

Mr Alexander

CONFIDENTIAL

to Aunt

Q2 02376

Rennie Minister

SIR ROBERT ARMSTRONG

cc Lord Bridges  
Mr Hannay  
Mr Hancock  
Sir M Butler

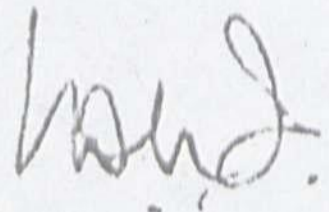
It is depressing that the French are taking such a difficult line: if necessary they will have to be told to "take a powder". But perhaps one should wait to hear Mrs Pittenand before reacting. (para 4 + attached minute)

EUROPEAN COUNCIL: DRAFT BUDGET GUIDELINES

I have spoken on the telephone both to Thiele in Bonn and Morel in Paris to tell them, as I promised to do, what we had decided to do about the draft guidelines. Aunt 29/11

2. With Thiele I said we had altered the end of paragraph 5 to make it even clearer that we had the Federal Republic in mind. He acknowledged that the text was an improvement but was still unhappy that it appeared to give greater recognition to the United Kingdom's problem than to that of Germany and that we continued to treat the less prosperous countries (Italy and Ireland) too favourably. On the first point I said that we felt we had produced now a balanced text which did not refer specifically either to the United Kingdom or to the Federal Republic. If the Federal Chancellor felt he had to propose stronger language he was of course free to do so. On the less prosperous member states I pointed out that we were only following the thinking in the Commission report and were only using the words "will have regard to".
3. I subsequently spoke to Morel who had not yet received the revised text. I told him that there were only slight changes. I explained that we had reflected carefully after the meeting with M. Beregovoy and had felt that distributing the draft budget guidelines was the best way to ensure a sensible discussion at the European Council. He would be receiving through the Embassy some further reactions to the meeting on Monday morning. He took note.
4. I went on to say that we had been extremely disturbed to learn that the French representative at the Budget Council (UKREP tel no 4470) had declared that France

would oppose further supplementary measures payments in 1981 and advances on 1982 refunds until agreement had been reached in the Mandate negotiations. This statement was in total contradiction to the assurance we had been given by M. Beregovoy that there would be no question of demanding repayments for 1980 and 1981. Unless he could tell me that M. Vidal had been speaking out of turn we would need to inform the Prime Minister who might feel obliged to raise the question with the President. He promised to investigate and ring me back.



M D M FRANKLIN

25th November 1981