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W. M. C. Fontainebleau  
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MR COLES

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On my return from France on Saturday 2 June I broke my journey in Paris to meet Monsieur Attali, the President's Special Adviser, at his request.

2. The main purpose of our meeting was to enable him to give me the French amendments to the draft declarations from the London Economic Summit. I am reporting separately on these.
3. We also had some discussion about the handling of European questions. Monsieur Attali asked me how we saw the future handling of these matters, and particularly the European budget question. I said that we recognised that there was no possibility of resolving them before the European elections, but that we were keen to reach a settlement on the outstanding questions at the European Council at Fontainebleau on 25 and 26 June, so that that meeting could look forward to the future development of the Community. The Prime Minister had been encouraged by her last conversation with President Mitterrand to think that it might be possible to resolve the budget question at Fontainebleau. I was sure that Monsieur Attali would understand that it would be impossible for the Prime Minister to make any move on the percentage limit on "own resources" except in the context of a satisfactory solution of the budgetary questions, including control of expenditure as well as the British contribution. But time was short; and, if there were to be any possibility of a settlement at Fontainebleau, there would need to be further confidential discussions, before the European elections, between the British, French and German Governments. I assured Monsieur Attali that we would try to fit in with anything which the French Presidency might propose on that.
4. Monsieur Attali said that the French President was keen to reach a settlement on these matters quickly at the Fontainebleau meeting, in order that that meeting could look forward to the future development of the Community. He thought that these

matters were most likely to be settled in the French Presidency; and he was in no mood to bequeath the laurels of achieving a settlement to Dr FitzGerald. We could take it that the President would be looking for a settlement. The question in the President's mind was whether the Prime Minister was willing to move.

5. I said that I thought that the Prime Minister had made it clear to the President, at their last meeting, that she did have some limited room for movement. Monsieur Attali interjected that, if that was so, that had not been clear to him at the time. I said that I was in no doubt that the Prime Minister had intended to convey readiness to make some movement, if others were also prepared to move. What she could not contemplate was "salami tactics", whereby she made a move and that move immediately became the basis for demands for a further move. We had to find some way between now and Fontainebleau of discovering whether there was a basis for a settlement in which there was some movement on both sides. The Presidency would find us flexible as to how the settlement should be expressed. It could be expressed in terms of a 1983 reference figure somewhere between the 1,000 mecu which was the final position of others in Brussels and the 1,250 mecu which was the Prime Minister's final position; or, if this seemed preferable, the settlement could be defined in terms of the various limits and percentages involved in the constituent parts of the system. It would be essential from our point of view that the system proposed by the Presidency at Brussels should not be watered down.

6. Monsieur Attali indicated that the French President was prepared to contemplate some movement in the interests of a settlement. As to modalities, he agreed that there would need to be confidential conversations between the British, French and Germans before Fontainebleau and indeed before the European elections. He envisaged that Monsieur Dumas might be in touch with the Foreign and Commonwealth Secretary. I said that I thought that that would be entirely acceptable and welcome to

us. I added that I should myself be visiting Paris again on 12 and 13 June, to report to the OECD on the results of the Economic Summit, and I could use that occasion to come to see Monsieur Attali on European questions, if that seemed to be convenient and useful.

7. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

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ROBERT ARMSTRONG

4 June 1984