

Prime Minister

#### BUDGET IMBALANCES

1. I have just returned from lunch with M Attali.
2. He asked what we thought about the proposals circulated by M Dumas. I said, with some firmness, that we did not think that they were a basis on which this problem could be resolved. We should start from the system put forward by the Presidency at Brussels. There should not be more than one ad hoc year: at this point I reminded him that 1983 had already been an ad hoc year, and his reply was to the effect that the President thought that the system should start with the enlargement of the Community in 1986. I said that I thought that you would wish to propose a threshold with a percentage beyond that. He asked what we would think of a straight percentage; I said that I could not exclude the possibility of a straight percentage, provided the figure was right.
3. M Attali said that the percentage figure implied by the Dumas proposal was 55%. He understood that we were at 70%. I said that Sir Geoffrey Howe had made it clear to M Dumas that we were looking for a figure of something over 70% on the more limited gap. M Attali said that the President's upper limit was two-thirds ( $66\frac{2}{3}\%$ ).
4. I asked how the President proposed to take this matter. M Attali said that he thought that the President would open the discussion by saying that there appeared to be five proposals on the table:
  - i) Chancellor Kohl's proposal;
  - ii) M Thorn's proposal;
  - iii) A British proposal for the Presidency system starting from a 1983 figure of 1125 mecu;

- iv) an alternative British proposal for the Presidency system with a straight percentage of 70%; and
- v) the Dumas proposal.

5. In subsequent discussion, M Attali tacitly abandoned the Dumas proposal, and seemed to assume that agreement would focus round the system and a straight percentage. He said that, if Heads of State or Government could agree upon that as a matter of principle before dinner, the President was likely to propose that Foreign Ministers should continue the discussion over dinner with a view to reaching agreement on the figure and reporting to Heads of State or Government by the end of this evening. M Attali said that the President wanted this matter out of the way today, so that it was clear before tomorrow's discussion.

6. M Attali said that the President would be very reluctant to talk in terms of a 1983 reference figure: he said that any such figure would be "a red rag to the bull". It would be much better to talk in terms of percentages.

7. I came to the conclusion by the end of the talk that the President would settle for the system and a straight percentage, and was ready to go to  $66\frac{2}{3}\%$ . The problem will be to get him above that figure.

*RTA*

Sir Robert Armstrong

cc: Mr Butler  
[REDACTED]  
Mr Bone  
Sir J Bullard  
Sir M Butler  
Mr Williamson  
Sir C Tickell  
Mr Renwick  
[REDACTED]