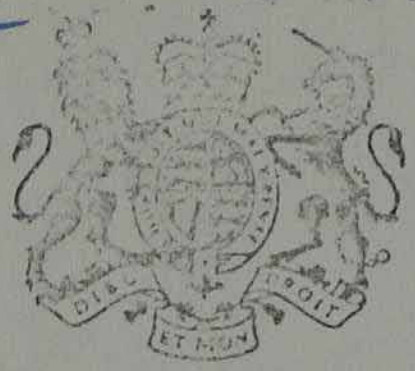


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Subject on: Euro PR:

PM's Meeting with

James Scott-Hopkins

July 1979

10 DOWNING STREET

From the Private Secretary

6 March 1980

Call by Mr. Scott-Hopkins

As you know, Mr. Scott-Hopkins called on the Prime Minister last night to discuss European affairs. The Lord Privy Seal was also present.

The Prime Minister told Mr. Scott-Hopkins that the most important issue in our European policy at present was, of course, our contribution to the Community budget. She described some of the diplomatic activity at present going on but said that so far there had been little discussion of the figures. The presentation of the British requirement had been changed: we were now laying stress on what we were prepared to pay rather than on what we expected to receive. This was a better formulation, particularly since the estimates for our net contribution in the absence of a change in the present arrangements were continually increasing. We were prepared to envisage making a modest contribution in future but this should be less than that being made by France whose GDP was far in excess of ours. Mr. Scott-Hopkins, who had participated in a phone-in programme on French television recently, said that the attitude of the French was very tough indeed and getting tougher. They were making it clear that they would insist on having energy, fish and lamb dealt with at the same time as the UK budgetary contribution. There was a growing tendency in France to ask whether it was not time that the British left the Community. The Prime Minister observed that a British departure from the Community would leave the other members with the need to replace the sums at present being contributed by us. In her view we held most of the cards. Mr. Scott-Hopkins should make it clear to his contacts that there was no diminution of our determination to achieve an acceptable outcome. Mr. Scott-Hopkins said that he thought the French were very anxious to get this year's CAP prices settled and were concerned at the prospect of our blocking them. The Prime Minister said that if there were no settlement of the budgetary problem, there would be no new CAP prices.

The Prime Minister asked how matters stood on the Community budget as a whole. Mr. Scott-Hopkins said that this depended on agreement on CAP prices. He noted that the Italian Minister of Agriculture had said at a recent meeting in Strasbourg that he was looking for a 4½ per cent increase in prices across the board.

/The Prime Minister

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The Prime Minister expressed concern about the impact of such an increase on the RPI. She repeated that there would be no progress on CAP prices until the budget problem was settled. She did not know whether it would be possible to agree a settlement at the European Council in Brussels but it would be essential that there should be very substantial movement then. She noted that Chancellor Schmidt was anxious for HMG to take the lead in arguing for reform of the CAP. However it would not be possible for us to get out in front on this issue at present.

I am sending copies of this letter to the Private Secretaries to the members of OD(E) and to David Wright (Cabinet Office).

Yours ever

Michael Alexander

Michael Richardson, Esq.,  
Lord Privy Seal's Office.

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