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SECRETARY OF STATE'S MEETING WITH THE FRENCH AND GERMAN
 FOREIGN MINISTERS IN BONN ON 12 MAY: THE COMMUNITY BUDGET

1. M. Francois-Poncet said that it would be impossible to discuss figures at the meeting in Naples on 17-18 May, since the Finance Council Meeting, due to be held on 12 May, had been cancelled. In any event there was no possibility of the UK getting the same offer again. The French now felt that they had gone much too far. Herr Genscher echoed these sentiments, and claimed that the Germans were now providing all the money for the budget, and would be the only net contributors under the arrangements discussed at Luxembourg. Lord Carrington rebutted this, and said that he saw no prospect of solution if figures could not be discussed. We had refused what was on offer at Luxembourg because the problem of duration had not been solved. If the French and Germans now withdrew the offer they had then made, there could be no solution. Three years was a minimum for duration.
2. Messrs Francois-Poncet and Genscher then argued that the scale of the figures involved over the next two years or so was too big to accommodate a three year settlement. Lord Carrington pointed out that this only illustrated the size of the problem. M. Francois-Poncet said that we had been mistaken not to accept a one year solution with a recasting of the budget mechanism to follow. Lord Carrington said that he saw no reason why we should not be given a three year settlement, accepting the recasting of the budget mechanism as it was brought into effect.
3. Herr Genscher raised agricultural prices. Lord Carrington made it clear that these were linked with a solution to the budget, that we had not been the first to make this link, and that it was now too late to unlink the two issues. He stressed that there could be no agreement on agricultural prices until the budget was solved. M. Francois-Poncet made sour noises.
4. On sheep meat, Lord Carrington made it clear that the Commission's arrangements were unacceptable. As he developed our case in detail, it became clear that M. Francois-Poncet was not well briefed on the subject, though he admitted the pointlessness of creating lamp mountains. There was no discussion of either oil or fish.
5. M. Francois-Poncet and Herr Genscher said that they
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had come a long way to meet us on the budget. Lord Carrington said that we too had moved, and that it was now up to our partners to make an accommodation possible.

J. G. H. Walden

(G G H Walden)

13 May 1980

cc: PS
PS/LPS
PS/PUS
Sir D Maitland
Lord Bridges
Mr Bullard
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14 MAY 1980

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