

## CONFIDENTIAL AND PERSONAL

NOTE FOR RECORD

I went to see Monsieur Jacques Attali, Special Adviser to the President of the French Republic, at his invitation, in the Elysée on Tuesday, 5th October 1982. Our discussion took place over lunch. Monsieur Bianco, the new Secretary General at the Elysée, was also present. Before Monsieur Bianco arrived, Monsieur Attali explained that he had now added to his responsibilities for international economic matters new responsibilities on the political side of the President's work. The Secretary General was responsible for "running the house". But Monsieur Bianco contributed to our discussion in a way that made it clear that he was well informed over a wide range of the President's business.

Visit of the Federal Chancellor

2. It appeared that Monsieur Attali had not been there when Monsieur Mitterrand saw the new Federal Chancellor at the Elysée the previous evening; but Monsieur Bianco was there. He said that the discussion had been mainly about security issues (not including terrorism). Other issues had been mentioned but not discussed; these would no doubt be pursued at the next Franco German bilateral meeting on 21st and 22nd October. Monsieur Bianco said that the Federal Chancellor had told the President that there would be new Federal elections in Germany in the first or second week of March 1983; they would coincide with two or three Land elections.

Economic Summit 1983

3. Monsieur Attali said that the French President had been "very angry" at President Reagan's attempt to obtain a commitment to an Economic Summit on 10th to 12th June 1983 at 48 hours' notice. It was no way to do business among Heads of State or Government. On the President's instructions Monsieur Attali had told the new United States Personal Representative, Mr. Allen Wallis, that the French President could not and would not attend an Economic Summit before July. If the date was fixed before that, they could hold it but he would not come. Monsieur Attali and Monsieur Bianco explained that the President's schedule for the first half of the year was already full. He would have to stay in France during the run-up to the Municipal elections in March; and, as he had been

criticised for travelling abroad too much, he had decided to limit his trips abroad to one a month.

4. I said that one disadvantage of leaving the Summit over until after the end of June was that the European Community would once again have to be represented by a Prime Minister of a country not otherwise represented at the Summit: in this case, Greece. Monsieur Attali looked rather thoughtful about this, and thought that he might be able to prevail upon the French President to accept a date towards the end of June.

5. Monsieur Attali asked why the Prime Minister was proposing that the Summit should be brought forward to earlier in the year. It was clear that he thought that domestic political considerations might have prompted this suggestion. I said that the Prime Minister was keeping her own counsel about the date of the next General Election, but I thought it unlikely that her suggestion for an earlier Summit reflected domestic political considerations. She was increasingly concerned about the international financial situation, and she thought that its management might well require an input from the Heads of Government of the industrialised countries before June. She recognised that it might be difficult to hold the Summit before the Federal elections in Germany, but hoped that a date towards the end of March or early April might be possible.

Monsieur Attali once again recalled the instructions he had received from his President.

6. I asked Monsieur Attali whether he was satisfied with progress on the work to follow up the President's report on technology at Versailles. Monsieur Attali said that he was optimistic about that, and hoped that it would lead to proposals for a number of co-operative projects and initiatives. He was grateful for the contribution that the United Kingdom representatives had made to this work.

#### Community Budget

7. I said that the British Government was hoping that it would be possible at the next meeting of the Council of Ministers to reach agreement on the implications of the 25 May 1982 agreement on compensation to the United Kingdom for 1982. I knew that the French had raised problems at the last meeting about the contribution to the German payments. I recalled that at the meeting on

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25th September the French delegation had argued that the question of the United Kingdom's gross contribution to the German payments should be linked with the "corrections" in respect of 1980 and 1981; but that was contrary to the terms of the 25th May agreement, which made it clear that corrections for 1980 and 1981 would be taken into account when negotiating the solution for 1983 and subsequent years. Monsieur Attali said that the French Government agreed that the United Kingdom compensation should be fixed at 850 million ecus net, and he agreed that "corrections" for 1980 and 1981 were to be dealt with in relation to the long-term solution and not in relation to the settlement for 1982. But there was no way in which France would pay a dollar or a penny towards the German contribution. German agriculture had done incredibly well out of the Common Agricultural Policy, and considerably better than French agriculture. If there was any question of France paying for part of the German contribution, the agreement for 1982 would be void. This was not a Franco-British problem, because France agreed that compensation for the United Kingdom for 1982 should be 850 million ecus net, and would pay her due contribution for that; but no more. It was a Franco-German problem. The President had mentioned this when he saw the Federal Chancellor the previous evening but there had been no discussion. I wondered whether it might be possible to resolve this problem by drawing upon the surpluses on the Community budget for previous years which I understood to be substantial. Monsieur Attali agreed that that might be possible, but emphasised again that it was a question of principle that France would not contribute to the relief of Germany.

8. Turning to the longer term problem, Monsieur Attali asked what our position was. I said that it remained what it had been. We were not asking for "juste retour", and we were prepared to continue to pay a modest net contribution. But it was unacceptable that a country which was relatively less prosperous should be required to be a net contributor on the scale of our unadjusted net contribution. The Community was committed to find solutions to unacceptable situations. We were still looking for a solution that lasted as long as the problem. Monsieur Attali said that in that case he feared that the Community was in for a very difficult time. As he had told me on a previous occasion, the President recognised the need for a short-term solution to deal with the immediate political

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problem in Great Britain, and would be ready to help; but there would have to be a private or public understanding that that was "the beginning of the end of the transitional period". The problem would have to be resolved in the context of the extension of the "own resources" system. The French balance of payments was such that France could not afford the balance of payments consequences of continuing arrangements like those of 30th May 1980.

Monsieur Attali reminded me that he had said to me before that Monsieur Mitterrand, when in opposition, had criticised the settlement of 30th May 1980 as over-generous. It was for him a political imperative that France should not have to pay more, and should pay less, for the relief of the United Kingdom than was implied in the 30th May 1980 settlement. This remained a political imperative, and was one of the reasons why France would make no payments in respect of the German contribution in 1982.

9. Monsieur Attali hoped that it would be possible to limit as far as possible the extent to which this matter gave rise to difficulties and misunderstandings between France and Britain. He suggested that he and I should keep in close contact over these matters over the coming months. He agreed that it would be useful for Mr. Hancock to meet Monsieur Morel to go over the ground in more detail before the Anglo-German bilateral and before the Prime Minister's visit to Paris at the beginning of November.

10. I handed Monsieur Attali an aide-memoire on the 25th May 1982 agreement on compensation to the United Kingdom for 1982. I said that I thought that he should also know that the Government thought that the real nature of the Community budget problem and the reasons for Britain's position were not yet fully understood by the public in many European countries, and had, therefore, arranged to produce a pamphlet on the subject which was being made available to industrial and trade associations and other interested bodies. I said that Monsieur Attali would himself, of course, need no elucidation on the matter; but I thought that he should know of what was being done, and might like to see the pamphlet which we were issuing. Monsieur Attali said that he had heard about the pamphlet, and he accepted a copy of the French version of it.

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11. We did not discuss any other Community issues. Monsieur Attali, with a smile, made a passing and light-hearted reference to British turkeys; I said that I thought that it had been very tactful of him to serve neither turkey nor lamb at our lunch.

Composition of Team and Agenda for the Franco-British Bilateral Summit in November

12. It was clear that neither Monsieur Attali nor the President had yet given much thought to these matters. Monsieur Attali asked what Ministers the Prime Minister had in mind to bring with her. I said that I thought she would hope to be accompanied by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Industry and the Secretary of State for Trade. It was for question whether it would be also useful for the Secretary of State for Defence to come; there were perhaps matters which Defence Ministers could usefully discuss together. Monsieur Attali said that he would like to think further about the suggestion that Defence Ministers should come, but for the rest he thought that the composition was perfectly suitable, and he would propose accordingly that the President should match that.

13. As to the agenda, we agreed that the President and the Prime Minister would want to discuss developments in the international financial and economic situation since Versailles, and problems of transatlantic relations. They would also no doubt need to have some discussion on the Community problems that we had just been discussing; though that might not be for any communiqué it would be important that they should understand one another's positions. For the rest, it would be useful to find something more positive in the area of bilateral relations. I said that it seemed doubtful whether the Airbus or the fixed Channel link would be ripe for discussion by Heads of State or Government by the beginning of November. We wondered whether there might be any scope for agreement on co-operation on the development of new technology. In the course of the discussion it emerged that the French Government was working up to decisions about a wide extension of cable in

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France. I said that we were in the same position in Great Britain. We thought that this might be an area on which there could be scope for some bilateral activity, perhaps even in the form of studies of a cross-channel cable link.

Robert Armstrong

7th October 1982

cc Williamsberg Leon Summit  
PT 11

Prime Minute

A.F.C. 8/10

Ref. A09677

MR COLES ✓

cc PMS Update France : Part 3  
Anglo French Summit

- I attach a note of a conversation which I had with Monsieur Attali in Paris on 5th October.

2. I am sending copies of this minute and the note to the Private Secretary to the Foreign and Commonwealth Secretary. Monsieur Attali spoke with great candour, and I hope that this record may be treated accordingly: specifically, I would ask that copies should not be circulated in the Foreign and Commonwealth Office beyond those with a strict need to know.

3. I am also sending a copy of paragraphs 3 to 11 to the Private Secretary to the Chancellor of the Exchequer, with a similar request.

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ROBERT ARMSTRONG

7th October 1982