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SUBJECT

JURAKY

bc PC



10 DOWNING STREET

*From the Private Secretary*

5 November 1984

EC/ACP NEGOTIATIONS: SIZE OF EDF VI

The Taoiseach travelled back from Mrs. Gandhi's funeral in Delhi in the Prime Minister's aircraft. During the journey he raised with her the size of EDF VI.

The Taoiseach said that it had always been clear that a settlement with the ACP could not be achieved at a figure of 7bn ecu. But he was confident that with just a small extra effort on the part of the Community the Lomé III negotiations could be concluded satisfactorily and without rancour. The sum he had in mind was 7.3bn ecu. He was confident that all other member states of the Community could accept this. He had discussed the matter with Herr Genscher in Delhi and had been assured that Germany would fall in with a consensus on this figure. He very much hoped, therefore, that the Prime Minister would also agree.

The Prime Minister said that on no account would she agree. She regarded 7bn ecu as a very fair offer to the ACP and saw no reason why it should be improved. If others wanted to give more then they were of course at liberty to do so. But it must be clear that there was absolutely no question of any further increase in the British contribution. Our bilateral aid programme was already under severe strain and we were substantial net contributors to the Community. She was simply not prepared to find more money for the EDF.

The Taoiseach made several gallant attempts to persuade the Prime Minister differently, but without success. The Prime Minister repeated with increasing firmness that there was no question of our paying more. It was up to those countries who wanted to see a bigger EDF to contribute to it if that was how they wished to spend their aid funds. The

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tactics employed by the ACP were familiar and there was no reason for the Community to fall for them. The Taiioseach concluded, ruefully, that he now faced a major and very difficult problem.

I am sending copies of this letter to David Peretz (HM Treasury) and to Michael McCulloch (ODA).

(C.D. POWELL)

C.R. Budd, Esq.,  
Foreign and Commonwealth Office.

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