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MR COLES

PRIME MINISTER'S MEETING WITH MONSIEUR DUMAS, 8 FEBRUARY

On 8 February the Prime Minister is meeting Monsieur Dumas, the French Minister with special responsibility for European Community affairs including the post-Stuttgart negotiations.

I attach -

- (i) a speaking note for the Prime Minister. This is on lines with which the Prime Minister will be familiar from her discussions with President Mitterrand;
- (ii) the latest version of the summary of the United Kingdom's position in the post-Stuttgart negotiations;
- (iii) a biographical note on Monsieur Dumas.

I think that these documents cover the main points which may arise at the meeting but the background notes prepared for the Foreign and Commonwealth Secretary's meeting with Monsieur Dumas will be made available to you separately.

2. I am sending copies to Roger Bone (FCO), John Kerr (Treasury), Ivor Llewelyn (MAFF) and to Sir Robert Armstrong.

*DF Williamson*

D F WILLIAMSON

6 February 1984



PRIME MINISTER'S MEETING WITH MONSIEUR DUMAS, 8 FEBRUARY

Speaking note for the Prime Minister on the post-Stuttgart negotiations

Introduction

1. Welcome Monsieur Dumas who has recently been appointed by President Mitterrand as Minister with responsibility for European Community affairs. He takes over a heavy task on the post-Stuttgart negotiations on which France has the additional burden of the Presidency of the Council

[Monsieur Cheysson is chairing the Council of Ministers (Foreign Affairs) and Monsieur Dumas is representing France].

We would all like to see decisive progress at the European Council on 19/20 March.

United Kingdom objectives and requirements

2. The United Kingdom very much welcomed the decision of the European Council in Stuttgart to set an ambitious programme for settling the current problems of the Community and establishing a better basis for the next stage of its development ("la relance de la Communauté"). It is not in the interest either of the United Kingdom or of France that the Community should stagnate and that its internal difficulties should prevent it playing its full role in the world. At the last general election the British public reaffirmed their support for the Community; we are fully committed to its democratic ideals and economic strength.

3. At Stuttgart the United Kingdom took an important step in stating that we were prepared to consider the Community's

/requirements for own resources



requirements for own resources, provided that the present budget inequity is corrected and that there is effective control of agricultural and other spending. An increase in own resources would be a fundamental change in the arrangements agreed by the Community of Six in 1970. It is reasonable enough that other necessary changes should be made at the same time. There is no prospect of our agreeing to an increase in the Community's own resources on any other basis. It requires the unanimous agreement of 10 member states and 10 parliaments. We are not completely inflexible on the methods and modalities but could not agree to a patched-up or time-limited compromise.

#### The budget inequity

4. In 1970 the original Six set up a new financial arrangement which suited their circumstances but which time has now demonstrated is clearly ill-adapted to a Community of 10 or 12. In particular it is not defensible that the United Kingdom, which is not one of the richer member states, should be the only member state apart from Germany to transfer large resources to the Community every year and that in most cases to more prosperous member states. The need to correct this problem is a Community and not only the United Kingdom's problem.

5. We believe that a corrective system must

- be lasting. This can be achieved easily by including it in the revised Own Resources Decision, which would in any event require amendment if own resources were increased. An ad hoc refund of a lump sum will not do;

/ establish a limit on



- establish a limit on the net amount which each member state should transfer to the Community, taking account of ability to pay (it is helpful that the Germans have agreed that they want a limit but not a cutback below their actual contribution). We are ready to remain a modest net contributor and to see that burden increase if our relative prosperity in the Community does so;

- be implemented on the revenue side of the budget, ie by correcting a member state's VAT contribution in the following year. This will avoid any disputes with the European Parliament;

- take account of the full budgetary burden which we bear;

- operate in respect of 1984 and later years.

#### Control of agricultural and other expenditure

6. We believe that there is a good deal of common ground between France and the United Kingdom about the need for greater budget discipline in the Community. We agree that both agricultural and other expenditure must be controlled in future as they are by national governments. It is not right that Community expenditure should be rising very fast when public expenditure has to be held down in all member states. The rate of growth of agricultural spending should be held markedly below the rate of growth of own resources, leaving funds available for other desirable policies. In order to be effective this increased budgetary discipline must become part of the budgetary procedures of the Community and must be observed by the Agriculture and Budget Councils in their decisions. We are not looking for a confrontation with the



European Parliament and are not saying a Treaty change must be made, although we do not think it wise to exclude that possibility. The budgetary arrangements between the Council of Ministers and the European Parliament have not worked at all well in recent years and need to be improved and clarified if there are not to be continuing quarrels in the future.

### Agriculture

7. We supported the intention of Monsieur Rocard to tackle the main agricultural issues in the Agriculture Council. The European Council necessarily will keep an over-view, because that is what we agreed in Stuttgart. It is quite evident that price restraint, a wider application of effective guarantee thresholds, measures to deal with the milk surplus and some dismantling of monetary compensatory amounts must be achieved. Otherwise the policy will break down under the weight of its weaknesses. We believe that all member states must equally carry the burden of adjustment and that in the present difficult circumstances discrimination must be avoided.

### New policies

8. The United Kingdom is particularly keen on the completion of the common market for goods and services, including such current issues as a genuinely liberal regime for non-life insurance; more liberalised transport arrangements (lorry quotas, air fares); further progress on energy (solid fuels policy) and on some areas of high technology. We have been very interested in the French ideas on greater industrial cooperation and will continue to examine those suggestions with interest. We see progress in these areas as an essential complement to the budgetary and CAP package on a lasting basis.



9. An agreement can only be reached if all 10 member states can accept it. It is particularly important, however, that in the coming weeks the bilateral contacts between France and the United Kingdom and between each of them and Germany should be close and discreet. Does Monsieur Dumas envisage this being handled by himself and the Foreign and Commonwealth Secretary personally or does he have any other ideas?



### Budget inequity

If Monsieur Dumas claims, as he has in other contacts, that there is a contradiction between the UK demand for a revised system and our suggestion of equitable figures (eg about 450-500 million ecu as British and French net contributions at the outset)

### Line to take

Throughout the negotiations launched by the Stuttgart European Council the United Kingdom has always argued for a new and fairer system of Community financing to be included in a revision of the 1970 Own Resources Decision. In all the negotiations in the Special Councils and elsewhere throughout the autumn this was the basis on which the debate took place among all member states. Certainly we made clear at Athens that a revised system which produced at the outset a net contribution of a similar size, ie 450-500 million ecu, for Britain and France would be acceptable to us, despite the larger gross domestic product of France. That was in our view a reasonable indication of the working of the new system which we want to see. The Community's financing Decision of 1970 established two principles -

(i) that customs duties, agricultural levies and some revenue from VAT should be transferred from member states to the Community as the Community's own resources


(ii) that there should be a fixed limit, namely the 1% VAT ceiling, on these transfers. Thus the Community's revenue would rise if because of economic prosperity 1% VAT yielded more money but the 1% VAT limit itself could never be exceeded without a unanimous decision of all member states and their parliaments equivalent to a Treaty amendment.

/The United Kingdom



The United Kingdom is prepared to consider an increase in the Community's own resources, despite the principle at stake, but only on condition that there is a correction of the budget inequity and effective control of agricultural and other spending.





UK POSITION IN THE NEGOTIATIONS ON THE STUTTGART DECLARATION

1. The overall objective is to re-launch the Community.

Budgetary Issues

2. On budgetary imbalances we seek a solution designed to 'avoid the constantly recurrent problems between the Member States over the financial consequences of the Community's budget and its financing'. This solution should consist of a corrective mechanism which would:

- be incorporated in the revised own resources decision and last as long as the problem it was designed to correct;

- be based on an objective measurement of the full budgetary burden borne by a Member State. The basis of calculation would be the current allocated budget (calculated on the basis used by the Commission in its note XIX/480/80 and its subsequent note of 16 June 1983);

- correct the measured burden by setting a threshold. This would vary in relation to each Member State's relative prosperity. It would be expressed as a percentage of a Member State's gross domestic product;

- provide net relief to that Member State for sums paid in excess of that threshold. The relief would take the form of a deduction on the revenue side of the budget in the year following that for which it was granted;

- operate in respect of 1984 and subsequent budget years.

3. We also seek greater budgetary discipline, to ensure effective control over the rate of growth of agricultural and other expenditure. To this effect we wish to see:





- the management of EC resources based on the same strict rules as those governing the management of public finance in the Member States ie expenditure must be determined by available finance.
  
- The establishment by the Council, at the beginning of the budgetary procedure, of a frame of reference ie the maximum overall resources available in the following financial year.
  
- Observance of this maximum throughout the budgetary procedure by all three institutions.
  
- Within this overall control, the setting of a financial guideline for FEOGA Guarantee Section expenditure which would hold its growth markedly below that of the own resources base defined on a three year moving average.

These provisions to be incorporated in the Community's budgetary procedures.

4. On the basis of decisions taken under paras 2 and 3 above, we are ready to decide on the future financial requirements of the Community.

#### CAP

5. We want to bring about changes in the operation of the CAP which will adapt it 'to the situation facing the Community in the foreseeable future, in order that it can fulfil its aims in a more coherent manner'. To this end we are seeking agreement on:

- commitment to a rigorous price policy, and to implementation of effective guarantee thresholds for all sectors which are, or are likely to be, in surplus; or where such measures prove necessary because of a significant increase in expenditure or where production is increasing more rapidly than consumption.

- Effective measures to control milk production. We would prefer to operate through price and, in any case, would like





these measures to include at least a freeze on common prices for the next three years. They could also include a super-levy, on the line of the Commission's papers of July and September 1983 (COM(83)(500) and COM(83)(508)), subject to there being no significant exemptions; no unfair discrimination and an appropriate base arrangement.

- A decision to narrow progressively the gap between the Community's cereals prices and those in other producer countries over the next five years.

6. If decisions are taken on milk and cereals on the basis set out in the preceding paragraph, we are ready to authorise the opening of negotiations under Article XXVIII of the GATT with the United States and other principal suppliers designed to achieve the stabilisation of the Community's imports of cereals substitutes (corn gluten feed and citrus pellets). The results of the negotiation would be reported to the Council which would then decide whether to unbind the tariff.

7. We are not prepared to agree to the Commission's proposal for an oils and fats tax.

#### New Policies

8. We attach great importance to early agreement on a substantial list of measures designed to bring about improvements in the internal market and the strengthening of the Community's industrial competitiveness. To this end we would like to see agreement reached on:

- adoption of the blocked Article 100 directives designed to lead to harmonisation of industrial standards.

- Adoption of a Single Administrative Document for customs clearance.

- Adoption of the proposed Common Commercial Policy Regulation





which would enable the Community to respond rapidly to unfair trading practices by third countries.

- Implementation of a genuinely liberal regime for Non-Life Insurance Services.
- A programme for the abolition of road haulage quotas.
- Progress towards liberalisation of air transport services in the Community.
- A date no later than 1990 for the introduction of unleaded petrol.
- A solid fuels policy.
- The ESPRIT programme.

9. We are ready to work constructively on proposals for increasing industrial cooperation, particularly in the areas of high technology.

#### Structural Funds

10. We are working for early agreement on revised FEOGA Structure and Regional Funds. More work is needed on the Commission's proposals for Integrated Mediterranean Programmes which must be examined in close relation to the Community's structural funds.

#### Enlargement

11. We want to see the accession negotiations with Spain and Portugal effectively concluded by the end of September 1984, so that these two countries can enter the Community, as they wish to do, on 1 January 1986.



DUMAS Roland

Minister for European Affairs (Ministre des Affaires Européennes)

Born 1922 at Limoges in the Haute Vienne. Fought in the Resistance. His father was shot by the Germans. Escaped from captivity. Graduated in law from the University of Paris. Studied at the ISE. Barrister at the Paris Court of Appeal since 1950. Political journalist. Centre-Left deputy for Haute Vienne 1956-8; for the Corrèze 1967-8. Socialist Deputy for Périgueux, Dordogne since 1981. Member of the Cultural, Family and Social Affairs Commission of the National Assembly 1981-3.

Dumas is one of Mitterrand's closest and longest standing political allies. Their friendship dates from the Fourth Republic when Dumas first entered Parliament as a member of Mitterrand's own small centre-left political party. They have remained close ever since: Dumas' professional address is in the Rue de Bièvre in the Latin Quarter where Mitterrand has his private flat.

Like Mitterrand, Dumas voted against the establishment of the Fifth Republic. This cost him his seat in Parliament. After a brief return 1967-8, he won Périgueux from a former Gaullist minister in the Socialist landslide of 1981. Dumas has however been unable to consolidate his hold on Périgueux. The Left's list was heavily defeated in the 1983 municipal elections. As Minister, Dumas will automatically cede his seat to his substitute (suppléant).

Dumas has combined politics and journalism with a successful career at the Paris Bar. He has acted as counsel in many politically controversial trials. His defence of Algerian nationalists during the Algerian War established his credentials with the Arab world. Mitterrand has on occasions used him as an emissary both in the Middle East and Africa (e.g. in August 1983 Dumas was sent by Mitterrand to discuss the future of Chad with Kadhafi).

Dumas owes his position in the Government to his loyalty to Mitterrand rather than to his standing in the Socialist Party. In party circles his reputation is more that of a gadabout than of a serious politician. But this judgement may well reflect the jealousy of those excluded from Mitterrand's inner circle.

No known experience of Community affairs, although he is alleged to have fought several cases before the European Court.

Author of books on China, barristers and the media.

Married (twice). Three children.



1) ~~Can't~~ let me what  
program was achieved

2) How to control - details.

3) How to control budget  
- what procedure

4) How to reduce unit production  
Time scale  
2

5) What V. A. T. rate.  $\frac{1.4}{2}$   $\frac{1.6}{2}$



VISIT OF M. ROLAND DUMAS, FRENCH MINISTER FOR EUROPEAN  
AFFAIRS, 8 AND 9 FEBRUARY, 1984

8 February

- 15.00 - Talks with Foreign and Commonwealth Secretary  
and Mr Rifkind at FCO
- 17.00 - Call on Prime Minister at No. 10 Downing  
Street
- 19.45 for  
20.00 - Dinner at 1 Carlton Gardens hosted by Foreign  
and Commonwealth Secretary

9 February

- 15.45 - Talks with Chancellor of the Exchequer at  
H M Treasury

Additional appointments are being arranged by the French  
Embassy.



1) Limit increase in budget  
i.e. Control.

Fixed technique  
No time to alter greatly.

Majority Facts?

2) Surpluses - must be reduced.  
- Increase to nothing must be done  
- ~~Professors~~ Professors  
- ~~of~~ structures do have time to adapt

3) Balancing of Budget.  
result of control of budget  
Shouldn't be 2 issues.

System for equitable share  
- looking at figures

4) Own resources  
Unreasonable increase // X prod  
// only to meet new expenditures  
from expenditure  
Sol: in ~~the~~ Principles // Stuttgart.