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10 DOWNING STREET

From the Private Secretary

24 April 1980

Dear Paul,

Telephone conversation with President Giscard

President Giscard D'Estaing rang the Prime Minister at 6 pm this evening.

After an exchange of courtesies, President Giscard said that he was ringing to discuss the forthcoming meeting of the European Council in Luxembourg. He was anxious to ensure that there should be no misunderstanding about it. It was out of the question that an agreement would be reached which did not cover all the outstanding issues. This was a fundamental point. Britain had made a demand which the other members of the Community were being invited to meet. The finding of a solution would constitute a burden for the other members. It would be impossible to explain in France that this problem had been resolved while the agricultural prices, which should have been agreed in March, had not been settled. The French Government would not be able to justify a failure to find a solution on other issues than the Budget. It followed that if there was no agreement on those issues, there would be no agreement on the Budget. President Giscard said that he would be making this point to Signor Cossiga in the morning. The Prime Minister said that she also would be seeing Signor Cossiga. She did not think it would be possible for there to be a detailed discussion of farm prices at the European Council. She was worried that a situation would arise in which President Giscard was saying there could be no agreement on Britain's problem until his problems were settled, while she would be saying that there could be no solution to other problems while Britain's problem was unresolved. In the end, all the major problems would have to be sorted out at the same time.

Taking up the Prime Minister's point that the European Council would not be able to discuss farm prices, President Giscard said that the Agricultural Council should have been able to prepare for the meeting. Its failure to do so was causing irritation. The Prime Minister said that both Heads of Government had irritations. The irritations would have to be resolved together. The Budget was acutely difficult for Britain: Sheepmeat was, obviously, acutely difficult for France. They could not be traded off one against the other, but they had to be resolved at the same time.

/ President Giscard said

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- 2 -

President Giscard said that nothing seemed to have happened since the Dublin meeting. Farm prices should have been fixed by 1 April. They always had been in the past. But this year nothing had been done. The Prime Minister replied that the Budgetary problem had been under discussion since Strasbourg and recalled that last year agricultural prices were settled while the European Council was meeting in Strasbourg in June. She was perfectly prepared to see the Budgetary problem and the farm problem solved in the same time-scale. Neither could be solved without the other. She had found the meeting in Dublin very difficult and was anxious to avoid another such discussion.

President Giscard commented that he found it difficult to understand the perpetual postponement of serious discussion of Britain's problem and of other problems. Preparation for the Council could by now have been well advanced but in the event there had been no effective ministerial consideration of either the farm price problem or of Britain's Budgetary problem. The Prime Minister said that Britain's problem was not a technical one. It had been on the table since July. The outlines of a solution were clear but further progress was unlikely until the Heads of Government had discussed it further. It was essential that they should get somewhere this time. With regard to the Agricultural Council, there had been wide differences between a number of members. President Giscard implied in response that if the British and French delegations had been in agreement, the problems could have been resolved. He said that it was absurd that there should be an impression of an Anglo/French rift. He was sorry that the meeting in Luxembourg seemed likely to take place without a global compromise having been prepared.

The two Heads of Government agreed that when they saw Signor Cossiga tomorrow, they would not mention the fact of the telephone call. The Prime Minister having offered to send Sir Donald Maitland to Paris again to discuss the situation, they agreed to review the possibility after Signor Cossiga had left London. The Prime Minister said that she would ring President Giscard tomorrow evening to discuss whether or not Sir Donald should go.

I am sending copies of this letter to John Wiggins (HM Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

Yours ever

Richard Alexander

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