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Prime Minister (2)

As. [Signature]

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European Council: French Views

I saw M. Attali at the Elysée on Tuesday afternoon. After forty minutes he had to leave for a meeting with M. Delors, and I continued for sometime afterwards with his deputy, M. Morel.

2. Asked how I saw the prospects for the European Council, I said the Prime Minister was concerned with the lack of progress in the Mandate Group and at the Foreign Affairs Council. With three weeks to go, it was a matter of concern that, while some progress had been made on the first volet, there remained serious differences on the CAP and there was not even a basis for negotiation on the budget issue. We were clear that the three volets had to be brought up to the same state of preparation. The Prime Minister was determined to get decisions and not to have long communiqués which merely disguised the absence of agreement.

3. M. Attali said he saw the prospects in much the same way. The French wanted something on the relance; he mentioned espace sociale, energy and Community lending (the N.I.C.). He was more optimistic about the CAP (I said we would have real difficulty about differentiation in favour of small producers: he said this was 'political'). On the budget, he repeated the standard French line: balance in the Community could not be judged by the budget alone (this directed more at the Germans than at the U.K.); restructuring had to be achieved as far as possible through Community policies, there could not be a new set of Community rules and therefore alleviation for the U.K. could only be temporary and degressive. Nor could the latest Commission figures be ignored. They would not be prepared to negotiate again on the basis of forecasts.

4. I said there were three aspects to the budget problem: the amount of corrective needed; the duration; and method. On the first, this would be a matter for negotiation. The fact that the U.K.'s net contribution for 1980 and 1981 was lower than forecast could only be a good thing since we clearly paid too much; the chances were that the figures would go up again in 1982 and thereafter; and anyway the uncertainty of the calculation pointed strongly in favour of a system which allowed the Community to decide what the budgetary flows ought to be: the corrective would then be a residual. On duration, another ad hoc solution would not be acceptable. The need for a corrective might not last for

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ever but the system should avoid the risk of recurring problems for the Community. As to method only two ideas were on the table: our own, which had some similarity to the German approach, and the Commission's: did the French have views?

5. In the subsequent exchanges, and later with M. Morel the impression I had was:

a. that there was flexibility in the French position on duration. Having mentioned one year at the outset, Attali rapidly moved to 'years' and Maurel said the French definitely did not want recurring negotiations in the Council. But they did not think it was realistic to contemplate an arrangement which would encompass enlargement (this echoing a German thought as put to us by terrier);

b. that the French had no fixed ideas on method. They rejected the Commission system not on principle but because it had found little support in the Community. They rejected our system because it was based on net balance; and finally suggested that the answer might lie in 'something between the two';

c. that they will seek to argue that we did too well in 1980 and 1981 results and that this should be taken into account in deciding on our refund for later years.

6. They were clearly aware of the Chancellor's talk with M. Delors and said that he had spoken to the President on his return from London. We could take it that what M. Delors had said represented the French Government's position. The President accepted that something had to be done for the United Kingdom and wanted 'Mrs. Thatcher's meeting in London to be a success'. Before leaving, M. Attali said he thought we should envisage a further meeting after the Foreign Affairs Council and before the European Council (I subsequently told Maurel what Delors had said to the Chancellor. He said Attali was in close touch with M. Delors, and that we could take it that this contact was what he had in mind.)

7. The conversation with M. Morel covered:

a. a repetition of M. Mitterand's concern that the European Council should be properly prepared. I outlined all the efforts we intended to make up to and including 19 November;

b. fisheries: M. Mitterand might well feel obliged to raise it at the European Council, it formed part of the 30 May settlement. I said we were anxious to make progress but raising it at the European Council



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would not help;

c. attendance at the European Council: Cheysson's suggestion that two Ministers should be invited to attend had plainly not emanated from the Elysée.

(M.D.M. Franklin)

4 November, 1981.

c.c.

Mr. Alexander (No. 10)  
Sir R. Armstrong (Cabinet Office)  
Lord Bridges (F.C.O.)  
Mr. Hancock (H.M. Treasury)  
Sir M. Butler (UKRep Brussels)  
Mr. Petrie (H.M. Embassy, Paris)

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