filed on: —

PRIME MINISTER

Euro Pol: Budget: PC 16

Cabinet: Community Affairs

As a meeting of OD has been arranged for 10.30 am on Friday 21 May to discuss our immediate aims on the budget and the Luxembourg compromise in the light of the vote taken on the Common Agricultural Policy (CAP) price package at the 18 May Agriculture Council, you may wish to keep discussion of the crisis in tomorrow's Cabinet to a reasonable minimum.

2. You might nevertheless wish to give the Cabinet a brief account of your talks with President Mitterrand on 17 May about the Mandate.

3. The Cabinet will also expect to have a report from the Foreign and Commonwealth Secretary and the Minister of Agriculture on the current state of play on the United Kingdom budget problem and the CAP prices package respectively. On the former the Foreign Secretary's aim, subject to the OD discussion, will be to achieve a satisfactory settlement on a third year of refunds under the 30 May 1980 Agreement at the 24-25 May Foreign Affairs Council. On the latter, the new common agricultural prices will now come into legal force and the United Kingdom will have little choice, domestically or in terms of Community law, but to implement them, whilst seeking to revive and consolidate the Luxembourg compromise in the context of the discussion of the Genscher/Colombo proposals at next week's Foreign Affairs Council.

4. Next week, apart from the 24-25 May Foreign Affairs Council, the Education Council meets on 24 May and the Social Affairs Council on 27 May.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

19 May 1982