

COPIES

FRAME: GENERAL

23

REMARKS

FCO
PS/LADY YOUNG
PS/MR RICHARD
PS/FUS
SER. C TICEYELL
MR FARRAY



~~SECRET~~
ED/EDD (1) (3)
ED/NEFS
UD/
UD/
UD/

FIVE FOO

Mr Hosi

ms

CABINET OFFICE
MR D WILLIAMSON
MR STAPLETON
MISS S J LAGRETT
MR DUNN

DOT

1310

MR R GRAY
MR R WELLS (WEG)

FIVE OGD

HM TREASURY
MR J G LITTLER
MR J B UNWIN
MISS JE COURT

MAFF

PARLIAMENT SECRETARY

Mr Franklin
Mr Andrews

1010
Mr Coles

CONFIDENTIAL
FRAME GENERAL

FROM UKREP BRUSSELS 211425Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1027 OF 21 MARCH 1984

INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN

LUXEMBOURG ATHENS

INFO SAVING LISBON MADRID STRASBOURG WASHINGTON

Prime Minister

Richard Butler's assessment
and judgment as to the next
steps. A.D.C. 2/3

EUROPEAN COMMUNITY STRATEGY

1. THE EUROPEAN COUNCIL FAILED YESTERDAY AS MUCH BECAUSE SOME OF THE OTHER LEADERS DID NOT UNDERSTAND THE ISSUES AND HAD NOT THOUGHT THROUGH THE CONSEQUENCES AS BECAUSE THEY WERE DETERMINED TO PROTECT THEIR NATIONAL INTERESTS AND THEIR POLITICAL POSITION AT HOME.

2. IT HAD BEEN CLEAR SINCE ATHENS THAT PRESIDENT MITTERRAND'S PLAN WAS EITHER TO 'SAVE EUROPE' BY AN AGREEMENT OR TO BLAME THE UK. IN MY VIEW, HE WAS STILL ON THIS DOUBLE TRACK YESTERDAY MORNING. BY ALLOWING DUMAS TO SETTLE ALL OUTSTANDING POINTS ON THE

~~WORKING~~. BY ALLOWING DUMAS TO SETTLE ALL OUTSTANDING POINTS ON THE TEXT ON BUDGETARY IMBALANCES WITH US AND THEN BY TABLING IT AS A PRESIDENCY PROPOSAL AFTER LUNCH, HE WENT FURTHER THAN HE NEED HAVE DONE TO MEET US IF HE HAD DECIDED THAT AGREEMENT WAS NOT GOING TO BE REACHED. (SUCH EXPERIENCED OBSERVERS AS NOEL AND DAVIGNON WERE SAYING AFTER LUNCH THAT THE UK HAD FINALLY GOT ITS WAY ON THE CORRECTING MECHANISM AND THE COMMISSION SPOKESMAN WAS SAYING AS MUCH TO THE PRESS). BUT WHEN MITTERRAND DID COME TO THE CONCLUSION IN MID-AFTERNOON THAT AGREEMENT WAS GOING TO ELUDE HIM HE REVERTED TO HIS SECOND OPTION.

3. THE GERMANS BORE A LARGE SHARE OF RESPONSIBILITY FOR THE FAILURE. KOHL DID NOT SEEM TO UNDERSTAND THE GREAT MERITS OF THE SYSTEM FROM THE GERMAN POINT OF VIEW. HE WAS ABSOLUTELY DETERMINED NOT TO GO BEYOND 1,000 MILLION ECUS REFUND IN REGARD TO 1984. AND HE IGNORED TIETMEYER'S ADVICE TO GIVE SUPPORT TO THE PRIME MINISTER WHEN SHE PUT FORWARD TIETMEYER'S OWN IDEA OF A 1,000 MILLION ARBITRARY REFUND IN 1984 AND A SYSTEM BASED ON A REFUND OF 1,250 MILLION (IN RELATION TO THE 1983 FIGURES) FOR 1985 AND LATER. HE OUGHT TO HAVE KNOWN THAT THE PRIME MINISTER COULD NOT POSSIBLY ACCEPT AN ARBITRARY 1,000 MILLION ECUS FOR FIVE YEARS. THE EXTENT TO WHICH HE WAS RESPONSIBLE IN HIS BREAKFAST MEETING WITH MITTERRAND, FOR BRINGING THE LATTER BACK FROM THE 1100 MILLION OFFER OVERNIGHT, IS NOT CLEAR. BUT MY STRONG IMPRESSION WAS THAT MITTERRAND WOULD HAVE BEEN PREPARED TO GO TO 1200 MILLION WITH THE SYSTEM.

4. THE ITALIANS BORE THEIR SHARE BY REFUSING TO ACCEPT THE SYSTEM, THOUGH ANDREOTTI'S OFFICIALS MADE EVERY EFFORT TO PERSUADE HIM TO DO SO. THE IRISH, WITH THEIR WALK-OUT ON THEIR SEPARATE MILK PROBLEM, ALSO CONTRIBUTED TO THE FAILURE. IN THE LATE AFTERNOON THE FEELING BEGAN TO SPREAD THAT IT WAS HARDLY WORTH MAKING A MAJOR EFFORT ON THE OTHER ISSUES IF FITZGERALD WAS TO CONTINUE TO SULK IN HIS TENT.

5. FINALLY, THE FRENCH AND THE ITALIAN'S ACTION IN BLOCKING OUR 1983 REFUNDS WAS ALMOST CERTAINLY MORE DESIGNED TO AVOID CRITICISM OF WEAKNESS AT HOME THAN PART OF A PLAN WITH REGARD TO THE LIKELY CONSEQUENCES. IT MAY BE THAT PRESIDENT MITTERRAND AND SOME OF HIS ADVISERS THINK THAT IT MAY BE POLITICALLY HELPFUL TO THEM IN THE SHORT TERM TO FORCE US TO "SAFEGUARD OUR POSITION". BUT I DOUBT VERY MUCH WHETHER THEY HAVE A CLEAR IDEA OF WHERE THEY ARE GOING.

6. THE PRIME MINISTER'S STATESMANLIKE LINE AT HER PRESS CONFERENCE LAST NIGHT HAS BEEN WIDELY NOTED HERE AND FAVOURABLY

~~6. THE PRIME MINISTER'S STATESMANLIKE LINE AT HER PRESS CONFERENCE LAST NIGHT HAS BEEN WIDELY NOTED HERE AND FAVOURABLY COMMENTED ON BY ALL THOSE TO WHOM I HAVE SPOKEN. IT IS IN MY VIEW ESSENTIAL TO TRY TO KEEP TO THE LINE THAT WE ARE TRYING TO GET A SETTLEMENT BEFORE JUNE AND, IN SO FAR AS WE HAVE TO ACT TO PROTECT OUR POSITION, THAT WE ARE RESPONDING TO ACTION TAKEN BY THE OTHER SIDE.~~

7. ON THE ASSUMPTION THAT CABINET TOMORROW DECIDES IN PRINCIPLE TO BLOCK A TRANSFER OUT OF THE COMMISSION'S BANK ACCOUNT IN LONDON UNTIL OUR POSITION IS PROTECTED, I RECOMMEND THAT YOU SEND A MESSAGE TO THE PRESIDENCY AND YOUR COMMUNITY COLLEAGUES (INCLUDING THORN AND TUGENDHAT):-

(I) EXPLAINING OUR ACTION IN A LOW-KEY AND MODERATE WAY:

(II) SUMMARIZING THE PROGRESS ALREADY MADE:

(III) PROPOSING THAT THERE SHOULD BE A FURTHER MAJOR EFFORT TO SETTLE THE OUTSTANDING ISSUES AT THE FOREIGN AFFAIRS COUNCIL ON 9 APRIL PERHAPS AFTER PREPARATION BY A SPECIAL GROUP IN COREPER:

(IV) INDICATING THAT FOR OUR PART IT IS VERY MUCH A CASE OF BUSINESS AS USUAL OVER THE REST OF COMMUNITY ACTIVITY.

I FEAR THAT THIS WILL NOT IN FACT PRODUCE RESULTS BUT IT MAY BE WORTH MAKING A RATHER WELL-PUBLICISED GESTURE OF THIS KIND TO FOLLOW UP THE PRIME MINISTER'S PROPOSAL AT THE EUROPEAN COUNCIL THAT FOREIGN MINISTERS SHOULD TRY TO SETTLE THE REMAINING ISSUES IN APRIL.

FCO ADVANCE TO:-

FCO - PS PS/MR RIFKIND PS/PUS TICKELL HANNAY

CAB - WILLIAMSON STAPLETON DURIE

MAFF - FRANKLIN ANDREWS

TSY - UNWIN

NO10 - COLES

FCO PASS SAVING TO LISBON MADRID STRASBOURG WASHINGTON

BUTLER

NNNN

RWS