

The Coler, No 10

Prima Ministe

A. F. C. 10/7

RECORD OF A CONVERSATION BETWEEN THE CHANCELLOR OF THE
EXCHEQUER AND THE FRENCH FINANCE MINISTER AT 4.00 PM
ON 7 SEPTEMBER IN TORONTO

Present:

Chancellor
Sir Kenneth Couzens
Mr Kerr

M. Jacques Delors
M. Michel Camdessus

COMMUNITY BUDGET

The Chancellor explained that the agreement of 25 May 1982 was in our view deeply unsatisfactory. It marked the Community's failure to settle the Budget problem on a lasting basis - in spite of the 1980 agreement that a permanent solution should be found. There was no case for a Member State with less than average prosperity paying more than a modest net contribution to the Community Budget. That we were once again to do so was causing increasing concern among the British people. Those who argued for UK withdrawal from the Community took a lot of tricks with this card. Moreover, the Opposition now argued that the UK should "withhold" its Budget contributions.

2. M. Delors said that, speaking personally, he thought that the UK were quite right to seek a long-term solution. He had re-read the Chancellor's 1981 Hague speech, with much of which he agreed, and he had indeed put some proposals to the President. A satisfactory solution should have been secured long ago: the annual struggle, and unsatisfactory compromises, were bad for the Community, and its image. But it seemed that his view of the right course of action was not shared by others in the Community, and in particular by the Germans.

3. The Chancellor said that he was encouraged by what M. Delors had said. His purpose was to give warning that we would have



to raise the matter again in Brussels: with French support we might perhaps be able to achieve a settlement which would close the file. There was however one pressing problem concerning the implementation of the 25 May Agreement. Apparently the budgetary timetable called for decisions at the 20/21 September Foreign Affairs Council, for otherwise the Commission would be unable to make the necessary amendment to the 1983 draft budget. M. Delors said that he would speak to M. Cheysson at once.

CAP REFORM

4. The Chancellor then said that he was concerned about the prospect, given enlargement, of future growth of CAP expenditure. He wondered whether there might be virtue in bilateral discussions between the Finance Ministry experts.

5. M. Delors said that this might indeed be useful. But his impression was that the costs of the CAP, relative to the budget as a whole, would fall. Price increases in the next few years should be well below those of recent years: for 1983 he envisaged an increase of only some 4 or 5%.

SIBERIAN PIPELINE

6. The Chancellor then briefly reported that Secretary Regan had suggested to him that he might be taking over the pipeline dossier, and attendance at any meeting of Ministers of the Five, from Shultz, but that he had since established that this was not in fact likely to happen. His impression was that Regan was anxious to find some way in which the US could back off. M. Delors said that this was also his impression, following conversations with Regan. He thought that a Ministerial meeting of the Five, in Europe, might be valuable, and he hoped that the British, French and Germans could keep in close touch with each other, in Finance as well as Foreign Ministries.



7. Sir Kenneth Couzens said that if the let-out for the Americans was to be found in the field of restrictions on credit to the Soviet Union, Finance Ministries would be brought in quite naturally. M. Delors said that a way of covering a US climb-down might indeed be found in the field of East/West credit. But the Germans might need some persuading: Soviet imports from Germany were seven times greater than Soviet imports from France.

JOK

J O KERR

9 September 1982

Distribution:

PS/Financial Secretary
Sir Douglas Wass
Sir Kenneth Couzens
Mr Littler
Mrs Hedley-Miller
Mr Lovell
Mr Peet

Mr Coles, No. 10
Mr Hancock, Cabinet Office
Mr Fall, FCO
Mr Garside, Paris
Mr Butt, UKREP, Brussels

09 SEP 1982

