

RECORD OF MEETING BETWEEN THE MINISTER OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, MALCOLM RIFKIND MP AND THE FRENCH MINISTER WITH RESPONSIBILITY FOR EUROPEAN AFFAIRS, M ANDRE CHANDERNAGOR, HELD AT FOREIGN AND COMMONWEALTH OFFICE ON FRIDAY 21 OCTOBER 1983

Those Present:

French side:

M Chandernagor

M Peltier, Directeur de Cabinet of M Chandernagor

M Alexandre Carnelutti, French Embassy

British side:

Mr Malcolm Rifkind MP

Mr D Hannay

Mr S M J Lamport

Mr J S Wall

Enlargement

1. M Chandernagor said that he was just back from Portugal where the Portuguese authorities had insisted on the importance they attached to a rapid indication of what their fate was going to be in the enlargement negotiations. This was understandable. Portugal was a poor country in the grip of an austerity programme. The prospect of EC membership was a pleasant one since the Community would be Father Christmas to Portugal. Mr Rifkind pointed out that it was quite possible that Portugal would be a net contributor, in which case Father Christmas might not prove quite so popular a figure. M Chandernagor said that the Portuguese had been warm, pressing and threatening. They had threatened that if the Community did not want Portugal then Portugal did not want the Community and would turn to the US. In considering these threats one needed to aim off for domestic consumption. He was confident that Portugal did wish to enter the Community at an early date. He himself had pointed out that if 7 months had been lost, this had not been the responsibility of



the Community but a consequence of the crisis involving the outgoing Portuguese Government. He had told the Portuguese that 1984 would be decisive for the negotiations. Either the Community would solve its problems and would move on towards enlargement or it would not solve its problems in which case enlargement could not take place. The Portuguese had argued that their dossier was easier than the Spanish dossier and that we should speed up their negotiation. The Portuguese Prime Minister wished to sign with the Community as soon as the negotiations were over whereas the President had said that the completion of the negotiations would be such a significant signal that they could then afford to wait until completion of the negotiations with Spain before signing.

2. As regards the pace of negotiations under the French Presidency in 1984, M Chandernagor said that negotiations must proceed at their natural pace. The Portuguese negotiations would go faster. The main elements in the negotiation with Portugal were fisheries and social affairs. For the Portuguese, the social affairs file was the most important because they would insist on the free circulation of labour. On the Spanish dossier, fisheries would be the most difficult issue. The Commission had been dilatory in its stand on Spanish and Portuguese agreements with third countries on grounds of lack of staff. He hoped this problem had been resolved. But the substantive difficulties were enormous. Spain wanted some room for their fishing industry but it would be difficult to make room for them.

3. Mr Rifkind said that it would be ludicrous if Portugal, as one of the poorest contributors of the Community, were to find itself as a net contributor. This emphasised the importance of solving the problem of future financing on a basis that would serve for all EC Member States, as necessary. M Chandernagor said that he was not certain that the problem really existed. If a problem arose it should be dealt with. Mr Hannay commented that, because of the transitional period, it could be some time before Portugal became a net contributor but the problem would certainly arise in any case because the Portuguese would want guarantees that they



would not in any circumstances be net contributors. Rather than go down the old route of bailing out by expenditure on the Regional and Social Fund etc we should ensure that we had overall equitable budget arrangements in the first place.

#### Institutions

4. Mr Rifkind said that the institutional implications of enlargement eg voting within the Council would need to be looked at. M Chandernagor agreed. The French had just started to look at these matters. The figures on voting would obviously change but the ratios on qualified majorities should not alter. Mr Rifkind said that we wished to preserve the system whereby two of the existing large Member States could mount a blocking minority. M Chandernagor said that the French view tended in the same direction. Mr Hannay said that a number of smaller institutions like the Economic and Social Committee would be affected by enlargement. He thought that their size should not simply be increased pro rata but that we should take a fresh look with a view to cost and decision effectiveness. We should also look at the cost of interpreting and translation services which were already enormous and would be horrifying in the enlarged Community. M Chandernagor said that he sympathised with the British view that the number of Commissioners should be reduced at enlargement. The impact of enlargement on other Community institutions would need to be looked at. The French wished to strengthen the Economic and Social Committee by associating its work more closely to that of the Council. This might be something the French could look at during their own Presidency. Mr Hannay cited the European Investment Bank as another example of a top heavy institution. We were also concerned about the size and effectiveness of the Court of Auditors. We could perhaps discuss these matters on the diplomatic channel since our ideas and those of the French seemed to be very close. M Chandernagor agreed to this course of action. He was not sure how far the Court of Auditors was in need of reform. It had just produced a very good report on the regional fund. It had to contend with matters of national sovereignty in each Member State. He would talk to the



French representative, who had been President of the Court and was a serious figure, whose appointment had been renewed by the present French Government even though he had been nominated by their predecessors.

5. Mr Rifkind asked what plans the French had to promote the enlargement negotiations during their Presidency. M Chandernagor said that the negotiations must follow their own rhythm. All elements would be on the table. The French would not slow things down. However, without being tied to a rigid timetable, he thought that the negotiations might end during 1984 or at the beginning of 1985. Mr Rifkind said that the Spaniards had started to get very impatient although the settling of the Mediterranean acquis would help.

6. Mr Hannay said that a problem arose because a number of Member States were thinking of timing any increase in the Community's own resources to coincide with enlargement. However, ratification of the accession Treaties to take account of enlargement could not possibly take place before the end of 1985. The Community might well need more money before then, if an acceptable package covering the UK's conditions was agreed. M Chandernagor said that this problem should be studied. If a package were agreed as a result of the present post-Stuttgart negotiations some intermediate solution would be needed, not least because it would take until 1985 to ratify such an agreement. In the meantime, the Community must pay its way through 1984 which it could only do with the greatest difficulty on the basis of its present resources. It could not possibly pay its way in 1985. Would national contributions by Member States be a partial answer? These would have to be budgetised at the national level. If a satisfactory package were concluded at Athens this problem would need to be addressed immediately afterwards.

7. Mr Hannay said that there was no UK position on this but officials had looked at the technical possibility of having a supplementary budget in 1985 based on new agreed (and ratified)



financing arrangements. Another possibility would be a 1985 budget which would be based on the assumption of ratification but would not preempt it. We might have to start looking at this problem, not after Athens, but as part of the Athens decisions.

M Chandernagor commented that, given that it was impossible to make accurate predictions for 1985 (as the Commission's budgetary predictions paper had shown) it was difficult to address the issue successfully until after the package had been agreed. Thereafter the framework should be much clearer.

#### Internal Market

8. Mr Rifkind asked what plans the French had to hold Internal Market Councils during their Presidency in order to speed up work in this area. M Chandernagor said that the French would hold Internal Market Councils though their position was well known: they were prepared to see progress on the development of the internal market so long as it was accompanied by an external trade policy. The French wished to facilitate opening up the Internal Market to European companies but not to the point where they would simply be opening up the market to the outside world without limitation.

9. Mr Rifkind said that he understood the French concern but there were areas such as frontier controls and the harmonisation of documents where immediate action would be of benefit to the consumer without damaging the EC's trading position.

M Chandernagor did not dissent but said that national trading organisations tended to be hostile. There was opposition within France to the single administrative document on the basis that it did not contain enough information. Computerisation was the obvious answer but the Commission seemed unenthusiastic. He would be meeting some of his ministerial colleagues before the Internal Market Council on 26 October and would try to push things forward.

10. In reply to a question from Mr Rifkind, M Chandernagor said that France still had reservations on one or two points on the third country problem, but, in principle, we were not far apart.



He had been encouraging Lambsdorff to agree to a package which could lead to progress but Lambsdorff did not seem to wish to go ahead. Mr Hannay said that we had no objection to the adoption of a Common Commercial Policy Regulation but did not believe that the decision making process should depart from that under Article 113. M Chandernagor said that we did not wish to see barriers created which could make it difficult to implement the regulation. Mr Hannay commented that the Community was able to take positions under Article 113 but M Chandernagor said that it did so only with great caution.

EC/US Relations

11. Mr Rifkind noted that M Cheysson had predicted negotiations with the United States on agricultural matters. Did M Chandernagor have any detailed thoughts? M Chandernagor said that France's main concern was cereal substitutes within the context of the whole of the CAP and the need to try to avoid a trade war. We and the US needed to decide how we could share the markets. Decisions would be needed soon. If we waited until the result of the Athens negotiations we could wait too long. France agreed with the Commission's plan to use the GATT as a basis of a package for discussion. This would also help create conditions in which progress could be made at Athens. There was no doubt, however, that negotiation with the US would be a tough one.

12. Mr Rifkind asked whether M Chandernagor had any assessment of American willingness to negotiate with the European Community. The Americans might take the view that time was on their side and he himself was not sure that we were in a strong position. M Chandernagor said that he was familiar with this argument, which was used about relations with Japan as well as the US. It was a question of will. If the EC always saw itself as the weaker partner then it would always lose. It must either stand up or forever play the role of kid brother. Mr Rifkind agreed with this as a general proposition though it was not true in individual cases. In the case of the United States the real question was whether the Americans would perceive that we had enough of a



common interest to make it worthwhile entering into negotiations. M Chandernagor thought that the Community's position was quite strong. The Community could find itself in the permanent position of being vassals to the United States unless they stood up for their interests.

13. Mr Hannay commented that the position was not as clear cut as that. The United States had clear, legally established rights under the GATT to which the EC had subscribed. If, by its approach, the EC provoked a confrontation both we and the US would lose in the ensuing competitive confrontation. We should approach our dealings with the US with these facts clearly in mind. M Chandernagor said that the Americans' approach was not overly legalistic. They blocked imports and then agreed to talk subsequently. The discussion with the US should take place at the start of next year. It would have to be give and take. The negotiation could hardly be unsuccessful than the present situation which was so costly to the Community.

#### CAP

14. Mr Rifkind recalled that, in discussion the previous evening, both M Cheysson and M Chandernagor had described a binding financial guideline as an unacceptable basis for agreement on the CAP. Their description might be based on a misunderstanding since the strict financial guideline, while it would determine expenditure, would not be binding in the sense of being absolute. We had proposed procedures in the event of unforeseen spending requirements involving a return to the Council. Our proposals would provide a discipline not currently available. Both we and the French agreed on the desirability of reform and accepted that the CAP had not worked well. M Chandernagor said that the introduction of new budgetary rules governing agriculture had implications beyond the agricultural budget alone. Once such a guideline was introduced for agriculture it should logically be extended to other policies eg the structural funds which had a less rational basis for expenditure than the CAP. Both the British and Dutch proposals would require amendment to the Treaty.



For this reason the French tended towards the position taken by the Commission. They thought that the idea of a joint meeting of Finance and Agricultural Ministers if there were a prospect of overspending was not a bad one.

15. Mr Rifkind said one had to ask oneself whether the constraints so far proposed had any significant effect in curbing agricultural spending. We currently tolerated on a Community basis a situation that none of us would put up with for a moment at the national level. The time had come to get to grips with agricultural expenditure, and unless reforms had the desired effect we would all be wasting our time. M Chandernagor said that while British farmers were relatively biddable, farmers elsewhere in the Community were not. The French Government was not prepared to destabilise the state to please the British. Mr Rifkind said that he understood the individual domestic problems of each country. We needed not only sensible reform but to look at the problems of individual types of farmer. But the needs of farmers should not be the sole determinant of agricultural spending overall. Rationalisation of agriculture was one of the central purposes of the CAP and should not be overlooked.

16. M Chandernagor said that the CAP was based on a number of principles all of which should be respected. The farmers had plenty of arguments on their side eg the fact that they were penalised while we nonetheless continued to import butter and lamb from New Zealand. The farmers wanted to know what had happened to the system of Community preference, when any EC external agreement had to include some agricultural benefit for the non EC country concerned. The UK was asking the rest of the Community to take account of its budgetary situation. The UK in turn must take account of others' needs. Britain could not expect both a solution to its budgetary problem and to impose its own solution on others in the field of agriculture. This is not a balanced way to approach the negotiations. Mr Hannay commented that the fruits of Community preference could be seen in the balance of agricultural trade between Britain and France since accession. If



we had 10 national agricultural policies the nature of budgetary constraints would already have led to limits being imposed on agricultural spending. But when we tried to achieve the same result at a European level everyone said it was impossible. M Chandernagor said that the task was not impossible. The savings should be achieved by reform of the guarantee system. The farmers would protest but substantial savings could be made. But we could not go in at all levels at the same time. The UK wished to have a solution to its particular needs but could not achieve that at the expense of the Community as a whole.

17. Mr Rifkind said that M Chandernagor should not assume that our farmers could not create problems. Mr Hannay cited the NFU's opposition to the super levy as one example. Mr Rifkind said that each Government must look to its own internal situation but the Community had to remember that the CAP had not been designed to produce vast surpluses to be paid for by consumers and tax payers. M Chandernagor said that the CAP had created a zone of guaranteed revenue. Structures had evolved but it was difficult to make them evolve further given current employment problems.

13. The meeting ended at this point so that the Ministers could attend the plenary discussion at Downing Street.

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