

Original on
France, Sept 79,
Whitmore's mtg with Wahl.



10 DOWNING STREET

From the Secretary for Appointments

22 October 1979

Dear Mark,

I have already passed on to John Hunt and Michael Franklin the main points which arose when I saw Jacques Wahl in Paris last Thursday, and the purpose of this letter is simply to record them more formally.

Rather to my surprise Wahl did not take a particularly tough line on the Community Budget. He said that the French acknowledged that we had a problem, but it was worse than it need be for two reasons. First, Britain had not integrated her agricultural trade into the EEC as much as she might have done and she was still importing too much from third countries. If we imported more from the Community, this would reduce our levies and thus our total budgetary contribution. If we were to take action on these lines, it would go down particularly well with his Government. Second, the level of investment in the UK economy should be raised. This would reduce consumption and this would in turn reduce our VAT contribution. We should bear in mind that if some budgetary relief was to be found for the United Kingdom, it was likely to be primarily at the expense of Germany, and for that reason he would expect the Germans to welcome any move on our part to reduce our gross contribution. If we were prepared to offer commitments on both his points at the Dublin meeting of the Council, he thought that the chances of finding a satisfactory solution would be improved.

In reply to his first point I said that Britain had already changed her patterns of trading farther and faster in the period since our accession than any other member of the Community had done in comparable circumstances. We had in any case a particular problem with New Zealand (which Wahl readily acknowledged). As regards his second point, nobody wished to see the level of investment in the UK raised more than the present Government. It was a fundamental part of their economic policies that more resources should be switched to that part of the economy which was wealth creating. The Cabinet had been meeting that very morning to take difficult and controversial

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decisions to bring public expenditure under control and thus to reduce the demands which the public sector was making on the economy. But even if we were to accept that there was substance in his points, neither of them offered the prospect of an early reduction in our contribution. The British Government was determined to find a solution which would give us a broad balance between our gross contribution and our receipts in 1980. In that year our net contribution was going to be £1,000m and, particularly at a time when a number of public expenditure programmes were being reduced, it was politically impossible for the British Government to see a net outflow of this size continuing. The British Government saw the problem as one of equity. They could not accept that Britain should be in the uniquely unfavourable position within the Community of being both a net contributor to the Budget and of having a below average gnp per capita. For these reasons, the British Government was looking for a solution at the Dublin Council: the longer the problem was left the worse it would become. Wahl and I left the matter there.

We also touched on fish, but he did not seem to be taking the "guerre des langoustines" very seriously.

When we turned to nuclear matters, Wahl was at pains to say that if the Prime Minister wanted to discuss such subjects with President Giscard during his visit next month, it was up to us to raise them. The French had had enough of getting nowhere on this with the Labour Government. He added that the French Government were determined to press ahead with their SSBN programme. As regards TNF, they were considering, as alternatives, what he called a French SS20 and a French Cruise Missile: they had studies on both possibilities in hand. They were also studying a "reinforced radiation weapon" which he said was like the ERW but was not quite the same. He did not elaborate on the differences.

I also raised Rhodesia with him and emphasised that we should need the help of the French Government and of our other allies when we reached the point of seeking international support for our proposals. I mentioned to him that Robin Renwick was visiting both the Elysee and the Quai the following day to brief French officials on the present position.

I am sending a copy of this letter to George Walden (FCO).

Yours etc,

Martin Vile

Martin Vile, Esq.

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