

Ref. A084/198

NOTE FOR RECORD

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This note records that part of my conversation with Monsieur Attali yesterday which was concerned with European Community questions.

2. Monsieur Attali confirmed that the President was keen to work for a resolution of the problems in the post-Stuttgart negotiations at the March meeting of the European Council in Brussels. Domestic political calculations entered largely into that judgment. In France the European elections in June were going to be treated to a considerable extent as a referendum on the French Government's performance. Since they were going to be at the most difficult point of their "hard" domestic policies, the President did not want to add to that disadvantage the further disadvantage of another "failure" to resolve the European Community problems. Hence his wish for a successful outcome in Brussels.

3. As to procedure, the French Government did not favour the continuation of the Special Councils used in the run-up to Athens. The President proposed to use the Commission and the various regular Councils to carry discussion forward at the technical level and to resolve matters where they could. This process would be supplemented by extensive informal contacts by the President himself and by the new Minister for European Affairs, Monsieur Dumas. There might also be advantage in holding one or two informal meetings of the Ten, of the "Schloss Gymnich" type.

4. Monsieur Attali said that the Prime Minister's meeting with the President was an important first meeting, in which the President hoped to learn from the Prime Minister what her real political needs were. This need not necessarily be regarded as the only bilateral meeting between the Prime Minister and the President before the March meeting of the European Council. It might well be useful for them to have another meeting nearer that time, and the President would be very happy to come over to London for that purpose.

5. Monsieur Attali stressed the importance of Monsieur Dumas in this affair. Monsieur Dumas was (unlike his predecessor) a full Minister in his own right. He was a very close and long-standing friend of the President, and enjoyed the President's total confidence.

6. I said that it was the Prime Minister's judgment also that it was desirable to resolve the problems of the post-Stuttgart negotiations at the March meeting of the European Council. These problems would not be easier to solve after the European elections, because failure to make progress at Brussels in March could seriously sour the climate in the European Community Council. It could also make problems for all European Governments in the European elections. The President would therefore find the Prime Minister sharing his wish to see the problems resolved before or at Brussels; or at least sufficient progress made by then on major political decisions, even if all the details could not be cleared up at Brussels, so that matters could thereafter be resolved in the Council of Ministers. We were content with the French Government's ideas on the procedure for carrying forward discussions between now and the March meeting of the European Council. During this period we should welcome close bilateral contacts with the French Government, at whatever levels the President thought appropriate. No doubt there would be continuing contacts between British and French departments, but he could be assured that, if it would help for either Mr Williamson or me or both of us to have further meetings with either Monsieur Morel or Monsieur Attali or both of them, we should be very ready to meet accordingly. Monsieur Attali thought that there would be great value in such contacts.

7. Turning to issues of substance, Monsieur Attali remarked that any agreement likely to be reached at Brussels in March was bound to be in three respects "a disaster" for President Mitterrand. The French Government would not be able to get what they needed on milk quotas; they would not be able to get what they needed on Monetary Compensatory Amounts (MCAs); and they would not be able to get what they needed on "Spain questions".

The last was not the least difficult. The French President supported the enlargement of the Community to include Spain, but Spanish accession would be unwelcome to a considerable number of French farmers and was being opposed by Monsieur Chirac and his party and by the Communists. On all these three questions President Mitterrand had to accept that there would inevitably be dissatisfaction at the outcome of Brussels from French farmers and their representatives (who were siding with the Opposition). For him, therefore, it would be a crucial political need that the Brussels package should include some elements which would be of benefit to French farmers. Monsieur Attali instanced "taxes on milk plants"; and he said that the President would also be greatly pleased if there were agreement in the European Community to be willing to threaten the imposition of a tax on imports of corn gluten from the United States: this was very important to French farmers. In response to my interjection Monsieur Attali recognised that we were not the only country in the Community which was opposed to the threat to introduce such a tax, but he stressed its importance to the French.

8. Monsieur Attali commented that the President would welcome the Prime Minister's support in a move to get the European Community to take a stronger and more coherent positions on matters of trade policy, so that Europe could take its place as an equal partner with the United States and Japan on trade policy. If the Community could not do this, it might be that individual members would need to take stronger positions on their own.

9. Monsieur Attali also said that he hoped that the Community would not insist on imposing the milk levy on dairies. There were 400,000 milk dairies in France, and, if the levy was imposed at dairy level, it would require 400,000 policemen to enforce it. The French Government should be left to impose any levy that might be agreed in the manner best suited to the French situation and needs. I said that we should of course much regret

any diversion of police resources from the protection of lamb lorries: an observation which led to a long and very good-humoured digression about the lamb lorry episode, during the course of which Monsieur Attali expressed the President's regret for what had occurred.

10. I said that the Prime Minister would be anxious to see progress at the March meeting in Brussels on "new policies". But it would not surprise Monsieur Attali to hear that her main political need would centre on the control of agricultural spending, and on the British budget contribution.

11. We did not spend very long on the control of agricultural spending. Monsieur Attali recognised its importance to us, and said that the French Government was also seized of the importance of the control of all spending, including agricultural spending. He referred specifically to the Delors proposals as if he thought that they were still on the table; and when I spoke about the Cheysson proposals, he did not seem to differentiate very much between them. I said that we thought that on the basis of the Delors proposals there was a great deal of common ground between the British and French Governments on the control of spending. I added that we should want to see strict financial guidelines made legally binding: an observation which Monsieur Attali appeared to accept.

12. On the British budget contribution I said that I thought that the Prime Minister's most pressing political needs were for (1) a system which was durable, so that the matters did not have to come up and be the subject of difficulty and sometimes a crisis for the Community each year, (2) a system which resulted in an equitable level of payments by Britain to the European Community, related to ability to pay, and (3) a system which was more predictable in its outcome than the arrangements of 30 May 1980.

13. Monsieur Attali interjected that there were two questions: how long, and how much?

14. I said that the Prime Minister would need to be able to go back to Parliament and say that the European Community had now agreed a system which dealt with the problem of the British contribution on a durable basis. We believed that, to be equitable, the system should be based on relative share of gross domestic product; and to be workable and practicable the adjustment needed to be made on the revenue side, and by a system of "two year" adjustment which meant that the adjustment would be based on actuals rather than estimates. We thought that the best way of achieving durability would be that the system should be built into the same decision as the increase in own resources, if that were to be agreed; it would be important for the Prime Minister to achieve that, I did not wholly exclude the possibility of a "review clause", under which there would be provision for the system incorporated in the new resources decision to be reviewed after, say, five years; but the decision itself should be open ended.

15. Monsieur Attali noted all this about durability and duration without much reaction, though he did use words implying that there was in his mind the possibility of a trade-off between durability and amount.


16. Turning to amount, I said that what the Prime Minister needed was above all a system which worked and could last. Clearly the system would be judged by its outcome in terms of figures. I could not say that the Prime Minister had any precise figures in mind, but I recalled that at Athens she had used illustrative figures which indicated a net contribution of 500 million ecus in 1982. That was not a commitment, or necessarily a final figure; but it did show the order of magnitude which the Prime Minister would need to achieve. At this figure Monsieur Attali pulled a very long face, and said that the figure was far outside the range which the President could contemplate. He did a rapid mental calculation, as a result of which he said that, if our refund was of the order of 1,500 million ecus (the counterpart of a net contribution of 1,500 million ecus on the 1982 figures), the additional cost to the French budget and balance of payments,

at a time of deficit on both, would be of the order of 600 to 700 million francs. I said that I recalled that Monsieur Attali had said to me two years ago, when we were discussing this subject, that it would be a political need of President Mitterrand to conclude a settlement that could be presented as less generous to the British than that agreed by his predecessor in 1980. Though the 30 May 1980 agreement had been supposed to provide for a refund of about two thirds of the contribution, the outcome had been that for 1980 we had paid only about 340 million ecus and for 1981 under 100 million ecus. Thus on the basis of the terms we now had in mind, and the illustrative figures which the Prime Minister had been using at Athens, the President would be able to claim that what he had agreed gave less to the British than President Giscard d'Estaing had given. As to the effect on the French budget, that would depend upon the system agreed for financing reliefs. There had been suggestions for systems of financing reliefs which would ease the burden on the French and take more from "les petits riches". Monsieur Attali was sceptical about suggestions of that kind: the Germans might agree to pay and perhaps even the Dutch; but the Danes?

17. We concluded on this aspect of the matter by noting that on this point there was a large difference between the British and French Governments. I said that the matter would no doubt be pursued when the President and the Prime Minister exchanged views about their political needs, but in the light of the history of the issue in Britain I should leave Monsieur Attali under no illusion about the importance of the Prime Minister's political needs in this area.

18. Monsieur Attali asked what was our position on the "Presidency proposals" tabled by the Greek Government at Athens. He recalled that the Prime Minister had told President Mitterrand that she could live with them, but they were being told by the Commission and by other Governments that they were not acceptable to the British Government. I said that the

Presidency proposals were long and complicated; they were not wholly satisfactory to us, but there was a good deal in them which was acceptable, and we certainly thought that they provided a starting point for further discussion and negotiation. We thought that the right course was to build on the progress that had been achieved during the run-up to and at Athens, and not to try and start again from the beginning. Monsieur Attali confirmed that that was also the President's position.

A handwritten signature in black ink, consisting of the letters 'R' and 'A' in a stylized, cursive font.

ROBERT ARMSTRONG

18 January 1983

Ref. A084/186

MR COLES

--- I attach a record of my discussion with Monsieur Attali yesterday on European Community questions.

2. I am sending copies of this minute and the note for record on a personal basis to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Minister of Agriculture. As the meeting was strictly private and was not disclosed to French Government departments, I should be grateful if the circulation of this note could be rigorously limited on the strictest "need to know" basis, and that no hint of the fact that such a meeting took place, or of anything said at it, should be allowed to reach the French Government or diplomatic service.

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ROBERT ARMSTRONG

18 January 1984