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NOTE FOR THE FILE

COMMUNITY BUDGET

The Foreign and Commonwealth Secretary discussed the next steps in the handling of the negotiations on the Community Budget with the Prime Minister at 1515 on Monday, 3 March. He was accompanied by Sir Robert Armstrong.

The Foreign and Commonwealth Secretary said that although there had been a great deal of discussion in recent weeks no real progress had been made towards a solution of the budgetary problem. A more specific probing operation than that which had been mounted so far was now needed. The Germans and French had suggested tripartite talks. There would be advantage in taking up the suggestion ⁱⁿ that it might enable us to find out more precisely what was on offer. There was no question of our formally conceding the concept of negotiating linkage, but it was necessary to bear in mind that the various problems now in view would have to be solved in more or less the same time scale.

The Foreign and Commonwealth Secretary said that he therefore proposed that Messrs. Franklin, Bridges and Hannay should meet with their French and German opposite numbers. The purpose of the talks would be to explore the amount, the duration and the composition of possible solutions. They would take the six points given to Signor Cossiga as their basic brief. There would be no question of their discussing such options as a two-stage solution. The talks would touch on fish - where it was clear that the French were seeking substantive progress; ~~sheep~~ meat - where it was, if anything, helpful that the French had established linkage; the CAP - where the French seemed to be alarmed by the prospect of a British block on progress; EMS - where a Treasury paper was awaited; and energy - where a cosmetic statement was already under consideration.

The Prime Minister agreed that the probing process could be carried forward in the way proposed by the Foreign and Commonwealth Secretary. She made it clear that she saw no problem in blocking the CAP price rises for the time being. She was more concerned with the Retail Price Index in this country. She said that she would not be

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prepared to participate in a further round of arguing at the European Council in Brussels. She hoped that the problem would be more or less resolved before the meeting began, although she accepted that there would probably be a final gap which could only be bridged at Head of Government level. If there had not been a rapprochement of positions by the time of the Council, she would be reluctant to discuss other issues then.

It was agreed in passing in the course of the discussion that there would probably be advantage in having contacts direct with the Elysee in mid-March. These might well be between Sir Robert Armstrong and M. Wahl.

Handwritten initials

4 March 1980

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