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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE  
PRESIDENT OF THE FRENCH REPUBLIC IN THE ELYSEE PALACE, PARIS  
AT 15.30 ON THURSDAY 20 MAY 1971

## Present

The Prime Minister	President Pompidou
Mr. A.M. Palliser	Prince Andronikof

President Pompidou proposed that they should resume discussions on the Annotated Agenda.

## Community Preference

The President said that it hardly seemed necessary to discuss this. Agreement had been reached in Brussels. There was nothing to add.

The Prime Minister agreed but said that he wished to make one comment. He had often felt, since the time when he himself had been negotiating with the Community, that there were genuine doubts within the Community as to whether Britain was prepared fully to accept the Community and its rules. He had always sought to demonstrate the sincerity of our intentions. When he had learned the importance that the President attached to Community Preference, the British negotiators in Brussels had been told to accept it in full from the beginning. This, together with the attitude adopted by the French Delegation, had enabled the negotiations to make fresh progress. He hoped that the President now accepted that there was no need to have doubts about our "Communautaire" approach right from the beginning and that he realised the importance of this as a symbol of our whole approach to the Community.

President Pompidou said that he was indeed conscious of this and that he took note of it with satisfaction.

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The French Language

President Pompidou wondered whether this question might not more properly be dealt with at the end of their discussions. The Prime Minister said that he was ready to discuss it at that point if the President wished. President Pompidou said that the Prime Minister knew the importance that he attached to this matter for intellectual, national and even European reasons. But it was not a fundamental problem and they could not solve it. However, if the Prime Minister had something to say, he would be happy to listen.

The Prime Minister said that we too fully appreciated the importance of the French language. Indeed it meant a great deal to the British. As he understood it, the procedure in Brussels would be that English would be added to the four existing official languages. But he wished to assure the President that the British Government would always send to Brussels officials qualified to conduct business in French. When he had led the British negotiating team he had insisted on two qualifications for each member of it: first, that he should be a competent French speaker and secondly, that he should have personal experience of Commonwealth problems. They intended to continue to require these qualifications: the President could be confident that the British representatives would be fully qualified in French.

In the British educational system French was usually the second language. He had discussed this matter with the Minister of Education before coming to Paris and had learned from her that in last year's examinations 135,000 16 year-olds had qualified in French. Qualifications in all the other languages taken together (German, Italian, Spanish and Russian) came to only 35,000. Thus by far the majority of British secondary school children qualifying in a foreign language, did so in French.

President Pompidou commented that, in France, English was the second language for 80-85% of school children.

The Prime Minister said that, as a result of the Franco-German Treaty negotiated by General de Gaulle and Dr. Adenauer, there had been a substantial increase in exchanges between France and Germany. There had been no comparable increase between France and Britain. If the President agreed, he would like to organise increased exchanges in the same way between France and Britain. It might be possible to have exchanges of civil servants in the two capitals; exchanges of teachers for a term or a school year; exchanges of students; and other exchanges of all kinds. They might ask the responsible Ministers in the two countries to meet and discuss these possibilities.

President Pompidou agreed. Various arrangements had been set up under the Franco-German Treaty including a "youth office" for exchanges of young people. This had had excellent results, limited only by financial resources. France was not as rich as Germany and could not, therefore, go as far in this field as the Germans wished. But they did what they could. In any case, he would gladly agree that the Ministers concerned should study the problem and, indeed, sign some formal agreement if this seemed desirable. The Prime Minister assented.

#### The Yaounde Convention

President Pompidou said that he had included this item in the Agenda in order to emphasise the importance the French attached to the members of the Yaounde Convention and through it to all the underdeveloped countries. In proposing during the Brussels negotiation that the Commonwealth sugar problem should be reviewed at the same time as the consideration of renewing the Yaounde Convention, the French had not been trying to avoid the issue. They wished to handle it as positively as possible for all concerned, so as to protect the interests of all the underdeveloped countries, whether in Africa, in the West Indies or elsewhere. He believed that this attitude would be common to France and Britain; the subject was perhaps of less concern to other members of the Community.

The President said that there were two aspects of the problem. First, there was the question of products of tropical countries and the preference they obtained under the Yaounde Convention, just as Britain granted preferences to the products of certain ex-British tropical countries. This should be looked at in a positive spirit with the desire not to hinder development but to help it. Secondly, there was a more delicate question, namely that the entry of Britain to the Community would entail consequences resulting from the desire of certain ex-British countries to receive treatment equivalent to that accorded to the members of the Yaounde Convention. At present, the Community made a certain contribution to the development of these countries. On British entry, there would be a British contribution. If, for the sake of argument, the existing fund represented a hundred and the British contribution twenty or twenty-five, there would be a total of one hundred and twenty or one hundred and twenty-five for distribution, but many more people would be expecting to draw on the fund. This was especially the case for countries like Nigeria, which not only had infinitely more resources than ex-French African countries but also a much larger population. This presented a sizeable problem. If matters were handled mathematically, there could overnight be a big reduction in the amounts available to the present associates. The French Government thought that an arrangement must be devised that would relate to the resources and the needs, large or small, of the countries concerned.

The Prime Minister said that this was an area where British and French interests were very close. We were the two countries which would have the great majority of associates. It was true that some of the ex-British countries which might become associates, such as Nigeria or Ghana, had considerable resources. Our general principle was that we did not wish to harm the existing associates or to do anything that could result in bad

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relations between them and any of the former British territories seeking association. It would be wholly wrong to create a spirit of ill-will. Clearly, we did not wish to see ex-British territories left out. But it should be possible to deal with this problem within the system of preferences and in aid. We did not provide aid on the same basis for every country. Some ex-British countries received little aid, while the smaller or poorer ones received a larger amount. Moreover, it was not clear how the system of generalised preferences would develop, though France and Britain had between them succeeded in persuading the United States to make some movement in this field. He wholly agreed with the President on the need to protect the existing associates; but it was also necessary to safeguard the needs of the ex-British countries.

The Prime Minister asked whether the President had any particular proposals to make at this stage on preferences or on aid, or whether he was content to leave the matter for the renegotiation that would begin in 1973. In his own view, it might at that point be possible to persuade some of the other and wealthier members of the Community to make a greater effort even though they themselves had no associates dependent on them.

President Pompidou said that what the Prime Minister had said about the principle of preserving existing rights was satisfactory to him. In respect both of sugar and of the Yaounde Convention, he doubted whether they could at that point produce formulae or solutions. In any case, the matter did not depend solely on them. They were agreed in principle; and he shared the Prime Minister's view that they should try to get, e.g. the Germans, to make a bigger effort. He was not sure how successful this would be. But he believed that the Germans did indeed wish to increase their aid effort especially in Africa.

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The President said that the real problem of imbalance would arise with Nigeria which, on its own, was bigger than all the ex-French African territories. Although it was underdeveloped, it had resources wholly disproportionate to those of the Chad, Upper Volta or Niger.

The Prime Minister said that he did not regard Nigeria as presenting much of a problem in the aid context. She was rapidly developing her oil resources and, after the recent Gulf and Libyan settlements, could expect to derive substantially higher income from the sale of her oil in world markets.

M. Pompidou agreed. The Prime Minister said that we should be able to continue the kind of help we at present gave to Nigeria. It consisted essentially in the training of Agricultural experts, engineers, etc.

#### Problems arising in the negotiations with the Community

President Pompidou said that these were matters more directly linked to the negotiations taking place in Brussels: but it would nevertheless be extraordinary if the Prime Minister and he did not discuss them.

The Prime Minister agreed. We had contributed three main items to this part of the Agenda: Community finance: fisheries: and New Zealand. In addition there were the two final points which he understood the French wished to discuss, namely relations with certain EFTA and other West European countries: and the problems of the European company.

#### Community Finance

The Prime Minister said that we wholly accepted the Community system of "ressources propres". The British delegation's first proposal in Brussels had provided for a progressive system of payments throughout the transitional period. The figures suggested by the British had been criticised within the Community and they could be further

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discussed. But, in all frankness, he believed that some people suspected that in the end Britain would try somehow to cheat. President Pompidou commented with a smile that this was simply a tribute to the skill of the British officials concerned.

The Prime Minister said that at the last meeting in Brussels the French delegation had proposed that we should accept the full application of the finance regulation from the beginning; and that this should then be abated over the transitional period; there could also be discussion of a possible corrective period in addition. M. Pompidou assented. The Prime Minister said that this matter seemed thus to fall into the same category as British acceptance of full Community preference from the outset. If we accepted the full application of the system from the beginning and then agreed with the Community on the abatement that should be granted to us as we moved up to the full payment in the definitive period, this again, he hoped, would be recognised by the President as wholehearted acceptance by us of the "ressources propres" system. President Pompidou indicated assent.

The Prime Minister said that it would be necessary in Brussels to establish our key and how we should move to it together with the period of correctives. We agreed that we should not "jump a high cliff" at the end of the transitional period. He knew that this was the President's view and he shared it. Equally we asked for acceptance of our view that the initial burden must not be too heavy and that we should then move up steadily through a five year transitional period followed by correctives, such as the Community had granted itself, so that we should have three further years to make the necessary financial adjustments. It was difficult in 1971 to estimate the likely size in 1978 of the Community budget

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or the amount of levies, customs duties etc. we should be obliged to pay.

M. Pompidou said that the Prime Minister knew how the system they had proposed would work. One would take British G.N.P. as X per cent of that of the Community: to take a round figure out of the air one might say 20%. But this could change: for example, if Germany revalued the Deutsche Mark her share would increase and that of the others diminish. But taking the figure of 20% as a hypothesis that would represent our final total contribution. Supposing - again to take a wholly illustrative figure - this were abated initially by 30%, the initial British contribution would represent 14% of the budget. If the abatement were 40%, it would be 12%. This would then increase regularly each year and, supposing an abatement of 40%, this would decrease each year by 5%. There would then be the intervention of the provision in the Community finance regulation that a country's contribution prior to the definitive period should not increase annually by more than 2%. The consequence of this might be that by the end of the five year transition period we should not have reached our full and definitive amount. This was why provision was suggested for correctives which might extend the period to six or even seven years. This system was relatively simple, but there were many imponderables. For example, the British G.N.P. in 1973 was unknown and the position could be affected by a number of factors including, as he had said, a Deutsche Mark revaluation. If all the Community countries had revalued in the recent monetary crisis, (as some had wished), but Britain had not changed parity, the British share would have decreased and thus also the British contribution. The second imponderable was the amount of the initial abatement. A 20% abatement would result in a 16% initial payment: an 80% abatement in a 4% payment. The main purpose of the Brussels negotiations would be to decide this.

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Next there was the curve to be followed during the transitional period. He did not wish to enter into figures but considered that, as the Prime Minister had said, there should not be too great a jump at the end; but the 2% rule together with the correctives should ensure that this would not happen if the initial contribution was sufficiently high. This progression, in the French view, should in fact be a straight line rather than a curve which would be more difficult to calculate.

Finally - and this too would be for discussion between Britain and the French and between them and the Six - the French felt that the higher the starting figure, the better. Equally they recognised that the British Government did not wish it to be too high, not only for balance of payments reasons, but also from political and psychological considerations. As he understood it, 1% of the Community budget would represent a charge of about \$35m. on the British balance of payments. But naturally in addition to what Britain paid out one should take account of what came back, i.e. if Britain paid X% some of it would come back and should be regarded as a reduction in the total amount paid. He had been informed that when Mr. Rippon proposed the initial payment of 3%, the Community estimate had been that Britain would get 4% back in return. This was clearly unacceptable. But to go into this detail was perhaps not appropriate to their discussions.

The Prime Minister said that we could certainly agree to the system proposed by the French if that would help to give a sense of confidence to the Community - namely the principle of abatements, together with correctives such as the Community had agreed itself. President Pompidou took note of this.

The Prime Minister said he also agreed to the principle of a straight line rather than a curve for the progression during the transitional period. But in order to achieve the right level of progression it was not necessary to start with

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a high initial payment. He was glad to note that the President expected some return from the fund to accrue to Britain. But one of our difficulties was that, because only about 3% of the British working population was employed in agriculture, there were very few ways in which we could expect to receive payments from the agricultural fund. Moreover, during the first year there would be no time to agree on the amounts in question and to receive payment. This was why the first year in particular would produce remarkably little for us. In any case, we did not expect ever to get very much in this way.

President Pompidou said that he was now moving into a technical field which the Prime Minister no doubt knew better than he. There were two aspects of the agricultural fund. First there were the amounts derived from levies, customs duties, etc. These were in effect divided amongst the members in inverse proportion to their imports from outside the Community; and here the return was automatic. But there was also the fund for the modernisation, etc., of agriculture from which payments could be made to any member country to develop and improve its agriculture. He thought, subject to correction, that there should be no difficulty about the Community and Britain agreeing before the first year on a lump sum representing an estimate of what we could expect to derive from this section of the fund. This sum could be paid at once and the account settled, say, 18 months later. This would enable the burden of the first year to be attenuated.

The Prime Minister said that this was certainly something that the British Delegation could explore in Brussels and if the French would support this, it would be helpful. President Pompidou assented and hoped that what he had said was not an enormity from the Community point of view.

The Prime Minister asked how the President proposed that the question of the figures should be dealt with. The President replied that in principle this should be discussed in Brussels but he was very ready to hear any suggestions the Prime Minister might wish to make.

The Prime Minister said that the President had rightly referred to the difficulties of knowing what would be the British G.N.P. in 1973. Present calculations in Brussels were based on a notional estimate for 1972, but even that must be uncertain. However, there seemed no alternative method of work since they could not wait until 1972 or 1973 before deciding the figures. The President agreed.

The Prime Minister said that in order for our initial payment both to be tolerable for our balance of payments and at the same time to contribute more to the fund than we should be receiving from it, we had been thinking in terms of an initial abatement of 70%. This would represent a payment of 30% on our nominal contribution in accordance with our full key. We would then move by 10% stages to a final figure of 90% of our nominal contribution, together with the corrective period. The President would realise that since Community preference would now be applying from the outset the possible burden on the Community would thus be considerably less than in our original proposals. This new proposal would produce more than twice what we had originally suggested. President Pompidou, after brief reflection, agreed that this would be about double the first British proposal; the Prime Minister said that it would be slightly more than double.

President Pompidou said that he could not conceal the fact that the Prime Minister and he were not wholly on the same wavelength. It seemed to him that the British offer would represent a virtually insignificant charge on the British balance of payments. Looking at it from the budgetary aspect,

our offer represented about 6% of the budget. The Community had calculated that we would receive back from the fund about 4%. Thus our offer only represented a net amount equivalent to 2%; this would come to a payment of about \$70m. He could not recall the amount of the British balance of payments surplus over the past six months but this figure seemed singularly disproportionate to what he believed it to be. He wished to repeat that the French Government did not want to make life difficult for Britain. He also recognised that the full application of Community preference from the outset would increase the load on Britain. The French, as we knew, had originally thought in terms of Britain boarding a moving train. But he accepted that this would entail a very high initial figure and the British had been justified in regarding this as very difficult. But he believed that a formula could be found that would not be too distant from what the French wanted: or at least would be a compromise between us.

After a pause, and with a broad grin, President Pompidou said that the French were thinking in terms of a 40% initial abatement which would, they believed, result in an initial payment of 11%-11½% of the budget.

The Prime Minister noted this and asked whether the President could also explain the figure of 4% which he had expected us to receive from the Community budget. Would this be from the agricultural fund?

President Pompidou said that he could not explain it but he was willing for his adviser, M. Bernard, to do so to one of the Prime Minister's team. The Prime Minister said that this would be helpful and it was agreed that Mr. Thornton would discuss it with M. Bernard later that day. The Prime Minister proposed that figures should be left to one side until this exchange had taken place. But he commented that there was a

considerable difference between 6½ minus 4 and 6½. The President agreed.

New Zealand

President Pompidou commented that he had referred to this as a problem of sentiment and said that he understood Mr. Marshall had been displeased with him. The Prime Minister said that Mr. Marshall had perhaps misunderstood what the President had meant by sentiment. This was a very big political problem for the British Government and he realised that it also presented such a problem to the President and the French Government. (M. Pompidou nodded). The Prime Minister said that sometimes, in talking to members of the Community, he had the impression that they believed our purpose in seeking an arrangement with New Zealand over her milk products was to enable Britain to maintain influence over New Zealand. This was false. As far as Britain was concerned, we accepted the Community system and more and more of our food supplies would come from the Community; British farmers would also step up their production in certain cases, although the possibility of expansion was limited. The reason why people in Britain felt strongly about New Zealand - the sentiment to which the President had referred - was that they regarded New Zealand as a small European country on the other side of the world which had, for the past century, earned its living by selling food supplies to Britain. Since the 1961 negotiations, New Zealand had tried with some success to diversify. But she had also found that, when she tried to sell her milk products to countries other than Britain, they had to compete with similar products sold at artificially low prices out of the E.E.C. surplus. When he had visited New Zealand, Australia and Singapore and had then flown in a Commonwealth aircraft to Hong Kong, he had been served a meal that included a packet

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of butter marked "Produit de France". (M. Pompidou commented that it must have cost the French Government a great deal to get it there).

The Prime Minister said that the other aspect of British concern for New Zealand was the contribution she had made in two world wars. The President should understand that in Parliament, this problem could present an insuperable obstacle. This was partly because all those who had worked with him in support of the Government's European policy felt strongly about it. He had received a letter from Mr. Duncan Sandys saying that, although he had been with Sir Winston Churchill in the Hague at the launching of the European movement, he would not be able to vote for British entry to the E.E.C. unless New Zealand had had a fair deal. We were thus not concerned with privileges for Britain but with what was fair for New Zealand. From his talk that morning with the President when they had been in such broad agreement on the part that an enlarged Community should play in the world, he could not believe that it would be helpful for Europe that Britain should join in circumstances where a country like New Zealand felt that she had been badly done by.

He had explained the extent of the political problem for Britain. But there was also the practical aspect to be considered. At present, Britain imported 175,000 tons of butter from New Zealand; 90,000 from Denmark; 30,000 from Ireland; and upwards of 100,000 tons from other suppliers. Since the Community would receive preference from the moment of British entry, this amount, at present bought from producers other than New Zealand or present or future members of the Community, would fall to be supplied from within the Community. Thus, until the Community had substantially increased its own butter production, and while we accepted that an enlarged Community should supply an increasing amount of its own requirements, there should still be a place for New Zealand.

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President Pompidou said that he wished to ask two practical questions. First, would it be possible to treat butter and Cheddar cheese separately? Secondly, as he understood it, the Prime Minister envisaged a progressive decrease in the New Zealand quota as the Community began to satisfy its own requirements and New Zealand adapted its economy. But was it the Prime Minister's purpose to secure a permanent quota, however much smaller than at present, for New Zealand? Was New Zealand to move eventually, at the end of a specified period, to zero; or was it to constitute a permanent exception to the Community rules?

The Prime Minister said that he understood that in Brussels butter and cheese had been discussed together, in terms of milk products. M. Pompidou agreed. The Prime Minister said that he did not think that cheese presented much of a problem. Britain already imported large quantities from the Community. But those who liked cheddar cheese would no doubt continue to eat it whether it came from Britain or New Zealand. As regards butter, the British view was that the first to fall by the wayside should be suppliers from outside countries other than New Zealand. There should then be a period of five years during which the total import from New Zealand would gradually decrease. The matter should then be reviewed to see what measures needed to be taken. He understood the Community's concern about a permanent arrangement. But no trade arrangement was ever permanent. He understood that in trade agreements concluded by the Community with other countries there was normally provision for a review after a given period and, in the light of that, agreement to consider whether or not a new agreement would be necessary. Leaving aside the political problem, he felt that the European Community itself and the volume of its trade would be so large that the matter should readily fall into perspective. The figures might interest the

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President. The enlarged Community would have a population of about 250 million, compared with a population of 3 million in New Zealand. The enlarged Community's G.N.P. in 1969 was \$520 billions: that of New Zealand was \$5 billion. The milk production of the Seven was 23 billion gallons: that of New Zealand 1.3 billion. Butter production in the Seven came to 1.4 million metric tons, in New Zealand only 0.2. This was, in short, such a small problem that it should be possible to solve it.

President Pompidou said that certain other questions remained to be discussed, but they had considered all the controversial issues. He suggested that the following morning they should review these again and consider what could be said in a Communiqué. They would wish to re-examine the Finance Regulation in the light of what their advisers reported and also the New Zealand question. But he could tell the Prime Minister frankly that if, as he believed, they could arrive on all these matters at something that satisfied them both, he did not intend to allow Europe to fail over the issue of New Zealand. For him there was also a political problem: the Prime Minister would understand the feelings of French farmers. This was why he had asked for butter and cheese to be dealt with separately. In his opinion cheese was a matter of greater importance than butter, to the French farmer. The Prime Minister said that this was<sup>a</sup> helpful clarification.

M. Pompidou said that he thought they should jointly issue a communiqué couched in very general terms. They should also have a short Agreed Minute (procès verbal) setting out their conception of Europe, their view on the working of the institutions, on sterling, on Community preference (where there were no problems), on the Yaounde Convention (which would also be easy), on the finance regulation and on New Zealand. This document should be kept confidential. They would not wish actually to conclude the negotiations; this would not be welcome to certain others.

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But if they were to achieve the objective he had described, they would need to have further discussion of certain points.

The Prime Minister agreed. He thought the remaining questions were those of the EFTA countries and of the European company. But he did not believe those were very difficult. However he would wish to have a short discussion on the Fishery problem.

M. Pompidou said that the French had proposed a formula on this in the Annotated Agenda. The British would not have difficulties with them about this. The Prime Minister said that we would not wish our fishermen to go to war. M. Pompidou commented that the French fishing industry was extremely backward. It was the Dutch who were well organised on a highly industrial basis.

It was agreed that French and British officials should be requested to draft a final communiqué for submission to the President and the Prime Minister the following morning.

The meeting ended at 17.30 hours.

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