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e/k Hartley

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF THE EUROPEAN COMMISSION, MONSIEUR GASTON THORN,
AT NO. 10 DOWNING STREET ON 26 JUNE AT 1035.

Present

Prime Minister	M. Thorn
Mr. M.D.M. Franklin, CB, CMG	M. Spaak
Mr. M.O'D.B. Alexander	

The 30 May Mandate

M. Thorn said that on the visits to capitals which he had so far made, he had only encountered one serious opponent of the Commission's proposals. This was Denmark. The Dutch, like the Danes, knew that they would have to pay more - or receive less - if the Commission's proposals were implemented. But whereas the Dutch accepted the Commission's proposals in principle, the Danes were inclined to regard them as a "betrayal" of the CAP. The Commission regarded their proposals as being the most that could be done while maintaining the principles of the CAP - as they were enjoined to do in the 30 May Mandate. The main point made by Chancellor Schmidt had been that it was necessary to handle the budget and the CAP together. Even if they could not be dealt with "on the same day" the package approach should be maintained. The Commission's approach did this.

As regards the timing, the Commission were ready to start detailed work at once. But some Member Governments were not. President Mitterrand, for instance, would make it clear on Monday that he was not ready for a substantive discussion. Indeed, there had been signs that he might argue in favour of a postponement of such discussion until October. In order to maintain momentum, the Commission considered that the detailed work should be assigned to the Permanent Representatives in their personal capacity rather than to the Permreps as a body. The Commission would of course be available to assist the Permanent Representatives in their work. The group should report to the Foreign Affairs Council every second month.

CONFIDENTIAL

/The Prime Minister

CONFIDENTIAL

- 2 -

The Prime Minister said that it was vital for the Community as a whole that momentum should be maintained. The Commission would have to give firm leadership in order to ensure that the matter was "driven through". M. Thorn said he entirely agreed with the Prime Minister. He hoped that on Monday, once President Mitterrand had made his position clear, the Dutch would propose the procedure he had outlined to the Prime Minister. The Prime Minister said that she recognised that to some extent the meeting in Luxembourg would be an occasion for new Heads of Government to get to know each other. None-the-less it was particularly important that at a time when so many changes had occurred in Member countries, the Community as a whole should demonstrate its purpose and resolve. The way to do this would be to get the procedure for the implementation of the 30 May Mandate sorted out. Mr. Franklin commented that we were open-minded on the procedures to be adopted.

Sheepmeat Clawback

The Prime Minister said that she was anxious to avoid a situation arising where there was a meeting of the Agricultural Council going on in parallel with a meeting of the European Council. The question of sheepmeat clawback was one for M. Thorn to sort out. It was on his plate and should not have to come back to Ministers. She felt very strongly that there was an agreement which had to be implemented. M. Thorn said that the difficulty he faced was that the present French Minister of Agriculture, Madame Cresson, denied that her predecessor, M. Mehaignerie, had entered into the agreement attributed to him. It was a fact that there was nothing in writing. The Agricultural Commissioner, M. Dalsager, accepted that there had been an agreement but denied that the agreement was a detailed one or included prices. He believed that the proposal currently being advocated by the Commission was entirely in line with the agreement he had entered into with Mr. Walker and M. Mehaignerie. The Commission would of course be prepared to proceed through the Management Committee but the French were not prepared to do this because in their view there was a disagreement on an issue of principle. M. Thorn claimed that he had told M. Cheysson that the new Government should not start its time in the Community with a row about an agreement that had undoubtedly been entered

CONFIDENTIAL /into by

CONFIDENTIAL

- 3 -

into by their predecessors. M. Cheysson professed to accept this argument but said that it would be impossible for the French Government in all the circumstances to go through the Management Committee. The Council of Ministers should meet to confirm that there had been an agreement. Such a meeting need only take a few minutes.

M. Thorn then said that a meeting of the Management Committee was due to take place this afternoon and that the Commission would be seeking approval from it for its proposals. If there was a formal objection of principle in the Management Committee, the Commission would have no option but to opt for a meeting of the Council of Ministers early next week. Such a meeting would take place late on Tuesday afternoon after the European Council had finished. Mr. Franklin said that the Commission had undertaken to find a solution and that he could see no legal objection to a decision by the Commission to push the issue through the Management Committee. M. Thorn said that this would of course be right if Ministers agreed but that he did not see how the Management Committee could have expected to confirm an agreement made between Messrs. Walker, Mehaignerie and Dalsager. Mr. Franklin said he did not see how taking the matter to the Council would help. The Prime Minister observed that to do so would risk calling the entire package in question. In reply to a question from M. Thorn, Mr. Franklin said that there had been no bilateral talks with the French. We had talked to the Commission because this was the ^{correct} way to approach the matter. It was the Commission's responsibility. The Prime Minister said that she had hoped that the advent of a new Government in France would make it possible to start the Anglo/French relationship in these areas on a new and sound basis, marked by an absence of personal animosity. She would be deeply upset to be disappointed. M. Thorn said that in the light of his discussion with the Prime Minister, he would telephone to Brussels later in the morning. The question was, as he had already pointed out, on the agenda to a meeting of the Management Committee this afternoon.

CONFIDENTIAL

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CONFIDENTIAL

- 4 -

In a brief reference to the present arrangement for the financing of the Community, the Prime Minister commented that the Federal Republic was being treated very inequitably. If this were to continue for long, Europe as a whole would regret it. M. Thorn said this was a point he had made repeatedly to his Benelux and Danish colleagues. The Prime Minister also commented that an agreement on fish was now needed very urgently.

Other Issues

M. Thorn said that he thought President Mitterrand would probably wish to talk in Luxembourg about the 35-hour week. The Prime Minister said that she herself thought a 35-hour week was ridiculous, but if President Mitterrand wanted it, he should of course have it. However, he should not attempt to persuade the other Members of the Community of its merits. The French would simply have to take the risk that other Members of the Community would become more competitive than they were. M. Thorn said that he had told M. Cheysson that he should try to persuade President Mitterrand that while he might have to speak about the 35-hour week for domestic political reasons, he should not insist on any reaction from his colleagues or on having any reference to it in the Communique. The Prime Minister agreed with this. She would be in favour of having a short a Communique as possible. M. Thorn thought President Mitterrand might be receptive to this approach.

The Prime Minister said that she thought that no attempt should be made in Luxembourg to reach hard and fast positions on North/South questions - though she recognised that President Mitterrand would be keenly interested in these. She did not wish to give the impression that the Ten were getting their positions "all fixed up" well in advance of Mexico. M. Thorn said that he believed the Ten should try to push the Americans a little on these issues. The Americans were too inclined to believe that automatic market mechanisms would take care of all the problems. He hoped that it would be possible to go some way towards meeting the Third World countries on the question of global negotiations. He wondered whether it would not be

CONFIDENTIAL

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CONFIDENTIAL

- 5 -

possible to accept one round of global negotiations before individual subjects or commodities were assigned to smaller groups. The Prime Minister said she thought it important that the meeting in Cancun should avoid getting into that kind of detail. If it did, the participants would all be at each others throats. When the Mexican Foreign Minister had been here he had spoken in terms of a general exchange of views. This had been right. Others were now trying to get into more detail. As far as she was concerned, there should be no negotiation in Cancun. M. Thorn said that he had always considered the Summit in Mexico to be a mistake. He thought that it would "add frustration to frustration".

The Prime Minister said that the Brandt Report was "full of holes", but unfortunately its rhetoric had caught hold. The real cause of the present crisis had been the redistribution of income to the OPEC countries. Commodity arrangements were no answer. The fact was that one could not frustrate the market. As for aid, the British Government's record was a good one, better than that of many of our critics - including Austria. M. Thorn agreed.

The discussion ended at 1115.

Thorn

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