

Ref. A07629

PRIME MINISTER

MT

Content that Sir Robert Armstrong
should speak to the French on
these lines?

A.Y.C. $\frac{25}{2}$

As you know, I am to attend this weekend a meeting of the Personal Representatives of the Heads of State and Government attending the Economic Summit in Versailles in June. President Mitterrand's Personal Representative, Monsieur Attali, will be acting as Chairman. The purpose of the meeting is to carry forward the preparations for the Versailles Summit, but Monsieur Attali has proposed that he and I should have a word about the Mandate negotiations in the margins of the Economic Summit talks.

2. My objective in these discussions will be to convince Monsieur Attali of the merits of our case, to expose the unreasonableness of the French position and to leave him in no doubt that the French Government can expect no satisfaction on farm prices in general, and the treatment of small milk producers in particular, until they have met Her Majesty's Government's requirements on the budget problem.

3. I would propose, if you agree, to stress the following points in particular:

- (i) You remain firmly committed to the objective that you and President Mitterrand set yourselves last September, namely improved and strengthened Anglo-French relations.
- (ii) The British Government understands that agriculture is of very great importance to the French Government and that the French Government has a particular requirement that the Common Agriculture Policy should give specific support to small milk producers. The Foreign and Commonwealth Secretary has already made it plain that, in the context of an overall settlement on the Mandate, the United Kingdom would be prepared to see something done helpful to France. But there can be no question of our agreeing to concessions to small milk producers before the budget problem is solved.

- (iii) France must also bear in mind that CAP expenditure is the root cause of the British budget problem. Decisions on agricultural prices taken in 1982 will be a crucial determinant of the level of the United Kingdom's unadjusted net contribution in the years ahead. The discussions on the budget problem and the decisions on farm prices are, therefore, integrally linked. In the negotiations about Chapter II of the Mandate, Heads of Government and Foreign Ministers considered the future treatment of Mediterranean products; the regime for cereals; the modulation of guarantees; the treatment of milk surpluses; what should be done to mitigate the effect of policies to contain milk surpluses on small milk producers; and a ceiling on the rate of growth of agricultural expenditure. The negotiations about these questions are now being continued in the context of the review of agricultural prices. But this is no reason for abandoning the agreement that progress must be made in parallel on non-agricultural policies, agricultural policies and the budget problem. For that reason, the British Government will need a fair and durable solution to the British budget problem in order to be able to defend at home a farm price settlement acceptable to France.
- (iv) A successful conclusion to the negotiations on the Mandate, the price fixing and the budget is also a necessary condition for the successful evolution of Community policies as a whole in the coming months. Unless these critical problems can be solved, the Community faces a major crisis which will endanger the ability of the Community to measure up to world problems. It is in any event essential, and in both our interests, that these internal questions be sorted out before the Versailles Economic Summit.



- (v) Neither we nor the French, we imagine, wish to see these negotiations develop, as they did in 1980, into a much-publicised dispute. But the issues at stake cannot be put on one side. Each Government must take account of the essential requirements of the other. For that reason you suggest that there should continue to be close and informal contacts between your representatives and those of President Mitterrand in the period between now and the March European Council.
4. The Foreign and Commonwealth Secretary is content that, if you agree, I should speak to Monsieur Attali as proposed above.
5. I am sending a copy of this minute to the Foreign and Commonwealth Secretary.

RTA

ROBERT ARMSTRONG

25 February 1982