

FLASH

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FM F.C.O. 031135Z

CONFIDENTIAL

TO FLASH PARIS TELEGRAM NO. 288 OF 3 MAY.

PERSONAL FOR AMBASSADOR FROM PRIVATE SECRETARY.

YOUR TELEGRAM NO. 494 TO THE PUS.

WE TAKE THE POINT IN YOUR PARAGRAPH 2, BUT AS WE SHALL MENTION TO YOU ON THE TELEPHONE THE GENERAL VIEW HERE IS THAT YOU SHOULD GO NO FURTHER THAN SAYING THAT THE SECRETARY OF STATE WANTS TO FIX NEW DATES FOR SCHUMANN'S VISIT BEFORE THE SUMMER BREAK. FOR YOUR OWN INFORMATION THE SECOND WEEK IN JUNE IS REASONABLY CLEAR, DUE TO THE CANCELLATION OF MOBUTU'S VISIT, BUT IT MIGHT NOT BE WISE TO SUGGEST FIRM DATES SO NEAR THE POMPIDOU/HEATH MEETING JUST IN CASE THIS LATTER GOES WRONG. A LATER DATE WOULD BE SAFER AND AL PROBABLY MORE USEFUL IF WE CAN FIX ONE.

2. AS WE MENTIONED TO YOU OVER THE WEEKEND PLANS FOR SCHUMANN'S VISIT ON 20/21 MAY ARE ALREADY QUITE ADVANCED. FOR YOUR INFORMATION WE WERE LAYING ON A BIG DINNER AT TRINITY HOUSE PRECEDED BY A VISIT TO THE TOWER OF LONDON. INVITATIONS FOR THIS SHOULD NORMALLY GO OUT NOW, WHICH REINFORCES OUR NEED FOR AN EARLY ANNOUNCEMENT OF THE POMPIDOU/HEATH MEETING.

DOUGLAS-HOME

P R I S E C

PRIVATE SECRETARY

PS TO PUS

SECRET

18

3 May 1971

Thank you for your letter of 29 April covering records of talks with M. Bernard of the Elysee and M. Cuvillier in M. Schumann's Cabinet. These have been read by the Prime Minister.

P.T.S.M.

G.C.C. Tickell, Esq., M.V.O.,
Foreign and Commonwealth Office.

SECRET

[Handwritten signature]

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COPY NO 3

Note of a Meeting held at 10 Downing Street, SW1, on
FRIDAY, 30 April 1971 at 11.30 am

PRESENT

The Rt Hon Edward Heath MP
Prime Minister

The Rt Hon Geoffrey Rippon QC MP
Chancellor of the Duchy of
Lancaster

Sir Denis Greenhill
Foreign and Commonwealth Office

The Hon Sir Con O'Neill
Foreign and Commonwealth Office

The Rt Hon Christopher Soames
British Ambassador
Paris

SECRETARIAT

Sir Burke Trend
Sir William Nield
Mr P E Thornton

SUBJECT

COMMON MARKET NEGOTIATIONS

COMMON MARKET NEGOTIATIONS

MR SOAMES said that he had seen M Jobert, Secretary General at the Elysee, on the previous day. The latter expected to hand over on Tuesday, 4 May, the French President's proposals for the agenda for a meeting with the Prime Minister. M Jobert had said that the proposed agenda would not cover all the outstanding issues in the negotiations: it was not clear whether only minor issues would be omitted but M Jobert had said that the Prime Minister could, of course, propose additions if the French list seemed inadequate. M Pompidou considered that the best time for the bilateral meeting, assuming both sides decided on it in the light of the exchanges of proposed agenda, would be 20/21 May in place of M Schumann's scheduled visit to London. If it were decided that the bilateral meeting should not go ahead M Schumann's visit would then take place as planned. Unfortunately M Schumann was not aware of these proposals and it was not clear when he would be told. M Jobert had added that if the Prime Minister would prefer to postpone the bilateral meeting until early in June he thought that this too could be arranged.

Mr Soames said that, on this basis, he would bring the proposed French agenda to London on 4 May, with M Jobert's comments on it, and would return to Paris on 5 May with any UK proposals for additions to the agenda (and our comments on them). The aim would then be to reach agreement with the French by the end of the week beginning 3 May on whether or not the bilateral meeting should take place on 20/21 May. In his view the bilateral meeting should be held as soon as possible and he recommended that the French proposals on timing and handling the matter should be accepted.

In discussion there was general agreement that 20/21 May would be the best time for a bilateral meeting and that it should be announced before the Ministerial meeting in Brussels which began on 10 May. Such prior announcement would avoid the appearance of having hastily arranged a bilateral meeting in an atmosphere of crisis arising from the Brussels meeting. While such prior announcement might reduce the determination of the Five in pressing for progress at the Brussels meeting, we should make plain to them, as to the French, that some progress in Brussels was in our view a most important preliminary to a satisfactory bilateral meeting: always provided, of course, that progress was not reached by the Five accepting French proposals which we would find unacceptable. The Federal German Chancellor would be in London on Thursday, 6 May and it would be necessary (with the agreement of the Elysee) to give him some notice of our discussions with the French about a bilateral meeting.

In further discussion it was suggested that the Prime Minister should open his meeting with M Pompidou by setting out in some detail his views about the future of Western Europe in the spheres of economics, politics and defence. Only after he had demonstrated in this way his full commitment to "Europeanism" should he start a discussion of the problems for settlement in the negotiations.

THE PRIME MINISTER, summing up the discussion, said that our Ambassador would bring to London on Tuesday, 4 May, M Pompidou's proposals for the agenda for a bilateral meeting and M Jobert's comments upon these proposals: he could make it clear that he would not wish to exclude from discussion any subject which M Pompidou wished to discuss. Meanwhile we would consider what items we would wish to see on the agenda of such a meeting and what should be said to M Jobert about them. Our Ambassador would return to Paris with our proposals and comments on 5 May. In the light of these exchanges both Governments would have to decide whether a meeting should take place between M Pompidou and himself on 20/21 May. The aim should be to reach a joint decision and make an announcement not later than Saturday, 8 May. Our Ambassador should clear with the Elysee that the Federal German Chancellor should be told when he visited London on 5/6 May that the possibility of an early meeting between the French President and the Prime Minister was being actively discussed between them.

The Meeting -

Took note, with approval, of the Prime Minister's summing up of their discussion.

Cabinet Office SW1
30 April 1971

E.R.

CONFIDENTIAL

Y 0576

Prime Minister has seen.

P.A. M. 30/4

THIS IS A COPY
HAS BEEN RECORDED
UNDER SEC. 3(4) OF THE
PUBLIC RECORDS ACT 1958 AND 1967

MR ARMSTRONG

The Prime Minister recently asked whether we had any information about future German proposals on Community Finance

Package deleted & retained under Sec 3(4) J.R. Green 10/1/01

Enquiries confirmed that we had no information. But telegram Codel 297 from Brussels has this morning given details.

I attach a copy. The gist is that the Germans propose 7 per cent in the first year rising by 3 per cent a year to 19 per cent in the fifth year, with the remaining difference between 19 per cent and whatever our full percentage would be under the resources propre system split into three equal parts for the sixth, seventh, and eighth years.

This is very close to Mr Rippon's first alternative in his "Final Package" memorandum, of 6 per cent x 3 per cent to 18 per cent then 1 or 2 per cent a year for three years. The telegram claims agreement by the Dutch, Italians and Belgians to using the German proposal as a counter to any French proposal put forward on 10 May.

W.N.

WILLIAM NIELD

30 April 1971

CONFIDENTIAL

PRIME MINISTER

E.E.C: May Ministerial Meetings

In the attached paper the Chancellor of the Duchy of Lancaster asks for the following negotiating discretion on the main items for his next meetings with the Six on 11/12 May:-

Community Finance

To indicate readiness to consider, as a basis for negotiation, any proposal the Community might put forward pointing to a gradual building up of our contribution over the first five years from a starting point below 10% to a figure of around 20% in the fifth year; and to give an appropriately more encouraging response if the Community were to offer anything better than this.

New Zealand

If the French move to a point nearer where the Five now stand (i.e. New Zealand to be guaranteed in the fifth year the opportunity to sell between 45 and 62% of current export levels), to indicate that we could envisage some reduction in New Zealand's guaranteed access by the end of the five year period, on condition that some provision is made for a review before the end of the transitional period.

Sugar

To be ready to accept, if necessary, the idea of a fully satisfactory undertaking as the right solution for developing Commonwealth sugar (rather than a guaranteed tonnage).

Agricultural Transition

To avoid reaching a conclusion on transitional arrangements for agriculture, and consequently on the question of Community preference in agriculture, unless and until it is possible to agree on one of our other main negotiating objectives in parallel.

m.

ADVANCE COPIES: EEC NEGOTIATIONS

14A

~~NO. 10 DOWNING STREET ("GILL" ONLY)~~

PS TO COL
PUS
SIR C. O'NEILL
MR. FORD
MR ROBINSON
MR. REDDAWAY
MR. TURPIN
HD OF EID
HD OF ECIU
~~HD OF WED~~
Hd. of F.P.A.D.....
NEWS DEPT
~~RESIDENT CLERK~~

CABINET OFFICE - SIR W NIELD
MR. P.E. THORNTON

TREASURY - MR. G.R. BELL
Treasury - *Mr Hay*
DEPT. OF TRADE AND INDUSTRY, VICTORIA STREET - MR. G.R. DENMAN

DEPT. OF TRADE AND INDUSTRY, VICTORIA STREET - MR. W.P. SHOVELTON

MAFF - MR. F.M. KEARNS

- *Mr Morse*

A2/V

B of E

NUMBER/CAT A
FM UKDEL BRUSSELS 2911 5Z

SECRET
GILL

TO IMMEDIATE FCO TSLNO 107 OF 29 APRIL INFO PRIORITY DOWN THE HAGUE LUXEMBOURG PARIS ROME WASHINGTON INFO SAVING BRUSSELS.

MEETING OF EEC FINANCE MINISTERS IN HAMBURG: 26/27 APRIL.

WE HAVE BEEN GIVEN IN THE STRICTEST CONFIDENCE AN ACCOUNT OF THE RESTRICTED MEETING HELD AFTER DINNER ON 26 APRIL IN HAMBURG WHICH HAS SUBSEQUENTLY BEEN THE SUBJECT OF PRESS LEAKS CONCERNING FRENCH STATEMENTS ON THE GOLD PRICE. THE MEETING, WHICH WAS HELD AT THE INITIATIVE OF SCHILLER (GERMANY) AND BARRE (COMMISSION) WAS ATTENDED ONLY BY THE SIX FINANCE MINISTERS, FIVE CENTRAL BANK GOVERNORS OR THEIR DEPUTIES, AND BARRE AND HAFERKAMP FROM THE COMMISSION.

1. BEFORE THE DISCUSSION BEGAN, GISCARD D'ESTAING (FRANCE) EMPHASISED THAT THE SORT OF DISCUSSION THEY WERE GOING TO HAVE ONLY MADE SENSE IF THERE WERE ABSOLUTELY NO MENTION OF IT IN THE PRESS.

3. SCHILLER OPENED THE DISCUSSION BY SAYING THAT THE GERMAN GOVERNMENT WAS SERIOUSLY WORRIED ABOUT INFLATION. THEY DID NOT BELIEVE THEY COULD CONTROL THIS INFLATION BY THEIR OWN EFFORTS AND THEY FELT THE NEED FOR JOINT ACTION WITH THEIR COMMUNITY PARTNERS. THIS WAS PARTICULARLY SO SINCE, IN THEIR CASE, THE

INFLATION WAS LARGELY IMPORTED. HE THEN MENTIONED THREE THEORETICAL WAYS OF HANDLING THIS INFLATION ON THE INTERNATIONAL LEVEL:

(I) THE COMMUNITY COUNTRIES SHOULD RE-VALUE AGAINST THE DOLLAR IN ONE UNIT.

(II) THE COMMUNITY COUNTRIES SHOULD FLOAT UPWARDS AGAINST THE DOLLAR AS ONE UNIT.

(III) THE DOLLAR SHOULD BE DEVALUED AGAINST GOLD.

HE DID NOT EXPRESS ANY PREFERENCE AMONG THESE THREE BUT HE DID NOT REFER TO THE POSSIBILITY OF INDIVIDUAL COMMUNITY CURRENCIES REVALUING AGAINST THE DOLLAR.

4. GISCARD D'ESTAING WAS THE FIRST TO COMMENT ON THIS STATEMENT AND STRONGLY OPPOSED EITHER SOLUTIONS (I) OR (II) ABOVE.

FRANCE WOULD PREFER TO CONTINUE WITH INFLATION RATHER THAN TO DAMAGE ITS COMPETITIVE POSITION IN ORDER TO SEEK TO OBTAIN AN ARTIFICIALLY MATHEMATICAL BALANCE FOR THE AMERICAN BALANCE OF PAYMENTS. THE CURRENT LARGE AMERICAN DEFICIT WAS DUE TO LACK OF INTERNAL ECONOMIC DISCIPLINE IN THE UNITED STATES, ACCENTUATED BY THE PROSPECT OF THE 1972 PRESIDENTIAL ELECTION. WHAT THE AMERICANS WERE NOW DOING WAS TO MAINTAIN THE NOTIONAL VALUE OF THEIR CURRENCY WHILE ALLOWING ITS REAL VALUE TO DEPRECIATE AND HE MENTIONED AS A PERSONAL ESTIMATE THAT THE DOLLAR WAS NOW 15% OVERVALUED. HE THEN MADE A REFERENCE TO THE THEORETICAL POSSIBILITY OF DEVALUATION OF THE DOLLAR AGAINST GOLD. IT COULD BE THAT AT SOME TIME IN THE FUTURE THE COMMUNITY WOULD HAVE TO GO TO THE AMERICANS AND ASK THEM TO DO THIS. BUT THIS WOULD BE A MAJOR POLITICAL DECISION WHICH THE COMMUNITY SHOULD ONLY TAKE WITH A FULL KNOWLEDGE OF THE CONSEQUENCES IT WOULD ENTAIL.

5. MITTEVEEN (NETHERLANDS) AND CARLI (ITALY) THEN BOTH STATED A PREFERENCE FOR ALLOWING THE COMMUNITY CURRENCIES TO FLOAT UPWARDS AGAINST THE DOLLAR. AND THEY BOTH EXPRESSED THEMSELVES EXTREMELY STRONGLY AGAINST ANY SUGGESTION OF A RISE IN THE DOLLAR PRICE OF GOLD. THEY ARGUED THAT EUROPE NEEDED CLOSE POLITICAL AND DEFENCE LINKS WITH THE UNITED STATES AND IT WAS QUITE INCONCEIVABLE THAT THE EUROPEAN COUNTRIES SHOULD TRY TO FORCE THE AMERICANS INTO DEVALUING THE DOLLAR AGAINST GOLD. THE GERMANS GAVE SOME SUPPORT TO THE IDEA OF FLOATING UPWARDS.

6. WORMSER (FRANCE) THEN MADE A LONG STATEMENT EXPOUNDING RUEFF'S THEORIES ON THE DESIRABILITY OF A RISE IN THE GOLD PRICE. HE SAID THAT, SPEAKING QUITE PERSONALLY AND PRIVATELY, HE WAS CONVINCED OF THE NECESSITY FOR THIS. IF THERE WERE TO BE SUCH A RISE IN THE DOLLAR PRICE OF GOLD IT WOULD BE DESIRABLE FOR THE COMMUNITY COUNTRIES TO ADJUST THE VALUE OF THEIR CURRENCIES AGAINST GOLD BY A SMALLER AMOUNT THAN THE CHANGE IN THE DOLLAR PRICE.

7. BARRE THEN CAME OUT STRONGLY AGAINST ANY IDEA OF THE COMMUNITY CURRENCIES FLOATING UPWARDS AGAINST THE DOLLAR. IT WOULD NOT JUST BE A QUESTION OF MOVING TWO OR THREE PER CENT. THE AMERICANS WOULD SIMPLY SIT BACK AND CONTINUE WITH THEIR PRESENT ECONOMIC POLICIES AND WOULD ALLOW THE COMMUNITY CURRENCIES TO FLOAT UP INTO A MAJOR REVALUATION. BARRE ALSO SAID THAT THE COMMUNITY HAD BEEN MISLED IN GIVING THEIR AGREEMENT TO THE SPECIAL DRAWING RIGHTS SYSTEM AT STOCKHOLM BY PROMISES FROM THE AMERICANS THAT THEY WOULD DO SOMETHING TO REDUCE THEIR BALANCE OF PAYMENTS DEFICIT. THIS PROMISE HAD NEVER BEEN FULFILLED.

8. BARRE THEN PROPOSED A NUMBER OF PRACTICAL SUGGESTIONS FOR FUTURE ACTION:

- (I) THE CENTRAL BANK GOVERNORS SHOULD CONTINUE THE WORK ALREADY UNDERTAKEN IN EXAMINING WAYS OF HANDLING THE EURO-DOLLAR MARKET.
- (II) THE COMMUNITY SHOULD BE EXTREMELY CIRCUMSPECT ABOUT CREATING FURTHER SPECIAL DRAWING RIGHTS. THEY SHOULD GIVE CONSIDERATION TO THE POSSIBILITY MENTIONED BY THE ITALIANS AT THE TIME OF THE STOCKHOLM DECISION ON SPECIAL DRAWING RIGHTS THAT THESE DRAWING RIGHTS SHOULD BE USED TO REPLACE DOLLARS IN RESERVE HOLDINGS RATHER THAN USED IN ADDITION TO DOLLARS.
- (III) CONSIDERATION SHOULD ALSO BE GIVEN TO WAYS IN WHICH THE IMF COULD BE USED TO LIMIT THE INCREASE OF DOLLARS IN WORLD RESERVES.

9. ALTHOUGH NO CONCLUSIONS OR DECISIONS WERE REACHED IN THIS DISCUSSION, THERE DOES SEEM TO HAVE BEEN SOME GENERAL FEELING THAT THE PRACTICAL SUGGESTIONS PUT FORWARD BY BARRE SHOULD BE FOLLOWED UP. AND THE MINISTERS AGREED THAT IT WOULD BE USEFUL TO HAVE A FURTHER INFORMAL MEETING AFTER THE COUNCIL MEETING WHICH THEY WOULD ALL BE ATTENDING IN LUXEMBOURG IN JUNE TO DEAL WITH ECONOMIC AND BUDGETARY POLICY IN THE COMMUNITY.

ADVANCE COPIES TO SIR C O'NEILL ROBINSON AND STATHAM FCO,
BELL TREASURY AND MORSE BANK OF ENGLAND
BRUSSELS SAYING PASSED.

CHRISTOFAS

NNNN

SENT AT 29/1410Z DS
RECD AT 29/1410Z CHSVVVVVV



Robert Armstrong.

This was the
letter you I had in
mind.

It was rather
puzzling back then
I had recalled.

Oh.

5/5

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FM CODEL BRUSSELS 291635Z

CONFIDENTIAL

FRAME

TO IMMEDIATE FCO TELNO CODEL 297 OF 29 APRIL INFO IMMEDIATE BONN
INFO PRIORITY THE HAGUE LUXEMBOURG PARIS ROME INFO SAVING
BRUSSELS.

ENLARGEMENT - COMMUNITY FINANCING

THE MINISTER FOR THE ENLARGEMENT NEGOTIATIONS IN THE NETHERLANDS
PERMANENT REPRESENTATION CALLED ON ME THIS AFTERNOON TO TELL ME
OF A DRAFT PROPOSAL WHICH THE GERMANS HAD IT IN MIND TO MAKE.

2. THE PROPOSAL WAS THAT :-

(A) WE SHOULD FROM THE OUTSET PAY ALL (THAT IS TO SAY 90 PER
CENT OF) OUR LEVIES.

(B) WE SHOULD PAY CUSTOMS DUTIES SUBJECT TO A (UNDERLINE NEXT
THREE WORDS) MONTANT DE REFERENCE WHICH WOULD BRING OUR CONTRIBUTION
UP TO A TOTAL IN THE FIRST YEAR OF 37 1/2 PER CENT OF OUR TOTAL
LEVIES PLUS CUSTOMS DUTIES, THIS (UNDERLINE NEXT THREE WORDS)
MONTANT DE REFERENCE TO RISE BY 12 1/2 PER CENT PER ANNUM. THIS
WAS BASED CLOSELY ON WHAT THE COMMUNITY WERE AT PRESENT DOING
THEMSELVES. (IT WAS ALSO EARLIER MOOTED BY WELLENSTEIN - SEE
OUR TELEGRAM CODEL 175).

(C) WE SHOULD MAKE A BUDGETARY CONTRIBUTION ONLY TO THE EXTENT
THAT THIS WAS NECESSARY TO MAKE OUR CONTRIBUTIONS FROM LEVIES
AND CUSTOMS DUTIES UP TO THE AGREED PERCENTAGE OF THE BUDGET
WHICH WE SHOULD PAY (SEE PARAGRAPH 3 BELOW).

3. THE GERMANS CALCULATED THAT OUR CONTRIBUTION FROM (A) AND (B)
ABOVE IN THE FIRST YEAR WOULD BE 6.7 PER CENT OF THE COMMUNITY'
BUDGET. THEIR PROPOSAL WAS THAT WE SHOULD PAY A TOTAL OF 7 PER CENT
IN THE FIRST YEAR (WHICH WOULD MEAN A BUDGETARY CONTRIBUTION UNDER
(C) ABOVE OF 0.3 PER CENT) RISING BY 3 PER CENT PER ANNUM TO 19
PER CENT IN THE FIFTH YEAR. THEREAFTER THERE WOULD BE A
THREE YEAR PERIOD OF CORRECTIVES WHICH WOULD SPLIT INTO THREE
EQUAL PARTS THE PROBABLE DIFFERENCE BETWEEN 19 PER CENT AND
OUR AUTOMATIC CONTRIBUTION UNDER THE (UNDERLINE NEXT TWO WORDS)
RESSOURCES PROPRES SYSTEM.

CONFIDENTIAL

/ 4. HUIBREGTSE

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4. HUIBREGTSE SAID THAT THE GERMANDS HAD CONSULTED THE DUTCH, ITALIAN AND BELGIAN DELEGATIONS AND SAID THAT ALL THREE OF THEM AGREED ON THE SUBSTANCE OF THE DRAFT PROPOSAL OUTLINED ABOVE. THE GERMANDS HAD IT IN MIND TO DISCUSS COMMUNITY FINANCE WITH BRUNET WHEN HE VISITS BONN ON 30 APRIL: BUT IT WAS NOT CLEAR TO HUIBREGTSE TO WHAT EXTENT THE GERMANDS WERE INTENDING TO DISCLOSE THE DETAIL OF THEIR DRAFT PROPOSAL OR MERELY SOME GENERAL OUTLINE OF IT.

5. HUIBREGTSE SAID THAT THE GERMANDS HAD BEEN CONSIDERING WHEN THIS PROPOSAL SHOULD BE FORMALLY TABLED. THE AUTHORITIES IN BONN HAD WANTED TO TABLE IT IMMEDIATELY: BUT THE STRONG VIEW OF THE GERMAN PERMANENT REPRESENTATION (WHICH THE DUTCH, ITALIAN AND BELGIAN PERMANENT REPRESENTATIONS SHARED) WAS THAT IT SHOULD BE TABLED IN THE COUNCIL ON 10 MAY AFTER THE FRENCH HAD COME FORWARD WITH WHATEVER PROPOSALS THEY INTENDED TO MAKE.

6. HUIBREGTSE DID NOT KNOW WHETHER THE LUXEMBOURGERS HAD BEEN CONSULTED. BUT HE SAID THAT THE DUTCH, GERMAN, ITALIAN AND BELGIAN PERMANENT REPRESENTATIONS WERE AGREED THAT THEY MUST HAVE A COMMON POSITION IN FACE OF THE FRENCH AT THE COUNCIL ON 10 APRIL AND THAT THE PROPOSALS OUTLINED ABOVE COMMENDED THEMSELVES TO ALL THE FOUR DELEGATIONS.

ADVANCE COPIES TO SIR C O'NEILL ROBINSON TICKELL AND STATHAM FCO,
AND BELL TREASURY.

BRUSSELS SAVING PASSED.

CHRISTOFAS

[REPEATED AS REQUESTED].

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14 (4)



Chancellor of the Duchy of Lancaster

Foreign and Commonwealth Office
Downing Street London SW1
Telephone 01-930 8440

Yes 2/1
AA

29 April 1971

Prime Minister
para 6 onward of the talk with
M. Bernard is of particular interest.

Dear Peter,

M.
25/4

I think you will be interested to see the attached copies of two records by John Galsworthy, the Minister for European Economic Affairs at the Embassy in Paris, about conversations he has recently had with Jean-René Bernard from the Elysée and Philippe Cuvillier in the Cabinet of Maurice Schumann.

In forwarding them to us Galsworthy said that we would notice the difference of emphasis and approach between the Elysee and the Quai; the former warmer and more self-assured; the latter harder and more defensive. The record of the talk with Bernard (and hence the grading of this letter) is secret because it deals at some length with the question of a meeting between the Prime Minister and President Pompidou. We have despatched other copies of these records to the Cabinet Office and the members of the negotiating team, excising the relevant passage in the record with Bernard (and also the passage on New Zealand which refers to it).

Yours sincerely

C. C. C. Tickell

(C. C. C. TICKELL)
Private Secretary

P. J. S. Moon, Esq.
10 Downing Street.

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NOTE FOR RECORD

CONVERSATION WITH M. JEAN-RENE BERNARD OF THE ELYSEE
ON 19 APRIL 1971

UK - EEC NEGOTIATIONS

1. M. Bernard began by saying that one of the most important things that had happened since we last met was the presentation of our budget, which he described as one hundred per cent European. He said he was not referring simply to the decision on Value Added Tax, important though that was, but to the whole concept underlying the budget. In his view it was in striking contrast with the philosophy of the Labour Party, which he regarded as profoundly un-European.

STERLING

2. I said I was glad to hear this - but what a pity it was that, on the very day when this budget had been presented, the French should have made what seemed a pretty tough statement about sterling in the EEC Council of Ministers, in the course of which they had tried to brush aside the distinction between negotiation and discussion. M. Bernard replied that he had always regarded the discussion/negotiation argument as Byzantine and did not think that there was really anything unpalatable to us in Giscard's statement. I said that for us the word negotiation implied that concrete solutions had to be reached to the problems evoked, which was manifestly impossible within the time span or the framework of entry negotiations.

3. M. Bernard insisted that, so far as the balances and reserve role were concerned, there was no such intention on the French side: what they were looking for was a clear declaration of intent. Their own ideas were anything but cut and dried, he said: the French had no wish whatever to make sterling a stumbling block and no desire to cause us embarrassment. At the same time they were simply not prepared, as he put it, to take over our balances.

4. I said that, whilst I had heard no particular objection taken to the substance of the French questions, the manner in which their original statement had been launched on 18 March had not been particularly delicate: could they not have tipped us off that it was coming?

/M. Bernard

SECRET

- 2 -

M. Bernard replied that they knew that it had been handled very clumsily and much regretted that fact. This was the first time for months that M. Boegner had received instructions with some guts in them and he had had a field day. He admitted that they could well have warned us in advance on a private basis, but said they thought the Ambassador was away at the time. (He was not and this was obviously a lame excuse.)

5. I then asked M. Bernard if he had seen that day's headline in the Financial Times: "French may delay E pact's renewal". He said that he had not but that there was no truth whatever in the allegation. Surely I must know that the renewal was already in the bag and that the French could not stop it, even if they wished, because it was highly doubtful whether they could carry their partners with them? In any case they had no such desire. I said that was a good thing, because any intervention which might have the effect of weakening the stability of our balance of payments during the crucial time between now and when we entered the Community and had to bear the brunt of the initial impact would be interpreted by us in one way only. M. Bernard reminded me of the EEC resolution of 1964 which required Member States to consult together in matters of that sort, but emphatically denied that they had any wish to frustrate the renewal of the Basle Agreement. I said that the impression one got from certain parts of the Quai d'Orsay was less reassuring. His answer was that the Quai knew nothing about monetary questions and would quite definitely not have responsibility for them. M. Pierre-Brossolette and himself were the officials concerned in this matter.

MEETING BETWEEN THE PRIME MINISTER AND THE PRESIDENT

6. The conversation then turned to the possibility of a meeting at the top, M. Bernard asking me what I thought might be the right timing. I said it seemed to me that the end of May or beginning of June might prove to be suitable, but that for this to happen it was essential that there should be forward movement on the main issues at the May ministerial meeting. I could not see the Prime Minister proposing a visit to Paris in the wake of another meeting like that of March 16.

/7.

SECRET

7. M. Bernard said that he recognised this, but thought that there would in fact be sufficient progress, at least in some fields, on May 11 to create the right atmosphere. The French would be bringing forward proposals on our financial contribution which he thought we would find reasonable. But it was not to be expected that actual solutions to the major problems would be reached on May 11, except perhaps in respect of Community preference: could we not meet the Community's wishes there? I said I was doubtful and that in any case, if they were to meet and the meeting to be fruitful, the Prime Minister and President must have room for manoeuvre.

8. M. Bernard very much agreed. He said such a meeting clearly had to take place - that was what the Five were telling the French. There were certain difficulties about the end of May, though he did not suggest that they were insurmountable. But what was absolutely crucial, he said, was that it should be - and be seen to be - a success for each party. The French were continually exchanging views at summit level with one or other of their partners, but most of it was waffle - "café de commerce" stuff. The Prime Minister and President could not just exchange generalities: they would have to get down to brass tacks. Moreover, each must be quite clear afterwards about what had - or had not - been agreed: there must be no risk of another Rambouillet. This meant that the meeting would have to be prepared with scrupulous care though probably not through the normal channels (he admitted that this put us in a delicate position vis-à-vis the Quai). He hoped the Prime Minister would not wish to come with a big team of officials and a pile of briefs. This was not what was envisaged. The way the meeting was handled, he said, would be very important. We should not forget that the President's knowledge of the British was scant.

9. M. Bernard then asked what else would be discussed at such a meeting besides the main issues outstanding in the negotiations. It was important that their talk should not be confined to these alone. For the President the question of enlargement was essentially a political, not an economic issue. He would therefore want to hear the Prime Minister's views on the political future of Europe. He would also want to talk about future relations between French speaking and English

/speaking

speaking Africa once we were members of an enlarged Community. The question of language in the Community itself was also of deep concern to the President though M. Bernard added that the French really had no idea what they could ask of us in this respect. The President would also probably want to raise the question of relations between the neutrals and an enlarged Community. Switzerland was of particular concern to the French. In reply to a question I said that, whilst we very much hoped that suitable arrangements would be made for all members of EFTA in time to avoid any risk of trade barriers being re-erected, it was certainly not our position that if all did not move together, none should move alone. I asked where the French stood on this: would they - if it came to the crunch - make the admission of the candidates dependent upon a settlement with the neutrals? M. Bernard said no.

NEW ZEALAND

10. I said I was concerned lest the French might not yet have fully grasped the intensity of feeling in London on this issue. It was a political and psychological matter of high voltage. M. Bernard said it would be essential for the Prime Minister to get this across to the President: the latter would understand a political difficulty put to him clearly and frankly. But how many years were we thinking of? I said it was futile to think in terms of a fixed number of years: who could possibly say how the world market for dairy products would evolve and therefore how soon New Zealand could either find alternative outlets or diversify. What had to be found was a formula which would conform to Community theology but which would be flexible.

SUGAR

11. I said that the introduction into the debate at this stage of the question of ground-nuts and surprix looked to some people uncommonly like a delaying tactic. It was not our fault if others in the Community had not been willing to do all that France had wanted in the Yaounde context, and if the French were now going to drag in to our negotiations the question of other commodity agreements they could delay completion for several years.

SECRET

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12. . M. Bernard said that they had no such intention. For once the French delegation had got badly rattled and lost its sang-froid. They were thoroughly irritated by the way the Dutch and Germans, who had been as hard as nails towards the French African associates, at once went soft whenever Commonwealth clients were mentioned. But he insisted that this was not a wrecking tactic on the French part and felt sure we could reach agreement. The French suggestion for guaranteed access was too low and ours too high: perhaps we could meet somewhere about half way, run down to this figure by 1980, and divide the agreed tonnage out between Commonwealth producers according to their degree of need. Guaranteed access for the agreed amount would, of course, continue indefinitely after 1980.

TIMETABLE

13. M. Bernard was doubtful whether it would be desirable to try to reach the final vue d'ensemble - and therefore virtually the conclusion of the negotiations - during the French presidency. I said I thought France's partners would be delighted if that happened. He replied that he was not so sure, at least as far as the Italians were concerned. They were very sensitive. In any case it was important that the enlargement negotiations should not be regarded as an exclusively Anglo-French confrontation. I said that, whatever happened, it was essential that we should be over the hump before the summer holidays.

J. E. Galsworthy
J E GALSWORTHY

23 April 1971

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NOTE FOR THE RECORD

CONVERSATION WITH M. CUVILLIER OF THE QUAI D'ORSAY ON
20 APRIL 1971

UK - EEC NEGOTIATIONS

1. I began by saying that I very much hoped that we could count on movement and progress being achieved at the meeting on May 11: there really must not be a repetition of March. M. Cuvillier replied that he was confident that matters would advance in May and added that they had sincerely appreciated the restraint we had shown over the disappointing outcome of the March meeting

2. I asked why the French had behaved as they had, blocking and stone-walling week after week. He said it was the reaction to our 3% proposal, which he thought had been a profound tactical error on our part. What particularly angered the French was that every one of the Five had felt that our offer was quite unacceptable, but not one of them had been prepared to let this be said officially to Mr. Rippon on 2 February on the grounds that it would make too many difficulties for him at home. The French had therefore sulked. They had not been prepared to come forward and say in detail why they rejected 3% (e.g. because it would not even cover levies) because they felt that the debate would then immediately have crystallised around whatever figure the Commission might have given as their estimate of our first year levies. However, the discussion would now advance and the French would certainly contribute to it.

SUGAR

3. M. Cuvillier denied that there was any intention of trying to introduce into the framework of our negotiations questions which were extraneous to them. But they must have a position which they could defend before the existing African associates. He implied that the present French position was tactical.

NEW ZEALAND

4. His attitude on this was hard. He said that the French did not agree with the Commission proposal: there must be a run down to below 50%. I took him over the

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ground again, emphasising that there was room both for New Zealand and the Community in our market - unless, of course, the French were thinking of re-stimulating their own dairy production, which he denied. He did not rule out the possibility of a formula rather than a fixed number of years, but insisted that any arrangement must be clearly degressive as otherwise New Zealand would do nothing to solve her own problems.

STERLING

5. M. Cuvillier was distinctly defensive on this issue, especially about the way M. Boegner's statement of 18 May had been made. He said that they had taken every possible precaution to avoid a leak by restricting participants to two per Member State and by holding the discussion in a different place (the Commission) from where the Permanent Representatives usually met.

MEETING BETWEEN THE PRIME MINISTER AND M. POMPIDOU

6. M. Cuvillier was clearly trying to draw me out on this. I did not oblige beyond saying that I supposed it might happen at some time or other. M. Cuvillier then said he agreed, but that it could only be the crowning of an agreement and not a prelude to one. He reminded me that M. Schumann would be going to London on May 20 and said that it was essential that his visit should be one of substance and not just an introduction to a visit by the Prime Minister to the President. I said that we would have plenty of time to talk about these things in the weeks ahead but reminded him of the number of occasions in the past when we had tried to engage in a real dialogue with the French only to be told that this was a negotiation with the Six as a whole.

PUBLIC OPINION

7. Finally M. Cuvillier asked me about the state of public opinion in Britain and said that one of the factors militating against us here was the heavily negative attitude reflected in one public opinion poll after the other in Britain. There was a feeling that the British Government could do rather more to swing opinion around in favour. I said it was asking too much of any government after two French vetoes to commit itself beyond a certain point until there was some

/evidence

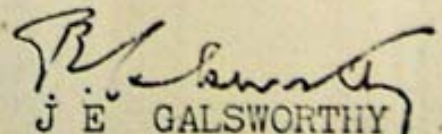
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evidence that the French had not got a third trick up their sleeves. He said he realised this. I then asked what difference it would anyway make to the French attitude if public opinion polls were in fact showing a steady majority in favour? His reply was that this would help to allay some of the residual suspicions which were quite widely held in France, about the real depth of our conversion to Europe. He added that it was Mr. Wilson who in 1967 had put forward the application which the French had been severely criticised for blocking and yet look where he stood now on the European issue. It was little wonder that some sectors of French opinion persisted in their doubts.

8. In conclusion M. Cuvillier said that he thought the debate between M. Couve de Murville and Mr. Jenkins had been disastrous and had done a good deal of damage on both sides of the Channel. He said he had seen this coming from the moment when Couve was chosen: and the selection of Mr. Body had been an unbelievable gift to those here who opposed British membership.



J E GALSWORTHY

23 April 1971

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P. G. S. Moon

file

FLASH
CYPHER CAT A

SECRET

COPY NO. 9

FM PARIS 291210Z
DEDIP SECRET
TO FLASH FCO TELEGRAM NO 478 OF 29 APRIL 1971
MY TELEGRAM NO 469 OF 27 APRIL.

I SAW JOBERT AGAIN TODAY. HE HAD SEEN THE PRESIDENT WHO HAD AGREED IN BROAD OUTLINE THE PLAN AS PUT BY JOBERT TO ME. HE HOPED TO LET ME HAVE THE RELEVANT PAPER ON TUESDAY 4 MAY SO THAT I CAN BRING IT TO LONDON WITH ME WHEN I COME, AS ARRANGED, THAT AFTERNOON.

2. JOBERT ALSO GAVE ME SOME USEFUL BACKGROUND INFORMATION WHICH IT MIGHT BE EASIEST TO DISCUSS WHEN I COME TO LONDON TOMORROW. ARMSTRONG AT NO 10 TELLS ME THAT THE PRIME MINISTER WOULD FIND THREE O'CLOCK CONVENIENT: SO YOU MAY WISH TO CONSIDER ARRANGING THAT YOU AND YOURS BE PRESENT AT THAT TIME

2

SOAMES

P R I S E C:

SECRET

29 April, 1971

The timing of Mr. Rippon's statement about the May Ministerial Meeting in Brussels, about which you wrote to Leonard Davies on 28 April, was discussed briefly in Cabinet this morning. It was agreed that, in view of the E.F.T.A. Ministerial Meeting in Reykjavik on 13 May, Mr. Rippon's statement in the House should be made on Monday, 17 May.

I am sending copies of this letter to Davies (Lord President's Office), Green (Chief Whip's Office), Norbury (Cabinet Office), and Donald Maitland here.

cwr

M. E. Howell, Esq.,
Parliamentary Clerk,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office
London S.W.1

28 April 1971

P L P Davies Esq
Lord President's Office
68 Whitehall
London SW1

MINISTERIAL STATEMENTS

I am writing to let you know that Mr. Rippon will wish to make a statement in the House about the meeting with the EEC Council of Ministers in Brussels on 11th and 12th May. The most appropriate date for the statement would seem to be Monday 17th of May and I should be grateful for the Lord President's agreement to this.

I am copying this letter to Christopher Roberts, to Geoffrey Green and to Miss Whiting in the Chief Press Secretary's Office.

M E Howell

S E C R E T

COPY NO 4.

P. J. S. Moon

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IMMEDIATE
CYPHER CAT A

Prime Minister,

M.

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S E C R E T
D E D I P

TO IMMEDIATE F C O TELNO 469 OF 27 APRIL.

YOUR TELEGRAM NO 272.

1. I SPOKE TO JOBERT THIS MORNING ON THE LINES OF YOUR TELEGRAM UNDER REFERENCE. WE THEN DISCUSSED IT POINT BY POINT.
2. JOBERT BEGAN BY SAYING THAT POMPIDOU WAS WONDERING WHETHER THERE HAD BEEN ANY CHANGE IN THE PRIME MINISTER'S VIEWS ON TIMING SINCE JOBERT AND I HAD LAST TALKED. THE GENERAL IMPRESSION HE HAD GOT FROM THE BRITISH PRESS LED HIM TO WONDER WHETHER WE WERE BEGINNING TO HAVE SECOND THOUGHTS AND MIGHT WANT TO PLAY IT LONGER THAN HE HAD GATHERED FROM OUR LAST TALK. HE HAD ALSO NOTICED MR. RIPPON'S REMARKS IN THE HOUSE ON 26 APRIL TO THE EFFECT THAT IT WAS BETTER TO QUOTE GET IT RIGHT SLOWLY RATHER THAN WRONG QUICKLY UNQUOTE. I REPLIED THAT HE COULD BE ASSURED THAT NOTHING HAD CHANGED AT ALL IN THE ATTITUDE OF THE PRIME MINISTER AND HIS COLLEAGUES. YOU REMAINED FIRMLY OF THE VIEW THAT THE BACK OF THE NEGOTIATIONS COULD AND SHOULD BE BROKEN BEFORE THE SUMMER HOLIDAYS. NEVERTHELESS JOBERT REPEATED HIS QUESTION TWICE MORE IN THE COURSE OF OUR TALK AND IT WAS EVIDENT THAT THE PRESIDENT WAS CONCERNED TO BE REASSURED THAT OUR DESIRE TO GET A SOLUTION BY JULY STILL PERTAINED. I THEREFORE REPEATED THE UNEQUIVOCAL ASSURANCE THAT NOTHING HAD CHANGED AND THAT THE TIMETABLE WE HAD IN MIND WAS EXACTLY AS WE HAD SET OUT, NAMELY THAT THE PRIME MINISTER HOPED THAT HIS MEETING WITH M. POMPIDOU AT THE END OF MAY OR EARLY JUNE WOULD ENABLE AGREEMENT ON THE MATTERS UNDER NEGOTIATION TO BE REACHED IN THE JUNE MINISTERIAL MEETING IN BRUSSELS.
3. WE THEN TALKED ABOUT DATES (LAST SENTENCE OF PARAGRAPH 2 OF YOUR TELEGRAM UNDER REFERENCE). JOBERT SAID THAT HE BELIEVED THE PRESIDENT'S VIEW WAS THAT IF THERE WAS TO BE A MEETING BETWEEN HIM AND THE PRIME MINISTER, THEN THERE WAS NO NEED FOR M. SCHUMANN TO GO TO LONDON. HE ACCORDINGLY THOUGHT THE PRESIDENT MIGHT SUGGEST USING THE DATES SET ASIDE FOR SCHUMANN'S VISIT TO LONDON (VIZ. 20/21 MAY) FOR THE MEETING BETWEEN THE PRIME MINISTER AND HIMSELF.

S E C R E T

WE THEN

4. WE THEN TALKED ABOUT THE MAY MINISTERIAL MEETING IN BRUSSELS IN THE LIGHT OF YOUR VIEWS AS IN PARAGRAPH 4 OF YOUR TELEGRAM UNDER REFERENCE. I RUBBED IN HARD THE IMPORTANCE YOU ATTACH TO MANIFEST PROGRESS. JOBERT PROFESSED TO ACCEPT THIS. ON AGRICULTURAL FINANCE, HE THOUGHT THE FRENCH WOULD TALK IN TERMS OF PRINCIPLES. I SAID THIS MIGHT BE ALRIGHT; BUT IT WAS IMPORTANT THAT POSSIBLE EXTRAPOLATION FROM THESE PRINCIPLES SHOULD NOT BE SUCH AS TO IMPLY AN EXCESSIVE BURDEN ON US. HE SAID THAT HE THOUGHT THE FRENCH WOULD PRESENT THEIR CASE IN A WAY THAT WOULD NOT EMBARRASS HMG. I WENT ON TO SAY THAT THIS WAS NOT THE ONLY ISSUE; THERE WERE OTHER THINGS ON THE TABLE AT BRUSSELS - SUCH AS SUGAR, NEW ZEALAND BUTTER AND COMMUNITY PREFERENCE. IT WAS OF GREAT IMPORTANCE THAT THERE SHOULD BE SOME MOVEMENT ACROSS THE BOARD. I TOLD JOBERT THAT I WOULD BE TALKING WITH M. SCHUMANN ABOUT ALL THIS ON THURSDAY. I HOPED IT WOULD BE MADE CLEAR TO HIM THAT M. POMPIDOU WANTED THE ATMOSPHERE IN THE MAY MINISTERIAL MEETING TO BE GOOD.

5. REVERTING TO THE MEETING BETWEEN THE PRIME MINISTER AND M. POMPIDOU, JOBERT SAID HE HAD BEEN THINKING A LOT ABOUT PREPARATIONS FOR THIS. HE AND BERNARD (POMPIDOU'S EEC EXPERT) WOULD BE HAVING A WORKING LUNCH WITH THE PRESIDENT ON 3 MAY WHEN THEY WOULD PUT BEFORE HIM A CATALOGUE OF POINTS WHICH THEY THOUGHT M. POMPIDOU SHOULD DISCUSS WITH MR. HEATH. THEY WOULD ALSO PRODUCE AN AIDE-MEMOIRE ABOUT EACH POINT. (JOBERT WAS AT PAINS TO IMPRESS UPON ME THAT THIS EXERCISE WAS BEING STRICTLY CONFINED TO THE ELYSEE). HIS IDEA WAS THAT, IF POMPIDOU GAVE HIS APPROVAL, HE (JOBERT) SHOULD THEN (HOPEFULLY BY THE END OF NEXT WEEK) GIVE THESE TWO DOCUMENTS TO ME. HE HOPED I WOULD TAKE THEM BACK TO THE PRIME MINISTER AND SEEK HIS THOUGHTS AND COMMENTS ON THEM. AS HE SAW IT IT WAS OF THE HIGHEST IMPORTANCE THAT BOTH MEN SHOULD BE AGREED ON THE TOPICS THEY WERE TO DISCUSS AND BE AWARE OF THE SORT OF AREA IN WHICH THEY WOULD SEEK AGREEMENT. IN THE LIGHT OF THE PRIME MINISTER'S REACTIONS, JOBERT ENVISAGED THAT HE AND I WOULD THEN HAVE A FURTHER EXCHANGE: OR INDEED, AT THAT POINT, THE PRESIDENT HIMSELF MIGHT WISH TO TALK TO ME.

6. ON THE QUESTION OF AN EXCHANGE OF MESSAGES BETWEEN THE PRIME MINISTER AND THE PRESIDENT, JOBERT THOUGHT IT WAS PROBABLY BETTER NOT TO HAVE SUCH AN EXCHANGE AT THIS JUNCTURE. SO LONG AS THERE WAS NO EXCHANGE, IT WOULD BE POSSIBLE TO CONTINUE SAYING RIGHT UP TO THE TIME OF THE ANNOUNCEMENT THAT NO MEETING HAD YET BEEN FIXED.

7. WE THEN DISCUSSED THE TIMING OF AN ANNOUNCEMENT AND JOBERT SUGGESTED THERE WERE TWO POSSIBILITIES: IT COULD BE MADE IMMEDIATELY PRIOR TO THE MAY MINISTERIAL MEETING; IN HIS VIEW THIS WOULD ENCOURAGE OPTIMISM AND HELP TO GIVE A GOOD ATMOSPHERE TO THE MEETING. THE ALTERNATIVE WAS TO MAKE THE ANNOUNCEMENT IMMEDIATELY AFTER THE MAY MINISTERIAL MEETING.

8. I COMMENTED THAT THIS WAS NOT AN EASY JUDGMENT TO MAKE. WE HAD ALSO BEEN GIVING THE MATTER THOUGHT. IT WAS BY NO MEANS CERTAIN THAT AN ANNOUNCEMENT IN ADVANCE OF THE MAY MEETING WOULD HELP IT ALONG; INDEED IT MIGHT ENCOURAGE SLOTHFULNESS. IF SECRECY COULD BE ASSURED THERE WAS SOMETHING TO BE SAID FOR HOLDING THE ANNOUNCEMENT UNTIL AFTER THE MAY MEETING. JOBERG REPLIED THAT PERHAPS THIS WAS RIGHT. HE WOULD DISCUSS IT AGAIN WITH THE PRESIDENT.

9. JOBERT EMPHASISED THROUGHOUT THAT EVERYTHING HE WAS SAYING AT THIS STAGE ONLY REPRESENTED HIS PERSONAL THOUGHTS. HIS REMARKS SHOULD BE REGARDED AS STRICTLY AD REFERENDUM UNTIL HE HAD GOT CLEARANCE FROM THE PRESIDENT. HE HOPED TO LET ME KNOW M. POMPIDOU'S THOUGHTS WITHIN THE NEXT DAY OR SO. THE MOST IMPORTANT THING FOR HIM TO KNOW AT THIS STAGE WAS THAT WE STILL ENVISAGED THE SAME TIMETABLE.

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Prime Minister

M.

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CALL ON THE CHANCELLOR OF THE DUCHY OF LANCASTER BY THE
FRENCH AMBASSADOR: FOREIGN AND COMMONWEALTH OFFICE

Tuesday 27 April, 1971 at 0945 hours

The French Ambassador called on the Chancellor of the Duchy this morning at his own request.

2. M. de Courcel said that he had just returned from Paris where he had seen several Ministers, including M. Chaban Delmas last night. It might be useful if he gave some account of French thinking. First all were agreed on the need to settle the EEC negotiations before the end of the summer, and were approaching the main issues in a very positive spirit. There was therefore no difference between us either on timing or the will to succeed.

3. M. de Courcel said that there was nevertheless a feeling in Paris that the British Government was not showing itself to be sufficiently Community-minded in the negotiations. People had the impression, gained principally from our proposals over the British contribution to the Community budget, that we wanted to put one toe in the water rather than go in, as the French now were, up to the neck.

4. Mr. Rippon reacted strongly to this suggestion. Because we had accepted the Treaty of Rome, the principles of the Community as it stood, the common agricultural policy, the common commercial policy, the direct income system, etc., there was nothing touching the essentials of the Community for us to negotiate about. What remained at issue were certain transitional arrangements, and the exceptional

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treatment which would be required for New Zealand dairy products and sugar from the developing Commonwealth countries. We were all agreed on what the Community meant and would mean over the whole field, including defence (here M. de Courcel interjected that he was not sure we were agreed on defence). The suggestion that we were not sufficiently Community-minded was hard to take seriously. The French Government should know it was untrue. M. de Courcel could have no doubt about it. He hoped M. de Courcel had made this perfectly clear to his Government.

5. M. de Courcel said that the French tended to judge our Community-mindedness by our attitude towards Community preference. He hoped that the British Government realised that although this was a relatively small matter for Britain, in relation to the total volume of her agricultural imports, it was a very big matter for France. Just as we hoped to secure industrial benefits by joining the Community, so the French hoped to secure agricultural ones by enlarging their sales in the British market. Then there was the question of sterling. President Pompidou took a keen interest in this, and regarded it in some sense as a test of our European intentions. The way in which we had dealt with the renewal of the Basle arrangement had been taken amiss in this respect. Mr. Rippon said he well understood French preoccupations about Community preference and sterling. We had to strike a balance of mutual advantage. In settling the negotiations, we would try to move towards the French on matters which we knew concerned them, such as Community preference and the British contribution to the Community budget, and we would expect the French to move towards us on such matters of vital concern to us as New Zealand dairy products and Commonwealth sugar.

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6. M. de Courcel said that he hoped there would be substantial progress at the May Ministerial meeting in Brussels. He repeated what he had said to Mr. Rippon at their previous meeting that the French attached great importance to the fact that the negotiations were being conducted by the Six as a whole on one side and Britain on the other. They were not an Anglo/French affair. Mr. Rippon warmly agreed, and remarked that he had said so in public and private on several occasions.

7. M. de Courcel said he hoped that the state of British public opinion would not make it impossible for the Government to accept the compromises which would eventually be necessary. He added that Mr. Wilson was not being very helpful. Mr. Rippon said that on the contrary he had welcomed the tenor of Mr. Wilson's speech yesterday (which M. de Courcel admitted that he had not read). He agreed that British public opinion was very sceptical. This emphasised the need for an early settlement. Some kind words from the French would make a very great difference. M. de Courcel said that the French Government was being as helpful as it could. Mr. Rippon said that he had certainly appreciated the recent speech made by M. Chaban Delmas. But it was a pity that M. de Courcel could not make in England the sort of warm and friendly speeches being made by Mr. Soames in France. Why did he not take the opportunity one day to make a rousing speech expressing his Government's wish to see Britain join the Community, expressing appreciation of British acceptance of the Treaty of Rome, the common agricultural policy, the direct income system, etc., and declaring the need for Britain, France and the other members of the Community to make a new Europe together? M. de Courcel did not comment on this suggestion.

C. C. C. Tickell
(C. C. C. TICKELL)
Private Secretary
27 April, 1971

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Bonn

Brussels

Luxembourg

Rome

Paris

The Hague

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EEC

cc Thornton (C.O)

B.F. 4/5/71
For copy of telegram as sent

12

27 April 1971

With your letter of 26 April you sent me a draft message to Ministers of Finance of sterling area countries about the discussion with the EEC on sterling.

The Prime Minister thinks that it is very important that whatever is said to the sterling area Ministers of Finance should follow as closely as possible what was said at last week's meeting in Brussels, if only because of the possibility, to which you refer, that there may be a certain amount of comparing notes. He felt that the draft attached to your letter could with advantage be made to follow the line Bell and Morse took in Brussels even more closely. He has made a number of amendments in the draft accordingly, and I have for the sake of convenience had the draft retyped as amended. I attach a copy of the amended version.

I am sending a copy of this letter to John Graham.

(sgd) R.T. ARMSTRONG

W.S. Rylie, Esq.
H.M. Treasury.

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PRIME MINISTER

You will see from the Treasury letter of 26 April that, following the recent meeting in Brussels about the future of sterling as a reserve currency, the Chancellor is anxious to send a message to Ministers of Finance in Sterling Area countries.

In all this we are, I think, in danger of talking with two different *voices*, one to the E.E.C. and one to the Sterling Area countries. It does not seem to me that the draft attached to the Treasury letter of 26 April totally avoids that danger. I have therefore tried my hand at a redraft of the draft message, in the hope that this will avoid that danger. In redrafting, I have followed closely the brief which was prepared for our representatives in Brussels, as amended on your instructions, and the reports of which meeting you read over the weekend.

Incidentally, I do not know if Mr. Morse mentioned to you, as he mentioned to me, how grateful he was for your intervention in the briefing, which he thought was absolutely right.

RAA

26 April, 1971

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DRAFT MESSAGE FROM THE CHANCELLOR OF THE EXCHEQUER TO
MINISTERS OF FINANCE OF STERLING AREA COUNTRIES

You will no doubt have seen reports that the EEC are evincing interest in the sterling balances and in the question of the compatibility of the UK's role as manager of a reserve currency with the responsibilities she would assume, particularly in coordinating her economic policies with those of her European partners, as a member of the EEC.

The line that we are taking is as follows. We accept that the relative importance of sterling's reserve role has been declining in the past two decades. We have no wish to reverse this trend. But to take steps to accelerate it would be another matter. We could not simply decide to run down the reserve role of sterling without having a clear idea of what to put in its place. It is easier to say that the reserve role of sterling should be run down than to find a satisfactory substitute in which the countries concerned would be both able and willing to hold that part of their reserves now **held** in sterling. We have indicated that, once we were members of the Community, we should be willing to consider the whole question in the context of the Community's objectives for economic and monetary union. We have made it clear that from our point of view any scheme would have to meet certain basic criteria: it would have not to involve unacceptable

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resource costs for the UK; it would have to avoid damage to the international monetary system generally (and the healthy development of European monetary union in particular); and it would have to be acceptable to the official holders of sterling as well as to other participants in it.

I am sending you this message to assure you that there is no question of discussions on concrete arrangements for the reserve role of sterling in the longer term taking place without full consultation with yourselves. The appropriate time for these discussions and consultations would be in the period leading up to the expiry of the renewed Sterling Agreements. In this light, I hope that we can before too long reach general agreement on the proposal contained in my message of 4 March about extension of the present Agreements to September 1973.



Treasury Chambers, Great George Street, S.W. 1

01-930 1234

26th April 1971

Dear Robert,

I sent you at the beginning of last week the drafts of statements to be used in the discussions about sterling with the Ad Hoc Group appointed by representatives of the E.E.C. countries; and one of the points on which the Prime Minister commented was the future of sterling as a reserve currency.

It is of course known that we have been having discussions with the Six and since the future of sterling as an international currency is a matter of very great concern to the Governments of the Sterling Area countries, the Chancellor feels that it would be wise at this stage to re-assure them, and avoid any danger that fears or suspicions on their part arising from our talks with the Six could damage the prospects of getting renewal of the Sterling Agreements. The Chancellor therefore proposes to send a message to the Sterling Area Governments making it clear that the talks were no more than the discussions which the E.E.C. would naturally wish to have with a prospective member of the Community; and that there is no question of concrete arrangements to alter the reserve role of sterling in the longer term without full consultation with the sterling holders themselves.

There are two reasons for sending the message now. First, having taken the line which we have in Brussels, there is always a possibility that it might leak, and it is better to give an assurance of the kind contained in the draft attached of our own volition rather than to have it extracted from us in response to fears aroused by such a leak. Secondly, there is (fortuitously) an oral Question to be answered tomorrow, Tuesday April 27th, by Mr. Deakin on a closely related point, viz: whether it is the Government's policy "to phase out the sterling balances". In reply to this, the Chancellor proposes to follow the line taken in the talks with the E.E.C; and it would be desirable for the message to Sterling Area Finance Ministers to reach them at the same time as this answer becomes public.

/There is

R.T. Armstrong, Esq.

S E C R E T



There is always the possibility, also, that a Sterling Area Government will compare notes with one or more of the Six and it would clearly be much better if they learned of what has been happening directly from us.

In view of the interest which the Prime Minister has shown in this matter, the Chancellor thinks he may wish to see the draft message before it goes. It is enclosed. I hope you will be able to let us have any comments the Prime Minister may have within the next day or two, since it is clearly desirable that the message should go quickly.

Yours ever,

Bill

(W.S. Ryrie)

Cc J. Graham, PCO

S E C R E T

Draft message from Chancellor of the Exchequer to
Ministers of Finance of Sterling Area countries

I think it right that I should let you know of the present position on the discussions between the UK and the EEC on economic and financial questions.

You will no doubt have seen reports that the EEC are evincing interest in the sterling balances and in the question of the compatibility of the UK's role as manager of a reserve currency with the responsibilities she would assume, particularly in co-ordinating her economic policies with those of her European partners, as a member of the EEC.

It is natural that our prospective European partners should wish to consider with us the implications of UK membership of the Community in the economic and financial field. The line that we are taking is as follows. We accept that the relative importance of sterling's reserve role has been declining for the past two decades and we have no wish to reverse this trend. But to go further and actively seek to run down sterling's reserve role more rapidly in the future is something which could be done only with widespread international co-operation. It is not a matter for the UK to settle on its own. We would need at the appropriate time to explore the possibilities with all concerned, particularly with the countries of the Sterling Area whose interests are so directly involved. The appropriate time for this exploration would be in the period leading up to the expiry of the renewed Sterling Agreements, when we expect again to be consulting with you.

I am sending you this message to assure you, therefore, that there is no question of discussions on concrete arrangements for the reserve role of sterling in the longer term taking place without full consultation with yourselves. In this light I hope that we can before too long reach general agreement on the proposal contained in my message to you of the 4th March about the extension of the present Agreements to September 1973.

CONFIDENTIAL

P.A.

M.

27/4

CALL ON THE CHANCELLOR OF THE DUCHY OF LANCASTER BY
MR. NATHANIAL D. SAMUELS, DEPUTY UNDER SECRETARY
FOR ECONOMIC AFFAIRS AT THE STATE DEPARTMENT

Foreign and Commonwealth Office

26 April, 1971 at 1000 hours

Mr. Nathaniel D. Samuels, Deputy Under Secretary for Economic Affairs at the State Department, called on the Chancellor of the Duchy this morning. He was accompanied by Mr. Stanley Cleveland, Minister at the United States Embassy in London.

2. Mr. Cleveland enquired whether Mr. Rippon still hoped to break the back of the EEC negotiations by the summer. Mr. Rippon said Yes. The problems which remained to be solved could all be settled relatively quickly. Time was of no help. We were under political constraints.

3. Mr. Samuels said that the United States Administration was concerned by the possibility of an increase in protectionist pressures in the United States between now and the Presidential elections. Much thought had been given to means of coping with this problem. A recommendation had been put to Secretary of State Rogers, but so far as Mr. Samuels knew, Mr. Rogers had not yet pronounced on it. One idea was that at the forthcoming Ministerial meeting of OECD the member nations should make a declaration of their intent to continue to work towards further liberalisation of world trade, and set up a study group to suggest ways and means of doing so. This

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group would report within, say, a year. Thereafter Governments would consider the report and decide what should be done. This timescale would enable the Administration to explain to its domestic critics that something was being done, although action could scarcely be expected before the autumn of 1972. The United States would much prefer any proposal in this sense to come from another country. Did Mr. Rippon think that the Community itself would be prepared to help?

3. Mr. Rippon said he was not against the idea as such. There was much to be said for it, but the timing was difficult. In particular he doubted if the Community would be ready to sponsor such a proposal, at least as early as June. As Mr. Samuels would know, we would be at a critical point of the enlargement negotiations at that time, and everyone would be heavily preoccupied. I said it would be difficult then for us to do anything which could give colour to French suspicions that we wanted to dilute the Community into some sort of free trade area.

4. Mr. Cleveland asked for Mr. Rippon's assessment of the current French attitude. Mr. Rippon said that he realised that there were some in France who did not want the negotiations to succeed. President Pompidou himself might not have made up his mind. But with due respect to the principle that interest did not lie, he thought that at root the French had the political will to ensure the success of the negotiations.

/5.

CONFIDENTIAL

5. Mr. Samuels turned to the generalised preferences scheme. He said that it had been suggested to Secretary of State Rogers that he should canvass such people as Congressman Mills with the view to the introduction soon (probably after the Aid Bill) of the Bill incorporating the United States offer under the generalised preferences scheme. Everyone agreed that something had to be done for the developing countries, and with luck and good management, the Bill should go through without excessive difficulty.

6. Mr. Samuels then turned to the problem which Mr. Rippon had discussed extensively during his visit to Washington in March: the future of the independent Commonwealth countries of the Caribbean. Mr. Samuels said that much thought had recently been given to this problem. The Americans did not like reverse preferences in any shape or form, but recognised that the countries in question had to find markets for their goods and were in a genuine dilemma. So far as the United States was concerned, the Americans did not want any arrangement which would leave them with the responsibility of picking up the bill. The main thing was that any arrangements made should have a measure of flexibility.

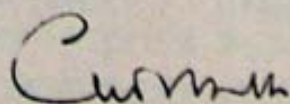
7. Mr. Rippon agreed. We had proposed to the Community that existing arrangements in the Caribbean should continue until 1975. There was thus no prospect of any sudden change. All that we wanted was for the Community to renew the 1963 Declaration of Intent and thereby give the Caribbean countries the opportunity to negotiate directly with the Community whatever arrangements suited them best.

/8.

CONFIDENTIAL

8. Mr. Samuels said that the Administration might be prepared to drop its present insistence that countries wishing to benefit from the American offer should make a declaration of intent to abolish reverse preferences and give an undertaking to phase them out. The Americans would, however, have to say that they could not give preferences under the generalised preferences scheme in 1975 unless existing reverse preferences were in fact phased out.

9. Mr. Rippon said that this seemed very reasonable. Flexibility was essential. Eventual arrangements might be different in different cases: the needs of the Commonwealth Caribbean were not necessarily the same as those of the Commonwealth African countries. He well understood American preoccupations and recognised the strength of American feelings on the subject. The great thing was to gain time in which solutions could be worked out. He hoped that the Americans would be able to tell the European Commission that they had dropped their opposition to the renewal of the 1963 Declaration of Intent. Mr. Samuels avoided giving any undertaking in this respect but did not dissent.



(C. C. C. TICKELL)
Private Secretary

26 April, 1971

FLASH
CYPHER/CAT A*copy filed on
Prime Minister
March '71*FM F.C.O. 262130Z
DEDIP

S E C R E T

TO FLASH PARIS TELEGRAM NO. 272 OF 26 APRIL.

MEETING WITH PRESIDENT POMPIDOU.

AT THE MEETING WITH THE PRIME MINISTER HELD ON 23 APRIL, WHICH YOU ATTENDED, IT WAS DECIDED THAT YOU SHOULD SEE JOBERT ON YOUR RETURN TO PARIS AND SPEAK ON THE FOLLOWING LINES.

2. THE PRIME MINISTER HAS CONSIDERED YOUR REPORT OF YOUR CONVERSATION WITH JOBERT ON 27 MARCH. THE PRIME MINISTER WOULD GREATLY WELCOME THE PROSPECT OF VISITING PARIS AND DISCUSSING MATTERS OF COMMON INTEREST WITH PRESIDENT POMPIDOU IF THE PRESIDENT NOW CONSIDERS IT APPROPRIATE. IF HE SHOULD DO SO THE PRIME MINISTER FEELS THAT A MEETING IN LATE MAY OR EARLY JUNE COULD BE PARTICULARLY USEFUL.

3. NO DOUBT THE PRESIDENT WOULD AGREE THAT THE CONVERSATIONS BETWEEN THE PRIME MINISTER AT SUCH A MEETING SHOULD BE WIDE RANGING, BUT CLEARLY EUROPE WILL BE AT THE CENTRE OF THEIR AGENDA, AND THE PRIME MINISTER AND THE PRESIDENT WILL WISH TO EXCHANGE VIEWS ABOUT THE WAY IN WHICH THEY SEE EUROPEAN POLICIES DEVELOPING IF THE COMMUNITIES CAN BE ENLARGED. CAN JOBERT INDICATE HOW FAR IT WOULD BE THE PRESIDENT'S WISH ALSO TO DISCUSS IN DETAIL THE OUTSTANDING ISSUES IN THE BRUSSELS NEGOTIATIONS? JOBERT TOLD YOU ON 27 MARCH (YOUR TELEGRAM NO. 374) THAT THE PRESIDENT'S VIEW WAS THAT ALL THE MAIN SUBJECTS OF THE NEGOTIATIONS IN BRUSSELS WERE ALREADY PRETTY WELL RIPE FOR DISCUSSION BY THE PRIME MINISTER AND HIMSELF. THIS WOULD SEEM TO IMPLY THAT HE ENVISAGES AN ATTEMPT AT A MEETING WITH THE PRIME MINISTER TO REACH AT LEAST THE BASIS OF AGREEMENT SO THAT THE NEGOTIATIONS COULD BE BROUGHT AT THE MINISTERIAL MEETING IN BRUSSELS ON 21-22 JUNE TO THE POINT OF CERTAINTY OF A SUCCESSFUL OUTCOME BY THE RESOLUTION OF THE FOUR MAIN OUTSTANDING ISSUES.

4. YOU AGREED WITH JOBERT THAT YOU WOULD FIND OUT (PARAGRAPH 5 OF YOUR TELEGRAM NO. 374) WHAT PROGRESS WE WOULD LIKE TO SEE IN BRUSSELS IN ADVANCE OF A MEETING BETWEEN THE PRIME MINISTER AND THE PRESIDENT. THE ANSWER IS THAT WE SHOULD LIKE TO SEE MANIFEST PROGRESS AT THE MEETING ARRANGED FOR 10 TO 12 MAY, BECAUSE THIS WILL PROVIDE THE RIGHT ATMOSPHERE FOR THE MEETING BETWEEN THE PRESIDENT AND THE PRIME MINISTER, AND WILL LIGHTEN THEIR TASK WHEN THEY MEET, AND SO HELP TO ENSURE SUCCESS. YOU COULD SAY THAT WE DO NOT EXPECT FINALLY TO DISPOSE AT THE MAY MEETING OF ANY OF THE MAIN OUTSTANDING ISSUES, BUT WE DO THINK IT IMPORTANT TO SHOW SOME VISIBLE PROGRESS ON EACH OF THEM: ON SUGAR AND ASSOCIATION FOR THE REMAINING COMMONWEALTH COUNTRIES, ON NEW ZEALAND, ON COMMUNITY FINANCE, AND ON COMMUNITY PREFERENCE IN AGRICULTURE. ON COMMUNITY FINANCE WE SHALL BE WILLING TO TALK PRINCIPLES RATHER THAN FIGURES AT THE MAY MEETING, IF THAT IS WHAT THE SIX DESIRE: BUT OF COURSE BOTH SIDES WILL HAVE IN THEIR MINDS THAT IN THE END IT IS FIGURES WHICH WE HAVE TO DECIDE.

5. WE ENVISAGE AS THE NEXT STAGE THAT THE PRIME MINISTER SHOULD SEND THE PRESIDENT A PERSONAL MESSAGE. YOU WILL WISH TO JUDGE FROM YOUR CONVERSATIONS WITH JOBERT WHETHER THE MESSAGE SHOULD FOLLOW DIRECTLY AFTER THOSE CONVERSATIONS OR WHETHER YOU SHOULD FIRST YOURSELF SEE THE PRESIDENT. IN OUR VIEW THE RIGHT STAGE TO CONSIDER THE DETAILS OF A MEETING BETWEEN THE PRIME MINISTER AND THE PRESIDENT, INCLUDING THE TIMING OF ANY PUBLIC STATEMENT OR ANNOUNCEMENT, WILL BE WHEN THE PRIME MINISTER SENDS HIS PERSONAL MESSAGE.

6. IT WAS AGREED AT THE PRIME MINISTER'S MEETING ON 23 APRIL THAT WE SHOULD SAY NOTHING TO THE FRENCH FOR THE MOMENT ABOUT OFFICIALS MEETING TO PREPARE THE GROUND FOR A MEETING WITH THE PRESIDENT.

DOUGLAS-HOME

P R I S E C:

SECRET

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26 April 1971

With a letter of 25 April John Robinson sent me a draft telegram to be despatched to Paris, by way of instructions for Mr. Soames for a meeting with M. Jobert.

The Prime Minister has made a number of changes in the draft, which I have for convenience had re-typed, as amended. I should be grateful if you would send this telegram Flash to Paris tonight, since Mr. Soames is due to see M. Jobert tomorrow morning.

I am sending copies of this letter to Graham, Tickell and Robinson (Foreign and Commonwealth Office) and Sir William Nield (Cabinet Office).
Sgd. R. P. MANSFORD

RTA.

The Resident Clerk,
Foreign and Commonwealth Office.

SECRET

PRIME MINISTER

Following your meeting on Friday, Mr. Rippon and Mr. Soames have agreed a draft telegram of instructions to Mr. Soames for the next stage in the dialogue with the Elysee.

There are two points on the draft:

- a) there is no mention of the possibility that Mr. Soames might go to see M. Pompidou in person, before you send him a message. I understand from Mr. Soames that this possibility is open in his mind; he will play the cards as the hand develops;

- b) I was a little mystified by the latter part of paragraph 4, in which the telegram expresses our ideas of progress for the main Ministerial meeting. When I first read it, it seemed to me that this looked liked insisting on more than your meeting had in mind as necessary: loosening the leaves almost too much. But I understand from Mr. Soames that the main point is to make it clear that we do not want to dispose of some issues and leave one or two others: we want a little progress on all sides. It ^{also} seems to me that the last sentence of paragraph 4, asking Mr. Soames to tell Jobert that

on Community Finance, principles must be translatable into figures, is a glimpse of the obvious which does not help very much. I suggest a revised version of paragraphs 4 and 5 below, with these points in mind.

RA

26 April 1971

REDRAFT OF PARAGRAPHS 4 AND 5

4. You agreed with Jobert that you would find out (paragraph 5 of your telegram no. 374) what progress we would like to see in Brussels in advance of a meeting between the Prime Minister and ~~Pompidou~~^{Mr Pompidou}. The answer is that we should like to see manifest progress at the meeting arranged for 10 to 12 May¹, because this will provide the right atmosphere for the meeting between ~~Pompidou~~^{Mr Pompidou} and the Prime Minister, and will lighten their task when they meet and so help to ensure success. You could say that we do not expect finally to dispose at the main meeting of any of the main outstanding issues, but we do think it important to show some visible progress on each of them: on sugar and association for the remaining Commonwealth countries, on New Zealand, on Community finance, and on Community preference in agriculture. On Community finance we shall be willing to talk = principles rather than figures at the main meeting, if that is what the Six desire; but of course both sides will have in their minds that in the end it is figures which we have to decide.

5. We envisage as the next stage that the Prime Minister should send ~~Pompidou~~^{Mr Pompidou} a personal message. You will wish to judge from your conversations with Jobert whether the message should follow directly after those conversations or whether you should first yourself see ~~Pompidou~~^{Mr Pompidou}. In our view the right stage to consider the details of a meeting between the Prime Minister and ~~Pompidou~~^{Mr Pompidou}, including the timing of any public statement or announcement, will be when the Prime Minister sends his personal message.



Foreign and Commonwealth Office

London S.W.1

25 April, 1971.

*Jean Aronson,*EEC Negotiations : Meeting with Pompidou

Following the Prime Minister's meeting on the afternoon of 23 April at which the question of a meeting with Pompidou was considered, Mr. Rippon discussed with Soames this morning a draft telegram of instructions for Soames to see Jobert.

I enclose a draft telegram, agreed between Mr. Rippon and Soames. I should be most grateful if you could let us know as early as possible tomorrow if you have any comments on this telegram. Soames is asking to see Jobert as soon as Jobert can manage it from Tuesday morning onwards, and we should like to get instructions off to Paris in the course of tomorrow afternoon, April 26.

We concluded this morning that it is premature at this stage to attempt to draft the sort of message which the Prime Minister might send to Pompidou. We first need to know how Jobert reacts when Soames sees him on the basis of the enclosed instructions.

*Yours sincerely,
John Winter*

(J.A. Robinson)

R. T. Armstrong, Esq.,
10 Downing Street.

Copies to:

Private Secretary

Mr. Tickell

Mr. Daunt

Sir C. O'Neill

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIORITY MARKINGS

Flash }
Immediate } *
Priority
Routine

(Date) _____

Despatched _____

PRIVACY MARKING

In Confidence

[Security classification —if any] SECRET

En Clair.
Code
Cypher

[Privacy marking —if any] _____

[Co.'word—if any] _____

Draft Telegram to:—

PARIS
No. _____

(Date) _____

And to:—

Addressed to PARIS

telegram No. _____ (date) _____

And to _____

repeated for information to _____

Saving to _____

Repeat to:—

President
Meeting with *Pompidou*

At the meeting with the Prime Minister held on 23 April, ~~and~~ which you attended, it was decided that you should see Jobert on your return to Paris and speak on the following lines.

Saving to:—

2. The Prime Minister has considered your report of your conversation with Jobert on 27 March. The Prime Minister would greatly welcome the prospect of visiting Paris and discussing matters of common interest with *the President*.

Distribution:—

PRISEC

~~Meeting~~ He agrees that a meeting in late May or early June could be particularly useful.

Copies to:—

3. No doubt *McAuliffe* ~~Pompidou~~ would agree that the conversations between the Prime Minister at such a meeting should be wide ranging. But clearly Europe will be at the centre of their agenda, and the Prime Minister and *McAuliffe* ~~Pompidou~~ will wish

NOTHING TO BE WRITTEN IN THIS MARGIN

to exchange views about the way in which they see European policies developing if the Communities can be enlarged. How far would it be ~~Pompidou's~~ ^{the Penitents} wish also to discuss in detail the outstanding issues in the Brussels negotiations? Jobert told you on 27 March (your telegram number 374) that the President's view was that all the main subjects of the negotiations in Brussels were already pretty well ripe for discussion by the Prime Minister and himself. This would seem to imply that ~~Pompidou~~ ^{he} envisages an attempt at a meeting with the Prime Minister to reach at least the basis of agreement so that the negotiations could be brought at the Ministerial Meeting in Brussels on 21-22 June to the point of certainty of a successful outcome by the resolution of the four main outstanding issues.

4. You agreed with Jobert that you would find out (para.5 of your telegram number 374) what progress we would like to see in Brussels in advance of a meeting between the Prime Minister and Pompidou. You should tell Jobert that we want to see manifest progress at the meetings arranged for 10-12 May, both to provide the right atmosphere for a meeting between Pompidou and the Prime Minister, and also to lighten their task when they meet and so help to ensure success. The best way to achieve this will be to make the best possible progress at the May Ministerial Meeting in Brussels on sugar and association for the remaining Commonwealth countries (the independent Commonwealth countries in the Caribbean,

SECRET

Fiji, Tonga, Western Samoa, and Mauritius), New Zealand, Community finance, and Community preference in agriculture. On Community finance, you should tell Jobert that principles, if they are to be useful, must be translatable into figures: we will have to decide figures in the end.

5. Finally, you should tell Jobert that once he has been able to give you an indication of Pompidou's feeling about all this, the Prime Minister contemplates sending Pompidou a personal message, and that would be in our view the right stage to consider the details, including the timing of any public statement or announcement.

6. It was agreed at the Prime Minister's meeting on 23 April that we should say nothing to the French for the moment about officials meeting to prepare the ground for a meeting with ~~Pompidou~~ *the President*.

SECRET

NOTHING TO BE WRITTEN IN THIS MARGIN

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

COPY NO 2

Note of a Meeting held at 10 Downing Street, SW1
on FRIDAY, 23 April, 1971 at 3.45 pm

PRESENT

The Rt Hon Edward Heath MP
Prime Minister

The Rt Hon Sir Alec Douglas-Home MP
Secretary of State for Foreign
and Commonwealth Affairs

Sir Denis Greenhill
Foreign and Commonwealth Office

The Rt Hon Christopher Soames
British Ambassador
Paris

The Rt Hon Geoffrey Rippon QC MP
Chancellor of the Duchy of
Lancaster

The Hon Sir Con O'Neill
Foreign and Commonwealth Office

Sir Roger Jackling
British Ambassador
Bonn

SECRETARIAT

Sir B Trend
Sir W Nield
Mr P E Thornton

SUBJECT

COMMON MARKET NEGOTIATIONS

COMMON MARKET NEGOTIATIONS

The Meeting considered a paper setting out the main factors relating to the possibility of a meeting between the Prime Minister and the French President, M Pompidou, which had been circulated under cover of a letter dated 21 April from Mr Barrington to Mr Armstrong

THE FOREIGN AND COMMONWEALTH SECRETARY said that it was evident that M Pompidou was determined that he should settle the outcome of the present negotiations for our membership of the European Economic Community in bilateral discussions with the Prime Minister. In these circumstances a meeting between the Prime Minister and M Pompidou within the next month or six weeks seemed an inevitable stage in the negotiations. It was necessary now to consider what form the approach should take to M Pompidou and the inter-action between the Prime Minister's meeting with him and the Ministerial Meeting with the Six which would be taking place in Brussels on 11 and 12 May.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that he too believed that a meeting must now take place between the Prime Minister and M Pompidou but such a meeting should not take place in an atmosphere of crisis in the negotiations so that the bilateral meeting would appear to be a desperate last resort. To avoid such an atmosphere of crisis developing it would be necessary to secure some progress at the Ministerial Meeting in Brussels in May. However, if a crisis in May proved unavoidable, it was much preferable that this should result from a failure of the other Five members of the Community to agree with the French Government than as a result of unacceptable proposals being put to the United Kingdom by the Six as a result of the Five accepting - in a desire to see some movement - an extreme French negotiating position on all the major issues. In making approaches now to the French President to arrange a meeting we should indicate that such a meeting would obviously be more fruitful against the background of some thaw and progress in the Ministerial Meeting in Brussels on 11 May. On Community finance and Community preference, we should be able to make some progress towards the French position in May in Brussels provided that they moved towards us on New Zealand dairy products and Commonwealth sugar.

In discussion it was suggested that ideally we would wish to establish with the French President now the specific progress that was required in May in order to prepare the way for a fruitful bilateral meeting; and thereafter we would be able to let the Five know our minimum requirements for the May meeting so that

they would not agree with the French proposals which would be unacceptable to us. There was general agreement, however, that we should not seek to apply pressure on M Pompidou by indicating that adequate progress at the May meeting in Brussels was a precondition for the later bilateral meeting. We could do no more than emphasise strongly our view that unless a certain progress was made in Brussels in May the bilateral meeting would be held in inauspicious circumstances. We must make this view known to M Pompidou in good time so that the French Government took it fully into account in preparing for the Brussels meeting. It was by no means clear what ground - and in what depth - M Pompidou expected to cover in a bilateral meeting with the Prime Minister. Did he, for example, aim to settle the details of an agreement on the major issues outstanding as well as to probe our attitudes on general European political and defence issues? It was the general view of the meeting that he would wish to cover the details of the negotiations as well as the wider issues but this could only be ascertained by preliminary discussions with M Jobert, Secretary General at the Elysee. It was pointed out that if we now aimed to reach a bilateral settlement with the French in the first instance, the Five would consider that their responsibilities for securing a successful outcome would thereby be substantially diminished. But it was clear that we could not in any event expect much practical assistance from the Five.

THE PRIME MINISTER, summing up the discussion, said that the French President should now be sounded out in two stages about a possible bilateral meeting. First, our Ambassador should ask M Jobert whether he thought that M Pompidou would see advantage in such a meeting at the end of May or the beginning of June and, if so, what ground he considered should be covered at that meeting. If M Jobert indicated that the French President would welcome such a meeting he would send a letter to M Pompidou, which would be handed over by our Ambassador, formally proposing the meeting and emphasising that some progress was necessary at the multilateral meeting in May in Brussels to avoid the bilateral meeting taking place in an atmosphere of serious and deepening crisis. But progress at the May meeting should not be made a British precondition for the bilateral meeting. If the bilateral meeting was agreed it would be necessary to make detailed preparations for it with the French Government but these could not commence until the outcome of the May meeting in Brussels was known. Our Ambassador would need, however, to have taken both the steps described above in good time to enable the French Government to take account

of them in their preparation for the Brussels meeting. The Chancellor of the Duchy of Lancaster would meanwhile ensure that he had the necessary negotiating authority for his meeting with the Six in Brussels in May. It was agreed that the general line to be taken on defence at a bilateral meeting with the French President should be on the lines proposed in the annex to the paper considered by the meeting.

The Meeting -

Took note, with approval, of the Prime Minister's summing up of their discussion.

Cabinet Office SW1

26 April 1971



5

Treasury Chambers, Great George Street, S.W. 1

01-930 1234

RA
 A good meeting was
 on judgement to us
 correct. We agree to look again
 think we agree to look again
 or review
 on my point
 pl. speak 27/4
 23rd April, 1971

Dear Robert,

In response to your telephone call today, asking for a report on Wednesday afternoon's meeting in Brussels with the ad hoc Group appointed by the Six to consider the question of sterling, I attach a minute by Raymond Bell with a summary record of the meeting. I am submitting both of these to the Chancellor this weekend.

Yours ever,

W.S.

(W. S. Ryrie)

R. T. Armstrong, Esq.

S E C R E T

cc Mr Cowdy
 Mr Neale
 Mr Henley
 Mr Liesner
 Mr Owen
 Mr Rawlinson
 Mr Slater
 Mr Marshall
 Mr Morse (B of E)
 Sir C O'Neill (FCO)

Mr Ryrie

EEC and STERLING

- 1 You asked me to let you have by tonight a report on Wednesday afternoon's meeting with the Ad Hoc Group. I attach a fairly full summary record of the discussions. This note attempts to give the impressions which Mr Morse and I formed as a result of the meeting.
- 2 The atmosphere was throughout courteous and friendly. Some of the questions, particularly those from the French delegate, were fairly searching, but it would be difficult to say that any of them was unfair or particularly loaded. All members of the Group took part in the discussion, which the Chairman handled very well and with scrupulous fairness.
- 3 The impression which both Mr Morse and I formed from the questioning and comments was that the major issue on which we are likely to be pressed is the volume of capital exports. There are two reasons for interest in this - first, the burden which it imposes on our balance of payments and hence, potentially, on the assumption of our membership, on the resources of the EEC, and secondly, the extent to which our existing commitments in this field inhibit our relaxing more completely and more rapidly vis-a-vis the EEC. The position is taken in its most extreme form by the French, but they have a little sympathy at least from some of the others.

S E C R E T

4 The other issue on which the French will undoubtedly press was not explicitly brought up in the meeting, though it was implicit in some of the questioning, and it is the view that we should forthwith end discrimination in favour of the Sterling Area and against EEC in exchange control matters immediately on accession. The French would have the support of the Commission on this, but I doubt if they would be supported by any of the other Five.

5 I have since had a report from the Dutch member of the Group on their meeting after they had heard from us. He said there was general agreement that the meeting with us had gone very well, and there had really been no major problems in their subsequent private meeting. The following were the major points that had arisen.

a Capital movements and the export of capital to the Overseas Sterling Area. The French took the line that we should be asked to impose some limitation on capital exports to the OSA. The others had said it was not possible and it was not within the terms of the Treaty to ask us to do this. In any case, the Dutch added that it was a purely temporary problem, since it would come to an end by the end of the transitional period, when we would comply fully with the Community directives.

b On freedom of capital movements, the French still said we should apply the directives in full forthwith and seek derogations under Article 108 (or possibly Article 73) for such time as might be necessary. The others had felt

S E C R E T

that this procedure would be inappropriate; Article 108 applied only in balance of payments difficulties, whereas the object of the transitional period was to prevent those difficulties from arising. Article 73, which relates to disturbance of capital markets, did not seem to be much in point anyway.

- c Reduction of sterling balances. There was unanimous agreement that in due course something must be done; in particular, neither the £ sterling nor any other national currency could remain a reserve currency in the final phase of European monetary union. This was, however, looking very well into the future, and the methods of dealing with the problem should be discussed with us as a participant after our accession.

6 Mr Looijen mentioned two points on the sterling balances which he felt should be brought to our notice. In the first place, he thought they would all find it difficult if there were a large increase in the sterling balances and these were used to expand the United Kingdom economy rather than for reserve/debt improvement. He was not suggesting that anything of this sort would go in any instrument of accession, but we should know that it was a preoccupation of all the Six.

7 Secondly, he felt that large and sudden withdrawal of balances after our accession could cause difficulties for us and, through our membership, for the rest of the Community. This was not an immediate problem; it was assumed that it would be settled, until September 1973, by renewed Basle and Sterling Agreements. However,

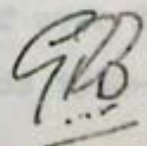
SECRET

Summary Record of Meeting with the
Ad Hoc Group on 21 April 1971

all the Community were agreed that this was a problem which would have to be dealt with, on the assumption of our accession, before September 1973.

d Articles 108 and 109 of the Treaty - which is now described as "Accession of the Support Mechanisms of the Community". All the Six, including the French, feel that in the light of our statement on Wednesday this no longer presents any problems.

8 Mr Looijen concluded with the comment that this was of course all at present at the level of the Ministries of Finance and Central Banks; it remained to be seen what happened to it when it got into the hands of the diplomats and politicians. I have arranged to see him in Brussels next week to elicit further information on the progress of the Ad Hoc Group's work.



G R BELL

23 April 1971

EEC and STERLING

Summary Record of Meeting with the
Ad Hoc Group on 21 April 1971

As arranged, Mr Morse and I attended this meeting.

- 2 Practically the whole of the meeting was taken up by going through the Questionnaire which we had received from Mr Mosca. At the chairman's suggestion, we gave the UK response to each group of questions in turn, and we then went round the table asking for supplementaries. As our replies followed very closely the agreed briefs I am not recording them in this note, which deals only with the more important points raised in subsequent discussion.
- 3 There were a few requests for factual amplification or additional information. Mr Morse brought back a note of these, with the intention of putting in hand the preparation of answers, and I am not therefore recording them again in this note.
- 4 Question 1.
 - a We elicited that by "prêts" the Community intended loans by banks and other institutions of over 2 years, and provided figures for these for the period 1962-69.
 - b Müller-Enders (Germany) asked for, and was given, a breakdown of the capital exports to NSA between EEC and other recipients.
 - c The most substantial question was put by de la Rosière (France) who pointed out that if one looked at gross figures of capital exports the flow to the NSA was admittedly much more important than that to the OSA. The net figures, however, showed a different picture; the flow of inward investment, which came almost exclusively from the NSA meant that the UK had a

favourable net balance with the NSA, whereas the net balance with the OSA which provided virtually no inward investment was adverse. Did not this indicate that the UK's exchange control regime favoured the OSA as against the NSA ?

In reply, we agreed with de la Rosière's facts but disputed his conclusion. On the one hand, capital imports to the UK, as, indeed to all European countries, were dominated by the USA, which meant that for all of us inward investment was bound to be predominantly from the NSA. On the other hand, the OSA countries were not capital exporters; the majority were under-developed, and even the Voluntary Programme countries were in a real sense still developing countries with a demand for net capital imports. Nor did we believe that our exchange control regime was the critical factor in developing the flow of outward investment towards the OSA; in our view, this owed much more to the historical links, extensive business interests and large investments already existing in the OSA countries.

Ossola (Italy) intervened to say that he agreed with this view; naturally the net outflow of capital to the OSA must be greater than to the NSA, including America.

5 Question 2.

In response to 2B and C we made the statement about our attitude to the future of sterling, amended in accordance with Mr Armstrong's letter to Mr Ryrie. On this there were two comments worth recording.

- a De la Rosière accepted that the long-term trend was for a steady decline in the relative importance of the sterling balances. He suggested, however, that the Basle arrangements

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might constitute a brake upon this process, or even reverse the tendency and lead to some rebuilding of the role of sterling. He then went on to ask, on the assumption that there had to be some arrangement to prevent this, what would the UK propose - e.g. lower MSP's, or lower rates of interest on the balances ?

We replied that the object of the sterling agreements had been to stabilise the position, and not to reverse the long-term trend; and it seemed to us, as indeed our answer to Question 2A had explained, that this had in fact been their effect. As for the future, we were not in a position to add anything. The proposal for the renewal of the sterling agreements now under discussion would carry us until just beyond the prospective date of our entry into the Community; what happened thereafter would obviously be greatly affected by whether we were looking to the future as members of the Community or not. But of course we fully accepted that if we joined the Community we should have to work out the arrangements which would follow September 1973 in concert with the Community; and we could give an absolute assurance that we should do this in a fully European spirit, and with a totally open-minded approach to any solutions which might be suggested.

b Ossola said very firmly that the problem would arise in 1973; if we joined the Community, we should have to agree before that date on the arrangements for the following period. He went on to say, noting that we had declared our acceptance of the Community's objectives in moving to economic and monetary union, that those objectives included in the final stage the achievement of totally locked currencies, and most probably of a common currency. The retention of a national

S E C R E T

currency with a reserve role was clearly incompatible with this. What arrangements did we envisage to deal with this problem ?

We replied that Ossola was now considering a process which extended a long way into the future. Of course we did not dispute that the problem he outlined would arise; but it was only one of many which would arise for all the members of the Community in moving towards a common currency. It did not seem to us possible to work out solutions now to problems which would arise so far ahead, and not very useful to try; if our negotiations succeeded we should be members long before this point was reached, and we should of course join fully in working out the solutions to this and other problems by the pragmatic and step-by-step approach on which the Six had already decided.

6 Question 3.

On Articles 108 and 109 of the Treaty, we said that recent developments in the Community's own arrangements seemed to us to make a repetition of the 1967 declaration inappropriate. It was of course still true that as long as sterling remained a world-wide trading and reserve currency it might be felt that any necessary supporting action should be taken on a broad international basis, like the Basle Agreements, going beyond the membership even of an enlarged Community. But it seemed to us that if the need arose, our first step should be to bring the matter before the appropriate Community institutions; and it would be for the enlarged Community to decide what further steps were necessary and appropriate.

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There was effectively no discussion of this reply; Brossolette expressed satisfaction at what we had said, and this was supported by Ossola and Mosca.

7 Question 4.

There was some fairly vigorous supplementary questioning on this - which, incidentally, revealed that Mr Littler's revised draft reply was indeed directed to the questions which the Group wanted to ask. The discussion involved three main topics.

- a The French - both Brossolette in the Chair, and de la Rosière - pursued the issue of the burden imposed by capital outflows on the UK reserves. Brossolette said that he had been struck by the constancy of the figures for gross exports of capital, and expressed surprise that even in the most difficult years the UK had not drastically reduced overseas investment. Was this because a reduction would have been impossible for economic or other reasons, or because we felt it desirable that even in difficult circumstances these exports should continue ?
- De la Rosière said that it seemed to him that since 1964 current surpluses had been offset, or deficits increased, by capital exports. It seemed to him paradoxical to allow capital exports to continue in this way when the result was an increasing volume of international debt, even though this might be expressed in sterling. The United Kingdom intended to remain a net exporter of capital - an OECD report (CPE WP3 70/24) suggested capital exports of \$1 billion in 1975. Did not this objective conflict with the objective of improving the current balance; and did his line of reasoning not point to the need for more restrictions ?

S E C R E T

We suggested that de la Rosière had somewhat confused the issue by his reference to the WP3 paper - the figures in which were in any case OECD figures, since the UK had not committed itself to any precise objectives in this field. The \$1 billion lumped together all forms of external liability including, e.g., export credit, and was not comparable with the figures for net capital exports which we had just been discussing. These, as we had said, had been very constant in recent years at about £100 m., and our expectation was that something of this order would continue. In any event, the WP3 report had also indicated a current balance (\$1.5 billion) which would leave a comfortable margin for reserve/debt improvement.

Apart from this, we disputed the thesis that we had done nothing to curb capital exports since 1964. On the contrary, there had been a continuing and substantial restraint on exports of capital, both to the NSA and to the Voluntary Programme countries of the OSA. This restraint had been maintained even when the current balance had so markedly improved in 1969 and 1970; and without it capital outflows over the period would undoubtedly have been much less even, and in some years considerably higher. In any case, it was not possible for a country which had for long been a major capital exporter, and which had enormous existing overseas investments, suddenly and completely to cut off capital exports - at least without taking such draconian steps as extensive closing down or sale of overseas businesses, etc. The situation had never appeared to us to call for steps so drastic as this; our objective had been to keep the outflow at a reasonable level commensurate with these considerations, and, we maintained, with a fair measure of success.

S E C R E T

- b Boyer de la Giroday (Commission) raised some highly philosophical questions on the value of overseas investment - did the £ invested in the UK bring in a better return than the £ invested overseas; was the return as good for the national balance of payments as to the private investor, and so forth. This was buttressed with references to Reddaway and to other academic work on the subject. Apart from a few rather general remarks on Reddaway, we hinted that this was really rather a vast and speculative topic to start on at a fairly advanced hour of the day, and no-one else showed any enthusiasm for pursuing the topic further.
- c Müller-Enders asked how we assessed the likely effects of accession on the climate of investment in the UK. Might it not become more profitable to invest in the UK, and might not the tendency to invest abroad decline? Boyer followed this up by saying that the original establishment of the EEC had increased the attraction to investors of the Community as against the UK; might not our accession in fact lead to a reduced flow of investment capital to Europe?

We replied that, as had often been said in public, we believed that accession would have a dynamic effect on the UK economy which would lead to higher rates of growth. Obviously, and almost by definition, a more dynamic and faster-growing economy was one which had greater attraction for investors. But, as we had explained in other contexts, we regarded it as inevitable that the benefits of these dynamic effects would accrue only over a period, and we should therefore expect the change in the investment climate similarly to develop

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only as these benefits began to be felt. We saw no inconsistency between our views on the evolution of the economy and our insistence on the need for caution on the immediate costs of accession over the early years of the transitional period.

8 Other Questions.

Having completed the Questionnaire, the Chairman asked if anyone wished to raise other issues. There was in fact only one. Looijen (Netherlands) asked whether we had studied what the Community had agreed so far in its progress to economic and monetary union, and whether we felt that our ties with the sterling area would impose constraints on our acceptance of Community co-ordination of economic policies. He referred particularly to the consultation clause in the published sterling agreement with Australia (which we had quoted in our answer to Question 2A) and asked whether this would involve problems for us. We replied that we had indeed studied very closely the results of their work on economic and monetary union, and were satisfied that nothing in our existing arrangements would inhibit our participating fully in the Community's procedures on co-ordination as they would be at the likely time of our accession. As for the clause in the Australian Agreement to which he referred, this was of course part of and limited to that Agreement, which, if now renewed, would run until 1973. We had already said in answer to Question 2 that accession to the Community would clearly constitute a change in our circumstances which would necessitate consultation with the Community, with the Sterling Area, and with other affected monetary authorities on what arrangements should be made for the period

S E C R E T

after 1973. We could only repeat that we should enter on such consultations in a fully European spirit, and with the intention of agreeing on post-1973 arrangements which would be in conformity with our obligations as members of the Community.

- 9 In conclusion, we offered to make ourselves available at any time for further discussion if the Group would find this helpful. The Chairman thanked us, but said it was his hope and expectation that they would not have to ask to see us again.

G R BELL

23 April 1971

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EEC REG

NOTE FOR THE RECORD

Top copy filed on 3 April '71

Mr. Gunnar Haggblöf, formerly Swedish Ambassador in London and now Swedish Ambassador in Paris, came to see the Prime Minister in his room in the House of Commons at 4.15 p.m. on Thursday, 22 April 1971.

European Economic Community

Mr. Haggblöf said that his impression was that the French Government genuinely wanted Britain in the Common Market. This was not just for external economic and political reasons but also for domestic political reasons. Though M. Debre was unenthusiastic, the Prime Minister, M. Chaban-Delmas, was keen on British entry, and so was M. Giscard d'Estaing, who had a party of his own. Mr. Haggblöf believed that M. Pompidou was anxious to move the centre of gravity of the Gaullist Party nearer to the Centre; and it was in the Centre that pro-European opinion in France was strongest. There was thus some domestic political incentive for M. Pompidou to accept British entry, and (looking at it purely negatively) not to be thought to have caused the negotiations to break down.

Mr. Haggblöf said that in his view the danger remained that the French loved to drive a hard bargain, were skilled negotiators, but would not always recognise when they were driving the bargain so hard that the deal broke down.

Mr. Haggblöf recognised that it would not be possible for the Prime Minister to meet M. Pompidou before the

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EXTRACT

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next Ministerial meeting in Brussels. He thought, however, that there would be advantage in the Prime Minister going to see M. Pompidou shortly thereafter, and believed that the two men would get on well together.

Mr. Hagglöf went on to say that he did not think the French Government were wholly seized of the reasons why it was desirable to "break the back" of the negotiations before the summer recess. He had spoken to a senior official in the Quai d'Orsay who had referred to a report from the French Embassy in London to the effect that it would be preferable to postpone the crunch of the negotiations until after the Labour Party Conference, since if the crunch came before that Conference the anti-marketeers would rally opinion to their side. Mr. Hagglöf made it clear that he did not himself wholly understand this reasoning. He understood the reasons for the deadline of the summer recess, in particular the difficulty of reviving the momentum of negotiations after the recess, and he recalled that in its own discussions the Community had always worked to deadlines: it had become a Community habit.



EUROPE

- A. Sir W Nield's brief
- B. Christophe Formes's letter
- C. FLO paper.
- D. Draft messages to Pompidou.
- E. Anglo-French nuclear cooperation.
(Sir Alec's memo)
- F. Parham's (Party) publicity
(D. H.'s memo).

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SECRET

E.R.

Y 0570

MR ARMSTRONG

I attach a brief for the Prime Minister for tomorrow Friday's meeting at 3.45 p.m. on the European negotiations and a French bilateral. It brings out major points for decision arising on the various papers already circulated.

W.N.

WILLIAM NIELD

22 April 1971

SECRET

MEETING ON THE EEC NEGOTIATIONS

1. The Prime Minister may find it convenient to have a short brief for Friday's meeting which:
 - a. outlines the main points for decision;
 - b. comments on the Foreign and Commonwealth Office paper of 21 April.
2. The basic facts underlying the points for decision are:
 - a. There are three or four Ministerial meetings in sight before the summer holidays - 11, 12 and possibly 18 May; any French bilateral at end May or in early June; 22 June; and any further meeting which may be agreed.
 - b. So far our positions on New Zealand, sugar and Community Finance are still the opening positions set out by Mr Rippon in December, because the Six will not have agreed even a common position on these items before their Council meeting on 10 May, which will also consider sterling.
 - c. If the "Shape of the Final Package" is to be more or less as Mr Rippon has outlined it in his memorandum, it will be necessary for Ministers to decide by what stages and what conditions we move towards it from our present position. On dairy products and sugar, HMG will be obliged to have prior consultations with New Zealand and the Commonwealth before making a move.
3. The points for decision arising from these facts, bearing in mind that the meeting is centred on the French bilateral, but taking the items in chronological order, seem to be:

This is that we cannot overcome the longstanding French obstruction of our entry solely by negotiating with them item by item in succession: that would be to play their favourite game. All the evidence shows that the Elysee and the Quai d'Orsay still retain the Gaullist feeling, almost neurosis, that we are not sufficiently European, and will seek to anglicise and weaken the Community from inside it.

5. This suggests that it would be right to start by setting out our view of the development of the enlarged Community in the following order, i.e. any bargaining items are taken at the end after the French have reacted to our views on the future of Europe:

1. General. Our general view that the state of the world and of European countries requires the gradual construction of a European Community which can look after itself in all major fields of policy.

2. Political. We can go a long way to agree with M Pompidou's speech of 21 January envisaging a gradual, pragmatic, inter-governmental development of European institutions, as against a dash for federalism; and preserving unanimity on major issues.

3. Economic. We have already said that subject to appropriate transitional periods we accept the Treaties and their pendant rules, and the common agricultural and commercial policies, etc: that as a member we will go as far and as fast as them towards common monetary, economic, industrial and regional policies.

4. Enlargement. If the French will react positively to the foregoing, then some discussion of how to finalise the negotiations as regards the four key items, e.g. on the lines suggested by Mr Rippon, would be in order. If the French remain aloof or hostile the time for frank speech about consequences may have come.


WILLIAM NIELD

22 April 1971

22nd April 1971.

PRIME MINISTER

c.c. Mr. Maitland
Mr. Armstrong
Mr. Moon (on return)

M.
26/4

EUROPE

You asked me to put down some thoughts after reading the Brandt records. I have not followed the diplomatic correspondence very thoroughly, and what follows is mainly angled from the political point of view.

There are three levels on which people have to be convinced. This applies to both the Conservative and Labour Parties. The three levels are:

1. Parliamentary
2. Party
3. Public opinion generally.

The first of these levels is ^{the} decisive one but it is of course affected by the other two, and this is probably more true of the Labour Party than of our own.

The Party pundits at Central Office do not feel that they have a clear enough notion of how the negotiations are likely to go to be able to form a clear view about political timing. There is, as I have already reported, a view that it would be best to leave an serious vote in the House of Commons until after the Summer recess. This argument is based on the fear that the Party Conference may upset the apple-cart and that it would be best to handle ~~them~~ on the same basis as last year, i.e. by saying that it was not yet clear whether the negotiations would produce an acceptable result.

/My own view

My own view is that this is unrealistic. We still have three months between now and the end of July. If during that period the negotiations have not broken through to success then the common assumption would be that they never will. Another holding operation at the Party Conference will just not ring true. Of course there will be much diplomatic tidying up to be done in the Autumn assuming that the negotiations succeed; but the main issues will need to be resolved by the end of July and the House of Commons committed to the answers.

In practice this probably means by the end of June. I think it is your view that public and Parliamentary opinion in this country will have to be taken by sudden storm when you are in a position to commit the whole prestige of the Government in favour of an acceptable solution achieved in Brussels. As you know, your publicity advisers had hoped that the European Movement and the Party would be able to soften public opinion in advance of this stage. The work now in hand is worthy, particularly on the Parliamentary front; but I think it is unrealistic to suppose that it will in any substantial way reverse public opinion before the outcome is clear.

This probably means that the Government will need the month of July to put its prestige on the line in favour of a settlement achieved at least in outline about the end of June. This will almost certainly involve:

- (a) a Ministerial broadcast by yourself
- (b) a concerted effort by Members in their constituencies. (It might be presentationally right to stage a week's recess for this purpose so that Members are seen to consult their constituents.)
- (c) Some sort of a campaign to discredit the opinion polls.

/This varied

This varied activity could then lead up to an "indicative vote" in the House of Commons just before the recess.

Working backwards, an Anglo-French Summit at the end of May or early June would set the stage for what we hope would follow. I think it is true that your visit to Germany helped to lift the issue about of the bread and butter rut, and the visit to Paris would do the same.

I think the following points would have to be made:

- (a) You should not go to Paris because of some emergency in the negotiations, or because of failure to make any progress at the May meeting. You do not want to appear the "demandeur". Indeed, reasonable progress in May might be put forward quietly as a pre-condition for a Summit.
- (b) Your talk with the President should range across the world, and not be simply concerned with the negotiations.
- (c) Because of the high political content of the visit a great deal of attention would need to be paid to matters of form. For example, the French be encouraged to organise special occasions and courtesies. We should aim at a result which is glittering as well as substantial.

There is also an argument, if the assumptions are valid, for a Summit of the Seven after the Party Conference in the Autumn. This would set the seal on success. If such a Summit were to be arranged this might deter doubtful but responsible people in both the main Parties from making it impossible. You have been to Bonn, and on this hypothesis you will also have been to Paris; might it be possible to organise this Autumn Summit in London.

/Two other

Two other points are worth considering.

- (a) The need to keep the Parliamentary temperature at a reasonable level towards the end of the Summer. To take a very hypothetical example a Bill giving statutory control of incomes would not be a helpful accompaniment to persuasion on Europe.
- (b) You may wish to consider at a later stage the question of contacts between yourself and Roy Jenkins and other prominent Europeans in the Labour Party. I know that Geoffrey Rippon is in touch with them through Harold Lever, but there might come a time when it would be profitable to take them to some extent into your own confidence.

Douglas Hurd
Political Secretary

Foreign & Commonwealth
Office, S.W. 1

R22

21 April, 1971.

As you know the Prime Minister is holding a meeting on 23 April to discuss the next steps in the E.E.C. negotiations, particularly how to handle the French. We do not expect defence to come up at this meeting but, as I mentioned to you on the telephone, the Foreign and Commonwealth Secretary in sending the Prime Minister today a short paper for the meeting has annexed to it a further short paper on defence co-operation with the French.

I am sorry that there was no time to clear this with you. Your officials were sent copies of the draft for information as it was being submitted here and the main recommendation follows the line of the Foreign and Commonwealth Secretary's minute to the Prime Minister which was agreed by Lord Carrington. I enclose a copy of the final version.

I am sending copies of this letter to Brian Horbury and Robert Armstrong.

[Sd.] N. J. Harrington

R. J. Andrew, Esq.,
~~10 Downing Street.~~

MJD

PM to see

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ADVANCE COPIES: EEG NEGOTIATIONS

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MR. FORD		
MR ROBINSON	TREASURY	- MR. G.R. BELL
MR. REDDAWAY		
MR. TURPIN	DEPT. OF TRADE AND INDUSTRY, VICTORIA STREET	- MR. G.R. DENMAN
HD OF EID		
HD OF ECIU	DEPT. OF TRADE AND INDUSTRY, VICTORIA STREET	- MR. W.P. SHOVELTON
HD OF WED		
NEWS DEPT	MAFF	- MR. F.M. KEARNS
RESIDENT CLERK		

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 GILL

TO IMMEDIATE FCO TELEGRAM NO.525 OF 21 APRIL, INFO PRIORITY
 TO PARIS AND UKDEL TO EC BRUSSELS.

MY TEL NO.526.

IN THE COURSE OF A CONVERSATION WITH POENSGEN THIS MORNING,
 MINISTER (ECONOMIC) ASKED WHETHER THERE WAS ANY REPLY FROM
 POMPIDOU TO THE LETTER WHICH BRANDT HAD SENT HIM AFTER THE
 PRIME MINISTER'S VISIT. POENSGEN SAID THAT THE CHANCELLOR'S
 LETTER HAD NOT BEEN SUCH AS TO NEED A REPLY, AND NONE HAD BEEN
 RECEIVED.

2. BROWN ASKED ABOUT THE PROCESS OF DISCUSSION AND PREPARATION
 WITHIN THE COMMUNITY FOR THE COUNCIL MEETING OF 18 MAY. POENSGEN
 SAID, IN EFFECT, THAT THE POSITION OF THE FIVE PLUS THE COMMISSION
 ON THE OUTSTANDING ISSUES WAS WELL KNOWN. IF THE GERMANS WERE
 NOW TO UNDERTAKE AN INITIATIVE WITH THE FRENCH, IT WOULD ONLY
 ENCOURAGE THE LATTER TO DIG IN AND WAIT FOR THE COMMON FRONT
 OF THE FIVE TO CRACK. THE FRENCH WOULD ONLY MOVE THEMSELVES IF
 THEY WERE SURE THAT THERE WAS NOT GOING TO BE A MOVE AMONG

THEY WERE SURE THAT THERE WAS NOT GOING TO BE A MOVE AMONG THEIR PARTNERS. HE SAID THAT HE AND HERBST WOULD BE MEETING BRUNET NEXT WEEK FOR ONE OF THE PERIODICAL FRANCO-GERMAN CONSULTATIONS (IT WAS NOT QUITE CLEAR WHERE BUT WE THINK IN BONN). NO DOUBT THE POSITIONS WOULD BE DISCUSSED THEN, IF IN RATHER GENERAL TERMS. BROWN HAD THE IMPRESSION THAT THE AIM OF THE FEDERAL FOREIGN OFFICE IN ANY SUCH DISCUSSION WILL BE TO CONVINCE THE FRENCH, IF MAINLY BY IMPLICATION, THAT THE GERMANS ARE NOT ABOUT TO ALTER THEIR POSITION ON ANY OF THE OUTSTANDING QUESTIONS. ABOUT BRUNET'S VISIT, POENSGEN WAS SPEAKING IN CONFIDENCE, WHICH PLEASE RESPECT.

3. POENSGEN SAID THAT SCHEEL WOULD BE PUBLISHING AN INTERVIEW IN THE GERMAN PRESS SOME TIME NEXT WEEK IN WHICH HE WOULD EMPHASISE THE IMPORTANCE FOR WESTERN EUROPE AS A WHOLE OF SUCCESS IN THE NEGOTIATIONS.

4. BROWN'S IMPRESSION FROM THIS CONVERSATION WAS THAT THE GERMANS DID NOT EXPECT ADVANCE WARNING OF THE FRENCH ATTITUDE OR OF POSSIBLE NEW FRENCH PROPOSALS BEFORE 10 MAY, AND SIMPLY DO NOT KNOW WHETHER THE FRENCH WILL BE WILLING TO MOVE BY THEN.

5. PLEASE ENSURE THAT SIR ROGER JACKLING SEES A COPY OF THIS TELEGRAM IN TIME FOR THE PRIME MINISTER'S MEETING ON 23 APRIL (YOUR TEL NO. 312.)

RICHARDS

NNNN

SENT CB BONN AT 21/1449Z BPM
RECD FCO AT 21/1449Z RAF

ADVANCE COPIES: EEC NEGOTIATIONS

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PS
PS TO CDL (2)
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MAFF - MR. F.M. KEARNS

CYPHER CAT A

FM PARIS 211915Z

SECRET

[GILL]

TO PRIORITY F C O TELNO 456 OF 21 APRIL.

A²³/4

BRITAIN AND THE E E C .

1. I CALLED THIS AFTERNOON ON THE MINISTER FOR FOREIGN AFFAIRS. M. SCHUMANN SAID HE WOULD LIKE TO TALK EUROPEAN TIMETABLE WITH ME, PROVIDED THAT THERE WAS A THAW AT THE BRUSSELS MEETING OF MINISTERS IN MAY, WHICH HE EXPECTED, HIS INTENTION WOULD BE TO TAKE THINGS FURTHER WITH US ON A BILATERAL BASIS WHEN HE VISITED LONDON ON THE 20 AND 21 MAY. HE HOPED THAT DURING THAT VISIT HE WOULD BE ABLE TO REACH SOME GOOD UNDERSTANDINGS WITH US AND THAT HIS VISIT TO LONDON WOULD PERHAPS PAVE THE WAY FOR A VISIT BY THE PRIME MINISTER TO SEE PRESIDENT POMPIDOU. AS HE SAW IT, THIS LATTER VISIT WOULD NOT BE TO NEGOTIATE ON DETAIL BUT TO HAVE A BILATERAL TALK ABOUT THE FUNDAMENTAL PERSPECTIVES OF ANGLO-FRENCH AND EUROPEAN INTEREST. HE ADDED THAT, IN HIS VIEW, BEFORE THIS MEETING TOOK PLACE IT WOULD BE IMPERATIVE TO BE SURE THAT IT WAS GOING TO BE SUCCESSFUL; AND THAT, EVEN IF THERE WERE ONE OR TWO OUTSTANDING DETAILS TO BE RESOLVED, IT SHOULD BE PRETTY CLEAR THAT THEY WERE RESOLVABLE. WHAT DID I THINK ABOUT THIS? WOULD THIS BE IN ACCORDANCE WITH THE PRIME MINISTER'S THOUGHTS AND WISHES?

2. I REPLIED THAT AS I THOUGHT HE KNEW FULL WELL, THE PRIME MINISTER WOULD DO EVERYTHING IN HIS POWER TO ENSURE THAT THESE

MINISTER WOULD DO EVERYTHING IN HIS POWER TO ENSURE THAT THESE NEGOTIATIONS SUCCEEDED; AND THAT FURTHERMORE, GIVEN THE FACT THAT EUROPE HAD BEEN ONE OF THE MAJOR THEMES OF HIS WHOLE POLITICAL CAREER AND ALSO THAT IT WAS M. POMPIDOU'S INITIATIVE AT THE HAGUE WHICH GOT THESE NEGOTIATIONS GOING, IT WOULD SURELY BE NATURAL TO SAY THE LEAST THAT THEY SHOULD AT SOME TIME MEET AND INVOLVE THEMSELVES IN THEIR SUCCESSFUL CONCLUSION.

3. GIVEN THE LACK OF COMMUNICATION BETWEEN THE ELYSEE AND THE QUAI, I FELT I SHOULD ASK M. SCHUMANN WHETHER I COULD TAKE IT THAT THIS WAS THE PRESIDENT'S VIEW. HE REPLIED THAT HE HAD NOT DISCUSSED IT WITH THE PRESIDENT; WHAT HE HAD SAID REPRESENTED HIS OWN PERSONAL THOUGHT. HE THEN SAID RATHER POINTEDLY THAT PERHAPS I HAD DISCUSSED IT WITH THE PRESIDENT AND I WAS ABLE TRUTHFULLY TO SAY THAT I HAD NOT.

4. I THEN WENT ON TO SAY HOW GLAD I WAS TO HEAR M. SCHUMANN TALK ABOUT A THAW IN THE MAY MINISTERIAL MEETING. I KNEW YOU ATTACHED THE GREATEST POSSIBLE IMPORTANCE TO THIS. IF THE NEGOTIATIONS WERE TO SUCCEED IN THE TIME SCALE WE HAD ENVISAGED, IT WAS ESSENTIAL THAT WE GET SOME MOVEMENT IN THE MAY MEETING, AND THAT PUBLIC OPINION SHOULD SEE IT AS BEING A NOTABLE IMPROVEMENT ON THE LAST TWO. M. SCHUMANN SAID HE ABSOLUTELY AGREED AND HE WAS SURE THAT THIS WOULD BE THE CASE. I ASKED HIM WHAT HE MEANT BY A THAW AND HOW FAR HE THOUGHT IT WOULD BE POSSIBLE TO GO. HE REPLIED THAT HE HAD NOT THOUGHT THIS THROUGH YET. I SAID THAT I THOUGHT YOU WOULD HOPE TO SEE PROGRESS MADE ON ALL OUTSTANDING QUESTIONS DIRECTLY RELEVANT TO THE NEGOTIATIONS. HE SEEMED DOUBTFUL ABOUT THIS; SO I SAID THAT IT WOULD NOT BE ENOUGH IF AGREEMENT WERE TO BE REACHED MERELY ON, SAY, ^{THE} PRINCIPLES WHICH SHOULD GOVERN OUR CONTRIBUTION IN THE EARLY YEARS. HE REPLIED THAT THAT WOULD ALREADY BE SOMETHING. I SAID YES, BUT BY NO MEANS ENOUGH. I WAS ANXIOUS THAT THERE SHOULD NOT BE ANY MISUNDERSTANDING. THE NEGOTIATIONS WERE REACHING A CRITICAL POINT AND WE DID NOT WANT, NOR I KNEW DID HE, ANY MORE DISAPPOINTMENTS. HIS IDEA OF A THAW MIGHT NOT NECESSARILY BE THE SAME AS OURS. PERHAPS HE WOULD GIVE SOME THOUGHT TO WHAT IN HIS MIND WOULD CONSTITUTE A THAW; AND FOR MY PART I WOULD HAVE THE OPPORTUNITY OF DISCUSSING THIS WITH YOU AND GEOFFREY RIPPON AND WITH THE PRIME MINISTER WHEN I WAS IN LONDON. WE COULD HAVE ANOTHER TALK NEXT WEEK. WE HAVE ACCORDINGLY FIXED A DATE.

5. M. SCHUMANN ENDED BY SAYING THAT HE HOPED I WOULD TAKE TO LONDON A MESSAGE OF OPTIMISM AND GOODWILL. I ASKED WHETHER I COULD ASSURE YOU THAT THE FRENCH GOVERNMENT WERE NOT INTENDING TO RAISE ANY FRESH MATTER FOR CONSIDERATION IN THE NEGOTIATIONS

COULD ASSURE YOU THAT THE FRENCH GOVERNMENT WERE NOT INTENDING TO RAISE ANY FRESH MATTER FOR CONSIDERATION IN THE NEGOTIATIONS. HE ASSURED ME THAT NOTHING WAS FURTHER FROM THEIR MINDS.

6. I ASKED M. SCHUMANN HOW THEY WERE GETTING ON WITH THEIR TALKS WITH THE NEUTRALS. HE SAID THESE WERE PROGRESSING. THIS WAS NOT A NEW FACTOR SINCE IT HAD BEEN PARTICULARLY REFERRED TO IN THE HAGUE COMMUNIQUE; BUT HE REMINDED ME THAT THIS REFERRED TO THEIR PROBLEMS BEING RESOLVED BY THE TIME WE JOINED THE COMMUNITY; IN OTHER WORDS IN THIS RESPECT A DISTINCTION WAS TO BE DRAWN BETWEEN THE END OF THE NEGOTIATIONS ON THE ONE HAND AND OUR JOINING THE COMMUNITY ON THE OTHER.

SOAMES

NNNN

SENT AT 21/2150Z CC
RECD AT 21/2150Z RD

SECRET

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1 B



BRITISH EMBASSY,
PARIS.

R

21 April 1971

Dear Denis,

UK - EEC Negotiations

1. Our negotiations are clearly approaching a critical phase. I have tried to set out in schematic form in the enclosed memorandum what seem to me to be the principal factors affecting the political climate here so far as our candidature is concerned. I have also tried to suggest how the French see the negotiations and what they are currently thinking about the main issues outstanding in the negotiations.
2. The picture as I see it is this. Pompidou has never been - and is not now - enthusiastic about our entry. (Enthusiasm is anyway not part of his make-up.) He probably does not believe that the present Community will disintegrate if we do not join it. He is not scared of German pressure and believes that Italians always have their price. He would no doubt admit that, in the event of failure, the Community would stagnate for a time. But so what? Pompidou is no European visionary panting for political unification. He is a cautious, hard-bargaining, reticent Auvergnat with limited imagination and no talent for grandeur. He has got the all-important finance agreement under his belt and has reached agreement with Brandt on the beginnings of an economic and monetary union (including a useful medium-term support facility) without having had to pay for it in terms of commitment to supranationalism. Nevertheless I remain convinced, for the reasons given in the enclosed paper, that he accepts that on balance it is right and necessary that we should come in: and he foresees a very unpleasant time ahead for him and for France if he can be blamed for keeping us out.

/3. In

Sir Denis Greenhill, KCMG, CBE,
F C O

SECRET

3. In these circumstances I am sure that it is right for the Prime Minister to think in terms of a personal meeting with the President - at the right moment (which looks like being late May) and on condition that the French help - particularly at the May Ministerial meeting - to create the right setting.

4. There are three reasons for this judgment. The first is that I believe there is a deal to be struck. The second is because I am convinced that this is the only way in which a deal can be struck. The third is because, if no such meeting were to take place, posterity would surely judge us harshly for not taking the risk.

5. The French (from the President down) are waiting for us to make the move - partly no doubt for reasons of national pride, but also because nobody here seriously believes that the centuries-old hatchet of Anglo-French animosity can be buried by remote control in Brussels.

6. But the French are realists. Whilst Pompidou wants the Prime Minister to come to Paris, he knows full well that he will not go to Canossa. This means that there must be a favourable build-up to the meeting and not a crisis. This is a card which can only be played once - for success or failure. As Lloyd George rightly said, it is dangerous to try to cross a chasm in two jumps. Hence the gap between our respective positions on the main negotiating issues must have narrowed before the two leaders meet. This means that reasonable progress must be made at the Ministerial meeting in May and I believe Pompidou realises this. He has indicated that he wants the artichoke prepared, but not stripped, before being served to the Prime Minister and himself. It remains to be seen whether the cooks in the Quai d'Orsay have been given or have got the message.

7. What about the leaves on the artichoke? It is not for me to suggest from here how far we could



or should go. The enclosed paper shows what I think are the hard elements in the French position and where there may be give. From this post I find it difficult to believe that we shall be able to arrive at a package deal with the French unless we are prepared to move on Community finance, to concede the principle of full Community preference from the start and to enter into some kind of undertaking in principle with regard to the future of sterling. In return, the French will clearly have to move on finance, on sugar and a long way indeed on New Zealand. Such a give and take could only be reached in a package deal and it is in these terms that Pompidou is thinking.

8. So much for the artichoke. What about the sauce? I know that the Prime Minister does not intend that his dialogue with the President be confined solely to the issues outstanding in the negotiations. He certainly has his own ideas about the wider aspects. Three obvious points occur to me:

(a) the Prime Minister will wish to stress that joining the economic community is for us the beginning of a road which must lead to closer political - and eventually defence - collaboration for Europe, as also to the emergence of a Europe which will be far more independent of the United States - politically, financially and industrially - than is the case to-day;

(b) it would also be wise to reassure Pompidou that we share his view of the essential rôle of the nation state: and that, like him, we wish to move pragmatically in the creation of new institutions. In this context I would expect the President to raise the question of the de facto rule of decision by unanimity: and he would hope to be assured that we shall not seek to challenge it;

/(c) culture.

(c) culture. We have somehow got to help Pompidou over the language hump. We can enlarge on this nearer the time.

9. To sum up, I believe that there is room for a deal which will open the door of Europe to us. I also believe that the only people who can unlock the door to us are the French. Whilst they do not enjoy isolation (in the way that the General did), the French still do not expect any serious pressure from their partners. They believe that in the last resort the Germans will acquiesce in what they decide and that the Italians can be fixed. The Belgians they patronise, and the Dutch they admire but disregard. So it comes down to an Anglo-French understanding. Finally, until Pompidou has heard himself from the Prime Minister what are the limits beyond which we cannot and will not go, there remains a real risk that he will simply misjudge both how high he can set the hurdle and what a deal with us would really involve for France. If that happened, history would have gone by default.

Yours ever

Christopher.

THE POLITICAL CLIMATE

1. This is still on the whole favourable to the successful conclusion of the negotiations with us, though not by any wide margin.
2. The President continues to state categorically in private conversations - and not only with British visitors - that he genuinely wants the negotiations to succeed. The French Government says the same thing in its public ministerial speeches. In both cases the statements are invariably qualified by the reservation that Britain must accept all the rules and not expect any special treatment extending beyond a strictly defined transitional period. These professions of good will may, of course, be no more than dust thrown in the eyes of the outside world. But their effect on public and political opinion in France (where 64% of those canvassed in the most recent public opinion poll expressed themselves in favour of British accession) has been such that the French Government would be discredited if it now placed itself in the position of opposing Britain's entry other than in clear defence of some vital French interest. Public opinion is not expecting another French veto and the present French Government does not give the impression of having any stomach for one.
3. This cautious readiness to do a deal with Britain (largely on French terms, of course) is in keeping with President Pompidou's more realistic appraisal of the French role in the world as compared with the quixotic visions of his predecessor. (The Algerian debacle must again have reminded him both of the strict limits of French power and of the dangers of putting off decisions). There is little doubt that the President would regard with concern the prospect of renewed and increasing bitterness between France and Britain - with its spillover on relations within the EEC.
4. A third plus from our point of view is the President's concern about the policies which an ever more powerful Germany may be tempted to pursue, particularly when Chancellor Brandt is no longer at the helm. In this context he sees Britain's presence inside the Community as offering a healthy counterweight to increasing German dominance. But this consideration is muted by his high regard for - and good personal relations with the Chancellor - as well as by the nagging fear that once inside the Community Britain might increasingly gang up with Germany in order to put the French in their place.
5. A final factor which undoubtedly operates in our favour is the marked feeling here that the present British Government is one that the French can do business with (in contrast to its predecessor), and the widespread admiration felt for the courageous way in which the Prime Minister is tackling Britain's basic economic and social problems.
6. At the same time there are a number of other political factors that have so far operated directly or indirectly to our disadvantage. These flow from the President's refusal hitherto to authorise any significant movement in the French position.

The anti-British, and in some cases pro-Soviet, bias of parts of the Quai d'Orsay - especially in the Economic Directorate headed by M. Brunet (who plays a leading part in our negotiations) - have taken full advantage of this: which helps to explain the generally unhelpful, if not actually hostile, attitude adopted in the last few months by the French negotiators in Brussels. From the Quai d'Orsay have re-emerged one after the other all the old stage props from the era of M. Couve de Murville: the Trojan horse, the danger of a new iron curtain in Europe if the Community enlarges and consolidates itself, the price which the Americans will exact for acquiescence in the increased discrimination against them implicit in enlargement, the need to make suitable arrangements with the neutrals before any final settlement can be reached with us, the inevitable disappearance of the French language in what would become an English speaking Community, and the likelihood of the latter degenerating into an Atlantic free trade zone. These prejudices are entrenched in the Quai: elsewhere, including the Elysée, they are apprehensions.

7. As far as the President himself is concerned, a significant handicap is his preoccupation with the French internal scene and the extent to which he tends to judge things in terms of domestic politics. Although French opinion as a whole is substantially in favour of our accession, Pompidou has his Enoch Powells and Allauns to contend with - enlargement is not a popular issue either with the Gaullist ultras or with the Communists. It is arguable that President Pompidou exaggerates the capacity of both these elements to cause mischief. But from our point of view what matters is that he does regard them as forces to be reckoned with: and this reinforces his instinctive caution.

/Community
8. Another inhibiting factor is the President's lack of any deep European vision. The existing/is a convenient and profitable arrangement: he wants a European Europe and recognises that greater cohesion (though not integration) will be needed to achieve this. But above all he is convinced of the need for France herself to remain "independent". This is indeed one of the few principles which motivate his foreign policy.

9. Although the President believes that the British attitude towards Europe has evolved considerably, he is not wholly convinced that we are yet free of our instinctive and deep-seated attachments to the outside world and are prepared wholeheartedly to throw in our lot with Europe. Our proposals on Community finance and our desire to preserve intact existing arrangements with New Zealand and the Commonwealth sugar producers play on this doubt. He is critical of the status of sterling as a reserve currency which he sees alternately as bestowing an unfair advantage on us and at the same time as constituting a liability which he is reluctant to see introduced into the Community. The President is also known to be deeply concerned about the future of the French language, an apprehension which is accentuated by the fact that he is no linguist himself.

10. Finally, President Pompidou is known to feel apprehensive about

the possibility of our reopening the question of majority voting. He is afraid that we shall bring with us a number of client states servile to our wishes, and that in addition the Dutch and others amongst the Six will tend to gravitate into our orbit. This makes him fear for the fragility of the 1966 Luxembourg armistice (on unanimity), and doubly hesitant about agreeing to review clauses, whether in respect of New Zealand, or sugar, or our contribution to the Community budget.

THE NEGOTIATIONS SEEN THROUGH FRENCH EYES

11. The French public are much less worked up about the negotiations than are the British. To the extent that he follows what goes on in Brussels the French man-in-the-street sees it as an interesting battle of wits between two well matched players. There is very little awareness, except among a restricted inner circle, of what is at stake, and few people in France (and President Pompidou is not amongst them) believe that the Community will disintegrate if either party to the negotiations decides at the end of the day that the terms available are unacceptable.

12. With very few exceptions the French - both inside and outside the Administration - are genuinely puzzled by the frequent British complaint that they give no sign of really wanting us. It is fundamental to the French approach that we are demandeurs and gestures of spontaneous good will towards the other party do not exist in the French negotiating repertoire. The French have never believed in the possibility of short and sharp negotiations and have never been prepared to leave secondary issues for settlement after accession. This is a marriage contract in which the business side has to be settled between the lawyers before the ceremony.

13. The French are well aware of our difficulties with public and parliamentary opinion, and the pressure this puts us under to get a quick settlement. It would be untrue to their character if they did not see in this a strengthening of their bargaining position.

14. There is a growing conviction, both inside and outside the Administration, that the major problems which remain to be settled will only find their solution in the catalyst of a personal meeting between the President and the Prime Minister. Amongst the President's advisers it has been said more than once recently that what goes on in Brussels is of secondary importance. This is not because anyone believes that the Prime Minister and the President will wish to negotiate together on technical matters. It stems rather from the belief that solutions to such problems will not be found by the experts until clear political directives are given: and that this in turn will not happen until each side is convinced of the sincerity of the other's intentions i.e. until the British are convinced that the French are not simply out to strip them bare (as General de Gaulle put it) and the French

are persuaded that the British are really prepared to put both feet in Europe (as Pompidou puts it).

THE FRENCH ATTITUDE TO THE MAIN NEGOTIATING ISSUES

Community Budget

15. Our present proposal (3% rising to 15%) is regarded by Frenchmen of all shades of opinion as wholly unacceptable. The total transfer of levies from the first day is a fundamental requirement in French eyes and it is not believed that 3% would even cover this element, let alone any fraction of the other two elements of ressources propres. Whilst there is give in the French position on these latter two components they are rigid in regard to levies: and any equivocation on our part in this respect directly feeds the suspicion that we still have not fully accepted the Common Agricultural Policy and its financial consequences.

16. Our proposed breakout point of 15% is similarly regarded with suspicion - especially by the President. I believe the French can be brought to accept a period of correctives provided that it allowed for a reasonable rate of regression and led us after 8 years to a figure near our probable final commitment. They understand why we need a modest starting point, but find it hard to understand why after 5 years we wish virtually to flatten out the rate of climb. They are deeply suspicious that, if we rise no higher than 16%, we shall find ourselves obliged when the time comes - even if this is not our present intention - to plead incapacity to accept ressources propres. This would bring the entire agricultural finance package back on to the Community table and this is not a risk which the French are prepared to run.

17. There have been various unofficial indications that the French may be thinking in terms of a starting figure for the UK contribution of about 8%. They will undoubtedly open the bidding in double figures, though they have never seriously believed in the viability of the Commission's first alternative of 21.5%.

NEW ZEALAND

18. The French have begun to recognise that, quite apart from the intrinsic merits of the case, New Zealand is an emotional and psychological problem in Britain and that they will have to show some give on this or incur responsibility for a breakdown.

19. Apart from the die-hards in the *Quai d'Orsay* many officials concerned with the New Zealand problem are prepared to acknowledge in private that a cut-off after 5 years is an unreasonable proposition and are beginning to talk in terms of a possible prolongation of guaranteed access until, say, 1980 (in line with their proposals for Commonwealth sugar). French experts recognise that alternative outlets are few (though Japan and China are still mentioned as possibilities), but they contend that New Zealand will not even try to diversify her economy for as long as there is talk of long-term guaranteed access. They profess to believe that world demand for dairy products may well rise and that there may consequently be space in an enlarged Community for a continuing supply of New Zealand butter: but they nevertheless insist, both on principle and for the practical reason mentioned above, that any arrangement made today for New Zealand must be degressive in quantity and limited in time.

20. The question of continued guaranteed access for New Zealand butter presents a genuine political problem for the French Government. Apart from the instinctive opposition from the farming Community to any such arrangements, there is very little public sympathy in France for New Zealand's case. The New Zealand farmer is widely thought to be much better off than his French counterpart and few Frenchmen are yet convinced that there would in practice be much room in the British market for both New Zealand and Community producers, especially in view of the likelihood of UK demand contracting as the prices of butter rise.

SUGAR

21. The French accept that they will have to make room in the Community for continuing imports of Commonwealth sugar: but for how much and for how long? It irritates them that their partners should advocate guaranteed access at special prices for Commonwealth sugar when they refused it - in the Yaoundé context - to other primary products (e.g. ground-nuts) essential to the economy of former French African territories. Furthermore they argue that the current Yaoundé Agreement will fall due for renewal in 1975 just when guaranteed access for Commonwealth sugar producers would come into operation. The original African associates, they contend, will certainly then demand parity of treatment with the Caribbean producers. This will cost the European Development Fund a great deal of money: shall we be prepared to pay our share?

22. Nevertheless, the French are at pains to give the impression that sugar cannot be allowed to become an insuperable problem. They will not insist on the Community defining its post-1974 sugar policy before enlargement, and are clearly prepared to agree to guaranteed access beyond their present offer, but will try hard to relate it to some form of ceans test i.e. to the degree of dependence on sugar of each Commonwealth country, as also to extract a promise of comparable treatment for their own client states.

COMMUNITY PREFERENCE

23. There has been some lessening of tension here on this issue pending the outcome of the technical discussions. French insistence on full preference from the outset remains as firm as ever, but it seems to be increasingly believed that we will agree to this once the technical problems (which are admitted to exist) have been resolved.

STERLING

24. The French have three main considerations in mind on this issue. The first - and this is in particular true of President Pompidou - is that they genuinely believe that it would be contrary to the interests of the Community to incorporate sterling just as it is - with its debts, balances and reserve role. Secondly, they realise that, if they want to see something done about these problems, this is their last and only chance: once we were in the Community it would be impossible to exercise any effective pressure upon us. They fear that the recurrent crises of sterling would then completely pre-empt the Community's medium term support facility, to the detriment of other possible users such as the French, and force us to seek constant derogations (import restrictions etc) and perhaps also to devalue. Thirdly, they believe that many of their doubts about sterling are shared by others in the Community and that they can safely open up this issue (though they would have preferred the Germans to do it for them) without incurring the risk of further isolating themselves.

25. What do they expect from the negotiations and/or discussions on this subject? They are likely to press very hard for the early - if not immediate - abolition of the preferential access to the London capital market now enjoyed by the Commonwealth. Although there may be some give in their attitude on this score towards under-developed Commonwealth countries they feel that countries like Australia can perfectly well cover their financial needs in the American or Japanese money markets.

26. As regards the balances and the reserve role, there is no serious French tendency to maintain that these problems can be resolved either within the Community framework alone or within the time span of the negotiations. It is also doubtful whether they have yet thought through in any depth the problem of precisely how to bring about a change in the present situation. Nevertheless it seems highly probable that they will seek to extract from us - in the context of the negotiations - a firm agreement in principle that it is our irrevocable intention, first, to prevent any further build-up of the balances and, secondly, gradually to run them down. It seems unlikely that the French will try to frustrate the renewal of the Basle Agreements. But the President certainly wishes to get from us a commitment, prior to our membership, about the long term future of the balances. He is convinced that the present status of sterling compels us, whether we like it or

not, to keep closely in step, financially and therefore politically, with the Americans.

BRITISH EMBASSY
PARIS
April 1971

PART 6 begins:-

U.K. Ambassador Pavis to Sir D. Greenhill
(~~F.C.O. to RTA. + ends of 21-4-71~~)

21.4.71

PART 5 ends:-

Record conversation between Foreign Sec
and H.Z. Opposition Leader 21/4/71