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bc Mr Alexander
Mr Wright
Mr Elliott

F. Am.

NOTE FOR THE RECORD

THE MANDATE AND THE FRENCH

Following the contacts with French officials last week, including further discussions I had with M. Achard after Friday afternoon's talk, I would judge the current French position to be as follows:-

- (i) President Mitterand would genuinely like something to be settled at the European Council. Despite M. de Nanteuil's performance in the Mandate Group they are not filibustering.
- (ii) they are in no doubt that some solution to the British budget problem is an essential element in any agreement. Nor do they pretend to themselves that it is likely to disappear through the natural development of the Community. But the solution they prefer would include some general reiteration of the Community's determination to act to deal with unacceptable situations as and when they arise ("Community solidarity", or as M. Paye described it, an insurance policy), coupled with another ad hoc refund arrangement for the UK (of a "temporary, degressive and lump sum" kind).
- (iii) they do not have any precise scheme in mind. They have rejected the Commission approach although Achard sees some advantages in it, notably that it avoids the concept of net balances. They are very unlikely to agree to any form of generalised budget scheme which they regard as undermining the basic financial rules of the Community.
- (iv) they do not appear to have reached any understanding with the Germans. Whatever may have passed between Mitterrand and Schmidt, officials do not

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feel committed to do anything to help the Germans on the budgetary front. According to Achard, most of the meeting between French and German officials in the middle of last week was taken up with the CAP and relance.

- (v) they will expect any agreement about the budget to be accompanied by decisions on the CAP which conform to current French thinking; and (although this takes second place) certain elements in the relance memorandum, especially on social policy.

hand

M D M FRANKLIN

cc Lord Bridges	FCO
Mr Hannay	"
Mr Hancock	Treasury
Mr Andrews	MAFF
Mr Petrie	Paris
Sir M Butler	UKREP