



PM/80/10

Prime Minister

(2)

Prime Minister
The Lord King Seal mentioned this
minute to you this morning.

mb

fs

Point 5/2

Community Budget

*See France Oct 79
(Anglo-French
bill)*

1. My minute of 4 February recorded my discussions on political issues during the weekend with the French Foreign Minister.

2. On the Community Budget the going was, as one might have expected, a good deal stickier. I deployed our case along the lines of the six points you put to Signor Cossiga last week as representing the basis for an acceptable compromise. I did not mention any figures.

3. Francois-Poncet replied in familiar French terms. He maintained that he himself was a relative dove on this issue, and apologised for having taken such a tough line with Ian Gilmour the previous week (Ian gave as good as he got). He claimed that President Giscard himself took a much harder view. The points which emerged from our discussions were:

(i) Francois-Poncet acknowledged that as part of a possible settlement some extra Community money could be spent in Britain on Community projects. This is, I think, the first time that the French have explicitly endorsed such expenditure. Francois-Poncet made clear, however, that he was thinking in terms of only a small amount of extra expenditure. He mentioned "a few millions" over 500 MUA.

(ii) The French do not contemplate settling our Budget contribution issue in March, at any rate on its own. Francois-Poncet said that there were obvious links with agricultural prices, the sheep meat question and progress towards a fisheries agreement. He also mentioned the political importance of some genuflection by us towards the Community on energy.

*Agricultural prices
may prove the most
intractable item on
this bill. Point 5/2*

/It



It would not be politically possible for President Giscard to return from the European Council with the British budget problem solved but with all these other issues outstanding.

- (iii) Francois-Poncet made no mention of any "associate status" for Britain. But when I pointed out that there was bound to be a row if it proved impossible to reach agreement he said that we would run the risk of finding ourselves isolated and that the other members of the Community would "make other arrangements without us".

4. Frankly, none of this surprises me. Anything less intransigent would have been unexpected at this stage. The French are clearly digging in for a tough negotiation: there is still a wide gap between what we regard as an acceptable compromise and what they say they are prepared to consider, and we may have to head off firmly any attempt by them to delay a decision beyond the March European Council. But their insistence on delaying a settlement and increasing the linkage items may upset and irritate a number of our partners who share our wish to get the UK problem out of the way as quickly as possible and who will have to bear the main cost of the sweeteners (eg on sheep meat) for which the French are looking. We shall need to take stock in the light of the Franco-German Summit, of the discussions I hope shortly to have with the Germans and of the Italian Presidency's efforts to move things forward in their bilateral talks with other Community partners.

5. I am sending copies of this minute to other members of OD, to Peter Walker, David Howell and to Sir Robert Armstrong.

Carrington

(CARRINGTON)

- 5 FEB 1980

