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Prime Minister

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MR COLES

MC

cc: Private Secretaries to:

The Foreign and Commonwealth Secretary
The Chancellor of the Exchequer
Minister of Agriculture, Fisheries and Food
Sir Robert Armstrong

30 MAY MANDATE: BILATERAL DISCUSSIONS WITH ELYSEE

With the Prime Minister's agreement I visited Paris on 12 May to ensure that the special advisor to President Mitterrand, Monsieur Jacques Attali, fully understood the Government's position on the Mandate and the price fixing; to see whether there existed any hope of agreement with the French within the negotiating authority agreed by Ministers on 6 May; and to pave the way for a talk between Monsieur Attali and Sir Robert Armstrong at the preparatory meeting for Versailles this weekend. Monsieur Attali was very pressed for time but I had an hour with his aide, Monsieur Morel, and 20 minutes with Monsieur Attali. Monsieur Morel summarized what I had said accurately to Monsieur Attali in my presence. Monsieur Attali noted the problem; remarked that he could tell me in the name of the President that it was not his intention to create political difficulties for the Prime Minister; he would seek instructions from the President during their visit to Hamburg on Friday 14 May and would arrange a meeting after dinner on Saturday 15 May with the representatives of the Community at the Versailles preparatory meeting, namely Sir Robert Armstrong, Herr Schulmann of the German Ministry of Finance, Signor Berlinguer of the Italian Prime Minister's office, Monsieur van Ypersele, the Belgian Prime Minister's Chef de Cabinet, and Monsieur Durieux, Monsieur Thorn's Chef de Cabinet.

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Nature of the link

2. Monsieur Morel said, on standard lines, that in the French President's view the British budget problem and the problem of farm prices were entirely separate. The former, in the way the United Kingdom had posed the problem, raised the question of the whole character of the Community. The latter was a routine question of the management of the Community as it existed. I explained that the British Government considered that the connection between the two subjects was natural and inseparable: first, because of the agreement reached by the Heads of State and Government at Lancaster House last year; second, because of the cost of the proposed package to the Community budget and to the United Kingdom; and third, because of the political impossibility of justifying to the British Parliament and people agreement to the price package without agreement on the budget. I urged Monsieur Attali and Monsieur Morel to explain the Government's view on this point clearly to President Mitterrand. They said that they would.

One year solution

3. I was asked the Government's view of the possibility of a one year solution. I explained that the Prime Minister considered that the problem would be no easier to solve in a few months time than it was at present and that the closer the negotiations got to the next United Kingdom election, the greater the risk of provoking a debate about the UK's position in the Community which would be damaging to all concerned. I added that the Government had received a new communication from the two Presidents which appeared to raise the possibility of a third year under the terms of the 30 May Agreement. This letter had not yet been considered by Ministers but the objections to a one year solution that I had mentioned seemed to me to apply also to this proposal.

Luxembourg compromise

4. I made several attempts to pin Monsieur Morel down on the French attitude to the Luxembourg compromise. He never gave me a straight answer. He said that the French government had

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been very keen on "relance", but was now convinced that the time for "relance" was not right and accordingly gave absolute priority to ensuring that the Community functioned properly in its present form. The functioning of the CAP was of fundamental importance to France. (The implication of these remarks seemed to me to be that, if the abandonment of the Luxembourg compromise was the price that the French government had to pay for preserving the CAP, then they might pay it. But this was not in any way made explicit. Our Embassy in Paris believe that a considerable debate has been going on within the French government about the Luxembourg compromise.)

UK budget problem

5. Monsieur Attali at first took the line that there was no urgency about solving the UK budget problem. The French President understood the difficulty that the United Kingdom faced. But he did not want the decision taken in a hurry. I then explained the position taken by Mr Walker at the Agriculture Council on 10 May. Monsieur Attali then asked me whether the United Kingdom would be ready to vote at the next Agriculture Council on 17 May. I replied that, if nothing changed in the meantime, Mr Walker would be unable to change the position he had taken up on 10 May. Monsieur Attali looked rather surprised and then said that it was just not conceivable that the price package should be agreed by 9 member states and not implemented. He referred me to the statement issued after the French Council of Ministers on 12 May.

6. I remarked that the Community seemed to be heading for a major crisis and enquired whether it was really necessary. I reminded him that at his private and confidential discussion with Sir Robert Armstrong on 24 March he had said that in his personal opinion, and in total confidence, a refund of as much as 1200 million ecus might be conceivable for 1982. On that occasion Sir Robert Armstrong had said that this was a good deal less than 90% of the Commission's latest estimate of our

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unadjusted net contribution for 1982. Since then the Commission's estimate of our unadjusted net contribution had fallen and the United Kingdom was ready to show flexibility on the percentage. If the French government's position as earlier intimated by Monsieur Attali still had validity, then it seemed to me that agreement was not so far away as to justify the crisis into which the Community was apparently stumbling.

7. Monsieur Attali pointed out that the figure of 1200 million ecus for our refund related to a higher estimate of the unadjusted net contribution. But he would seek President Mitterrand's instructions during the course of a visit to Hamburg on Friday 14 May and arrange a meeting for Saturday as described in paragraph 1 above. He had discussed the matter with the President that morning and could assure me that the President had no intention to create political difficulties for the Prime Minister. There was no time for further discussion.

Comment

8. The impression I formed from these meetings and subsequent discussions with our Embassy in Paris is that:-

- (i) President Mitterrand does not want a crisis.
- (ii) He has failed to understand so far the full significance of what happened in the Agriculture Council on 10 May.
- (iii) He has more flexibility on the size of our refund than Monsieur Cheysson has needed to reveal in the discussions between Foreign Ministers - the tough line taken by the Germans recently has made it quite unnecessary for the French to negotiate.
- (iv) President Mitterrand would not agree to a solution that looked like a change in the system of financing the Community; he would only contemplate something that looked like a temporary and ad hoc arrangement to help the UK.

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What is not clear is whether President Mitterrand would be prepared to accept a system of compensation including a risk-sharing formula.

D.H.

D J S HANCOCK

13 May 1982