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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE  
PRIME MINISTER OF FRANCE AT 1900 HRS ON 15 MAY 1982 AT  
HOPETOUN HOUSE, EDINBURGH

PRIME MINISTER'S  
PERSONAL MESSAGE

Present:

The Prime Minister  
The Rt Hon Douglas  
Hurd, MP

Sir John Fretwell  
Mr John Coles  
Interpreter

M. Mauroy  
M. Chandernagor

M. Rocard  
M. Jacquin de Margerie  
M. Garcia  
Interpreter

SERIAL No. ....

M. Mauroy suggested that the talks should begin with the most difficult problems. Bilateral relations presented no problems so Community issues might be tackled first.

The Prime Minister said there was nothing inherently difficult about the outstanding Community issues, even though politicians were naturally reluctant to sacrifice national interests. In the case of the Budget dispute, an equitable solution required that national interests were not pushed too far. We understood the importance of agriculture to the French economy. Our farmers were important too, though our agriculture had a different structure. We believed in supporting our farmers because they were part of our way of life; they, like French farmers, wanted price increases. But the fundamental question was whether we were to continue subsidising products which existed in far too great a quantity. A large proportion of the EC budget was devoted to financing surpluses which we could not eat.

M. Mauroy said that it would be possible to spend all night developing comparative studies of agriculture. Certainly, British agriculture differed from French but there were differences between the agricultural structures of other European countries. It was unreasonable to ask farmers to wait longer for their price rises. Nine countries agreed to the new prices and he thought Britain did too. But we had blocked a decision for

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political reasons which the French understood. This matter should be settled at the meeting with President Mitterrand on 17 May. He agreed that the Common Agricultural Policy had to be revised but that was a long term matter. A new definition could not be expected now. European farmers could not be asked to wait beyond June for a price settlement. What better time to reach a settlement than during this week of Anglo/French cooperation?

The Prime Minister rehearsed the history of the Mandate negotiation. Should we not in this week of cooperation settle the Budget issue, for the two matters were linked? We had moved on agriculture and had made concessions with regard to small farmers, to which we knew the French attached importance. France was a net beneficiary from the Budget but we rarely benefited.

M. Mauroy reiterated that the CAP could not be reformed now. It was already May. The agricultural seasons continued. Farmers needed their prices now. Before his departure M. Cheysson had told him that Britain was now prepared to contemplate an agreement for one year. He assumed that the price to France of such an agreement would be 900 million ecus. Could the Prime Minister confirm this? France had originally suggested 800 million ecus. Perhaps we could now settle for 900 million, dispose of the Budget question and then agree to an agricultural prices settlement.

The Prime Minister said that the figure of 900 million was new to her. She believed that 1200 had been discussed between M. Attali and Mr Hancock. What was at issue now was a continuation of the May, 1980 agreement. We had hoped that before the third year of application of that agreement there would be a revised structure for both the Budget and the CAP. Budget reform would be no easier in the future than it had been in the last few months. But to avoid creating excessive difficulty we had agreed to contemplate

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a settlement for the third year under the old agreement and in that connection had heard references to a figure of 1200. Reform of the overall Budget structure would then be a matter for the future. But even the figure of 1200 would still leave us net contributors to the tune of about 400 ecus.

M. Mauroy said that the situation simply could not continue. A crisis situation existed. The Prime Minister said that the crisis had been reached two years ago. We had then agreed to revise the structure of the Budget because the present structure made Germany by far the largest contributor and made us a substantial net contributor. France and others were net beneficiaries. This was totally inequitable. M. Mauroy complained about the lack of an agricultural settlement. She complained that the other half of the agreement had not been implemented. We were prepared to apply the May, 1980 formula for the third year. The question was - what did that formula produce in terms of figures? We believed it had to be 1200 and no less.

M. Mauroy said he now knew the file by heart. Contrary to his hopes, it seemed that not much progress could be made. He was very disappointed. The Prime Minister said that we felt deeply that we had done our part. We had agreed to changes in the CAP which were politically important to France. But we had not obtained a Budget settlement. We did not want discussions every year. A lasting formula was necessary.

M. Mauroy reiterated that agricultural prices must be fixed before the end of June, whatever happened. The Prime Minister asked whether the Mandate/agricultural prices issues were the main subjects which President Mitterrand would wish to raise. If so, she would marshal all the necessary facts and statistics. M. Mauroy said that, noting the Prime Minister's determination, he thought it might be better to discuss other subjects.

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Taking up the subject of the Channel Link, M. Mauroy said that he had a particular interest in the matter. As Mayor of Lille he had always had a dream which he wished to turn into reality. The issue was certainly not ready for final decision now. But the press were full of the fact that there would be no link. He hoped that we could take the line publicly that, while the matter was not right for decision yet, studies would continue. We should say that our experts were continuing their consideration of the matter and that in due time a decision would be taken. The Prime Minister said that she too harboured a dream of a fixed link. But she did not think finances would be available for a rail link alone. She did not know whether it would be possible to have a road link as well but that would have more appeal. The requisite private financing would not be forthcoming for a rail link, because of the likely inadequate return on investment. But she was happy to continue with studies.

M. Mauroy said that before the discussion concluded he wished to refer to the exceptional circumstances surrounding the situation in the South Atlantic. France was completely behind the United Kingdom. The French Government was fully prepared to continue the embargo. President Mitterrand would certainly repeat this on Monday. The Prime Minister recalled that President Mitterrand was the first Head of State to telephone her. He had understood completely the significance of the Argentine invasion and had done much to help both in banning Argentine imports and at the Security Council. We were most grateful and were much looking forward to his visit on 17 May.

The discussion ended at 2005 hours.

A J. C.

17 May, 1982

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*France*

10 DOWNING STREET

*From the Private Secretary*

17 May 1982

*Dear Sir,*

VISIT OF FRENCH PRIME MINISTER

The Prime Minister and M. Mauroy held talks at Hopetoun House, Edinburgh on 15 May. I enclose the record of conversation and would be grateful if circulation could be restricted to those who have an operational need to know the contents of the discussion.

I am copying this letter and enclosure to John Kerr (HM Treasury), Robert Lowson (MAFF) and David Wright (Cabinet Office).

*Yours ever*

*John Kerr*

Brian Fall, Esq  
Foreign and Commonwealth Office

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