

MR COLES ✓

cc: Mr Richards

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150 m ecus.

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THE MANDATE

Mr Hancock and I met M. Attali this morning.

M. Attali said that President Mitterrand's mood was very bad. They had been looking at the Thorn-Tindemans formula (the "non-paper") and had concluded that it did not constitute a basis on which they could proceed, at any rate without substantial amendment. Its particular defect was that it was ^{if} "progressive": in other words, the refund to us would increase/our unadjusted contribution increased. He said that President Mitterrand would be "removing the ambiguity" about this in the session of the European Council today.

From a purely tactical point of view it is advantageous to us that he should do this. We have been saying that we were prepared to see if the formula could be adapted to meet our needs. If the President rejects it, it is the French who will be in the dog house from the point of view of other members of the Community.

Mr. Attali also said that the figures that we had mentioned to him last Wednesday (a refund of about 16 hundred million ecus) had very much surprised the President. It was far greater than he could contemplate. There was no advance on the figures he had mentioned to us when we last met (about 12 hundred million ecus, which was virtually the same as the 30 May position).

We then explained to M. Attali once again the nature of our political problem. The cost of Community membership to the UK was of the order of £500 million a year, even on the basis of a 90% refund; excluding agricultural trade losses, the cost would still be of the order of £250 million, or about 400 million ecus. That was a charge on the British budget. It would be very difficult to justify to the British Parliament. We then produced a table of net contributions and receipts which was prepared for you before the weekend (but without forecasts). This, of course, showed the unadjusted net contribution for 1981 only a little less than that of Germany (and everyone else a net beneficiary). We said that

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if there was no adjustment in 1982, we concluded that our contribution would be 18 hundred million ecus, and the French would benefit 350 million ecus net. We stressed the political importance of this picture. M. Attali seemed to be much struck by this table; he said that he wanted to show it to the President before lunch, and he suggested that we should resume our discussion later in the day. We are to meet again at 1530 hrs.

D. Havel *hr*

Sir Robert Armstrong.

29 March, 1982