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MR R T ARMSTRONG

Handwritten initials and date: J 25/7

EUS - 25 JULY 1973

I attach briefs by Mr Nairne, with which I fully agree, on the three papers - The Summit Programme: Objectives and tactics (EUS(73)3);
 *UK proposals for the second stage of EMU (EUS(73)4); and[†]Regional Development Fund (EUS(73)5). There are however two additional points, not arising directly on the papers, which we feel the Prime Minister should consider.

2. The first is that, as the Prime Minister knows, there has been some argument between Departments about our prospects and tactics in the end-year negotiations on the Summit programme. FCO thinking has gone through a series of stages: it has moved somewhat from earlier signs of Francophobia but now takes the form of pressing for an early 'quantum step' unaccompanied by any constructive proposal beyond the possibility of rejoining the snake. Treasury thinking has reflected some ambivalence: they have produced a workmanlike paper (within its limits) on the EMU II programme, and they are fully conscious of the French attitude to the issue of the snake; but they appear to be unenthusiastic supporters of their own proposals and adamant against any positive approach to the Community float. As to the RDF, Cabinet Office itself has had to try and identify the positive way forward: the DTI have shown little momentum, and the Treasury have sometimes been little more than harbingers of doom. These attitudes may, in some degree, be reflected in the briefing of EUS Ministers. The essential thing however is that whatever line Ministers endorse - and I hope it would be that suggested in paragraph 20 of EUS(73)3 - it should now be laid down firmly. The next few months are going to see some very difficult negotiations and we cannot go into them with our own Departments still squabbling.

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* Brief + covering minute (copy) filed on: - Euro. Pol. Feb 72 A2

† Brief only filed on: - Euro. Pol. June 72



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3. The second point partly flows from the first. The papers rightly concentrate on the RDF and the second stage of EMU. But we did not join the Community simply to pay a large subscription and then find ways of getting our money back. We joined to give our industry the stimulus and opportunities of a vastly greater market, to ensure our security (particularly by anchoring Germany into the West) and to develop the Community into a political entity. The constant emphasis by the Treasury (and now by the CPRS in a paper circulated after the briefs were written) on the budgetary argument and the recycling of money - important though it is - carries the danger of losing sight of these objectives.

4. Finally, there is a point which the brief on EUS(73)3 does not emphasise. The key to Community development will, for the foreseeable future, continue to be found in the relations between France, Germany and ourselves; we need to promote the closest possible understanding - continuously and at every level - between Paris, Bonn and London. The Prime Minister has, I think, very much in mind a visit by President Pompidou in, say, November. Bonn telegram No.823 to the FCO of 18 July provides an up-to-date summary of current German thinking which underlines the importance of renewing discussion with Chancellor Brandt as well, preferably in the late Autumn. These meetings could well be essential to success in achieving our objectives at the end of the year.

J.H.

JOHN HUNT

24 July 1973

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