



PM/84/66

PRIME MINISTER

Now f-a.

AD/S

*John - agree
to proceed
Mitterrand about
a further meeting
not*

European Community

1. Following our talk, I have been reflecting overnight about how best to take the negotiations forward. I know that you have also been giving thought to this.

2. The negotiations at present are stalled. All those who have been most closely involved in them share my view that there is now a real risk of the system slipping from our grasp. This is why I have no doubt that it must be in our interest to carry things forward, if we can, during the French Presidency. Mitterrand will plainly maintain his interest in reaching an agreement during that period. Once he is no longer President of the Community, his position could be very different. Of course we have no way of knowing whether he wants an agreement before the European elections. From his point of view, there are arguments both ways. But if we are to get an agreement by the time of the Summit, which takes place only a week after the elections, we have to get the negotiation underway again in the meantime. So we need to consider ways of restoring some momentum, and of doing so before the election campaign gets under way.

3. I understand that you have been thinking about the possibility of an early meeting with Kohl, before the Anglo/German Summit on 2 May. The same thought had occurred to me; but I doubt if it would help. There is an obvious difficulty in arranging a special meeting with Kohl, a matter of days

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before the regular bilateral Summit, without this looking like a major new initiative. It would arouse the suspicions of the French and others who would think that we were trying to get together with Germany, as the other net contributor, to outflank them. It would certainly look to Mitterrand as if we were deliberately by-passing him as President of the Community. It would be the more difficult thereafter to bring him back into play in a helpful fashion.

4. The risk might just be worth taking if we could be confident of making real progress with Kohl. It is not clear that we could. The German position on the key question of whether Germany is protected by the budget system and the extent of her contribution to our relief is still obscure. If you were to make a special visit to see Kohl, that issue would inevitably come to the fore, in an unhelpful and potentially costly way. The Germans never have been prepared to put real pressure on the French. In the end, I think Kohl can be persuaded to move. But, I suspect, he is only likely to be persuaded to bear his full financing share, and perhaps to forego reliefs for Germany, when he sees an outline agreement in place. Mitterrand's help will be needed to convince him that he must compromise in the interest of clinching that agreement for the sake of the Community as a whole.

5. The fact is that the expectation of a meeting between you and President Mitterrand has been created by his remarks about his visit to Culham. The general disposition in the Community is to wait on such a meeting. I am very doubtful if matters can be carried much further forward meanwhile. That appears also to be Davignon's view.

6. This puts us in a difficult position. Clearly, we do not want to look as if we are under pressure to reach an agreement. But the present impression in the Community is that we are not

/seeking



seeking an agreement at all. This means that without some fresh impetus, we shall not get the negotiations moving again. There were good practical reasons why you and Mitterrand could not arrange to meet last Monday. But President Mitterrand did make a specific proposal that you might go to Paris for talks and it remains open to us to take up this invitation. I would not wish to leave for Hong Kong at the weekend without offering you my firm advice that we should do so.

7. As I explained on Thursday, I would not see such a meeting as an occasion for negotiation. The aim would be to ensure that Mitterrand understands that we share his aim of achieving the re-launch of the Community at the June Summit; that we have made an enormous amount of progress under his Presidency; and that we now need to work with the French, as we did before the Brussels Summit, to bridge the remaining gap which stands in the way of an overall settlement. The object would be to get further work on a settlement remitted back to Dumas, who at present has no authority to negotiate. It would also be helpful to get Davignon back into the act. I believe he has a key role to play - although we should not give the French the impression that we think so.

8. The expectation in the Community that nothing much will happen until you and Mitterrand have met is of course self-fulfilling. The French Finance Ministry have been calculating the considerable cost to France of the system put forward at the European Council. They and others would like nothing better than to unravel it if they can.

9. I have invited Thorn to see me at Chevening on my return from the Far East. You will be meeting Kohl on 2 May. With the next meeting of the Foreign Affairs Council taking place on 14/15 May, any meeting between yourself and Mitterrand

/much



much later than early May would start to look more and more like a make-or-break occasion. An early meeting, on the other hand, as part of a round of meetings involving Kohl and Thorn, would be seen in the Community as a natural step in re-launching the negotiations after the Easter recess.

I shall be at Carlton Gardens until about one o'clock tomorrow, if you wanted another word about the difficulties - which I do appreciate

(GEOFFREY HOWE)

Foreign and Commonwealth Office
13 April 1984

Not
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until
6.15 p.m.
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13 APR 1984

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