

~~Mr. Alexander~~

PRIME MINISTER

cc. Paymaster General
Mr. Gow

RUN UP TO DUBLIN - NOVEMBER 29/30

1. You should be aware of the joint No. 10/FCO efforts now being made to influence the media, especially in Europe, in the run up to the European Summit.
2. Last week (Wednesday) the FCO held a briefing for about 40 correspondents resident in the UK of the main press, radio and TV companies in the eight other member States. This is being followed up by FCO lunches, at which we are represented, for selected national groups of European journalists to brief them on our attitude. A similar effort is being made by our posts in the Eight.
3. In addition, both the FCO and myself have regular meetings with Western European correspondents as a group and the message is being hammered home in these forums as well as during my regular weekly meeting with resident U.S. correspondents who are very interested in the subject.
4. The FCO and ourselves have identified a series of questions which crop up most frequently and provided a Question and Answer brief (see Annex I). I propose to issue this through the Paymaster General's office to Ministers as a briefing note if you are content.
5. We are, of course, inundated with requests for interviews with you in advance of Dublin. You have decided not to see French journalists in advance of Giscard's visit but we need to consider whether you should continue to lie low (apart, of course, from speeches and Parliamentary occasions) in the week immediately before Dublin.

/6. Journalists

6. Journalists ringing me from the EEC tend to confirm that the message that you really do mean business in Dublin has got through to the capitals. Equally, they state that, while it is accepted that we have a case, our partners will not give us broad balance. Their interest now is not, therefore, in our case but in what happens if you do not get your way in Dublin. And that you cannot and will not tell them. Nor do you wish to encourage defeatist talk. There is not, therefore, a particularly useful basis for interviews, except as a means of getting your point of view on the record immediately before Dublin.

7. Are you therefore content to rely so far as the foreign press is concerned on Ministerial (at Euro-Councils) and official briefing pre-Dublin?

8. There are, however, several domestic requests for interviews of which you should be aware:

(i) From "Panorama" for the evening of Monday, November 26; they have secured an interview with the French Foreign Minister (M. Francois-Poncet) on November 22 and are anxious to give you a straight 10 minute interview after M. Francois-Poncet, whose text you will be able to have. Leaving aside the cloud at present hanging over "Panorama", I consider that the British Government's point of view should be put over in the programme but recommend that either Lord Carrington or the Chancellor of the Exchequer should take it on. Do you agree?

(ii) From LWT's "Weekend World" - not specifically related to the Eurobudget since this is a long-standing invitation for a one hour interview with Brian Walden, but it would be concerned with economic strategy, of which the Eurobudget

is a part; my own view is that this is not the time to take up the invitation. Do you agree? We might, however, nominate a Treasury or Industry Minister.

(iii) From The Sunday Times. Keith Richardson, their Chief European Correspondent who is a considerable admirer and supporter of yours, will be writing about the subject this coming weekend but has asked for an interview with you for the November 25 issue. Unfortunately, he is almost certain to write a crisis story and the only way in which he will be able to take it forward is to try to get some inkling of how you might play "failure" in Dublin. I cannot, therefore, see much advantage in your seeing him. Do you agree?

(iv) From The Guardian. John Palmer, a way-out Leftie, but a first-class journalist who is writing good stuff about the UK and the EEC, wants to do a Question and Answer feature with you. The same considerations apply as with The Sunday Times and I do not recommend that you see him. Do you agree?

-You will, of course, have a joint press conference with Giscard on November 20 and subsequently Questions on November 22 and 27 to get over any points you wish to make. I have also re-arranged your visit to the Lobby for November 22 when the Eurobudget is likely to be a main topic of conversation.

I shall be minuting you separately on the arrangements for Dublin and its follow up.



B. INGHAM

12 November, 1979

UK CONTRIBUTION TO THE EEC BUDGET: QUESTIONS AND ANSWERS

You are setting your sights too high.

Nonsense; the injustice has gone on too long. We foresaw the problem at the time of entry negotiations but the Community then argued that rising UK receipts and falling percentage of expenditure on agriculture would solve it. They also said that if an unacceptable situation arose, the very survival of the Community would require that it be rectified. Unacceptable situation has now arisen and a solution must be found which lasts as long as the problem.

What do you mean by broad balance? Would you accept a compromise?

The Prime Minister has made it very clear that she wishes to see a broad balance between our contribution and our receipts from the Community. According to Community estimates in 1980 we are to contribute over 20% while receiving less than 10%. Without putting a precise figure which clearly will be the subject of discussion at Dublin, nothing could be plainer.

You are not a poor country with your abundance of oil, gas, coal and fish, which you are often singularly reluctant to share with the Community.

Yes we are fortunate. So are others. Mexico has oil but is not a rich country. The fact is that the generally accepted yardstick of relative prosperity is per capita GNP. The benefits of oil are reflected in this - but we remain the 3rd poorest member of the Community at 75% of average per capita GNP. We must also bear in mind other natural resources in the various states eg Dutch natural gas or German coal. We would like to see policies adopted by the Community which take more account of the coal reserves within the Community. Much of our oil already goes to the Community; $\frac{1}{2}$ our production is exported and $\frac{1}{2}$ of exports go to EEC. As for fish, 60% of the Community's catch in the waters of member states is taken from UK waters. So of course we contribute very considerably and our partners benefit substantially. As members of the Community no question of our retaining all that fish for our own use. What we want is an equitable fisheries policy settlement that gives our fishermen a fair share of the fish in our waters.

Why the hurry to solve the problem entirely at Dublin? The problem was foreseen at the time of negotiation so why can't you accept a progressive solution?

A progressive solution would not be satisfactory. The problem is with the 1980 budget to which we will contribute over £1 billion net. This issue must be dealt with on its merits and in a manner which ensures that Ministers will not be confronted with it again. Is the percentage of the Community's budget spent on agriculture is more reasonably balanced by the development of Community.

industrial and regional policies and our own trade becomes increasingly integrated with the Community, the problem will gradually disappear.

Do you say you are not in the business of doing deals, but all life's bargain - your attitude is surely unrealistic?

We do not see why the Community should ask us to pay for getting a fair solution on the budget. Certainly we are ready to work for parallel progress across the whole front of Community business but each area raises its own economic and political problems. We should not create links where they do not naturally exist.

You are in this predicament because you have to pay an excessively large amount of levies because you import such a large proportion of food from outside the Community.

The proportion of our imports from the rest of the Community has risen substantially since we joined and will probably continue to rise. We have adjusted to the Community market faster than any other member state. Imports of manufactures from the Community have risen from 31% to 38% and of food from 32% to 42%. We totally reject the implications of this criticism: EEC aim is to encourage world trade (Article 110) not stifle it. To force the consumer to make a particular choice is quite unacceptable both to this government and to the Community as a whole.

You have not maximised your potential receipts from the Community.

If this is true it is only because of the excessive amount of the Community budget, nearly 74%, which is spent on agriculture from which we receive very little benefit. At the time of accession it was generally accepted that non-agricultural spending would absorb an increasing share of the budget. If we have not benefited from the Community it is not our fault.

Doesn't Britain's Green Pound policy exacerbate the problem of our budgetary contribution?

No. Our policy is designed to devalue the Green Pound during the life of the present Parliament in order to provide our farmers with conditions which are broadly competitive with the rest of the Community. That is a perfectly reasonable policy which has marginal effects on our budgetary problem. In fact the UK MCA is now smaller and recently dropped to zero.

/Even if ...

Even if Britain manages to convince West Germany, Italy and some other members of the need for a correcting mechanism for the budget, how will we convince the French, whose support is essential for a speedy solution?

Agree that the French position is crucial. This will be an important topic for discussion when President Giscard visits on 19/20 November. We believe our grievance is well understood and our position is wholly reasonable. We hope that French will assist us in Dublin in finding a solution.