

CONFIDENTIAL

Qz.03695

MR COLES

Prime Minister

I am doubtful whether you should start by offering that you should move from the 1250 figure.

FERB

27.4.

PRIME MINISTER'S MEETINGS WITH CHANCELLOR KOHL (2 MAY) AND
PRESIDENT MITTERRAND (4 MAY)

Although French reactions to the possibility of an early settlement of the outstanding question on the reform of the Community's financing are cautious and guarded, we are continuing to receive information from other sources that the imminent start of the European election campaign does provide some leverage. We think that in other member states there is some genuine consideration whether a settlement should be sought before the start of the European election campaign or whether the issues should come back to the next European Council. Monsieur Thorn saw President Mitterrand yesterday and reports that he was somewhat depressed and uncertain about the timing of a settlement and the other Community budget difficulties.

2. In these circumstances - and particularly as the United Kingdom is being represented throughout the Community as not having moved one millimetre since the European Council and probably as not being willing to do so - the Prime Minister may wish to put the ball back firmly into President Mitterrand's (and Chancellor Kohl's) court by making clear that a settlement is possible now and that it is up to them to take it. At the same time it will be necessary, of course, to make clear that we have already moved a long way on the figures; that there is no prospect whatever of a settlement on the basis advanced by the nine member states (1000 million ecu as the reference figure - on 1983 figures - in the system); and that a settlement implies movement [on both sides] on the figure and otherwise no backsliding on the Presidency text.

CONFIDENTIAL

3. The arguments might be advanced on these lines -

(1) disappointed that outstanding issue not resolved at Brussels European Council. This should not be allowed to overshadow fundamental common interest of France, Germany and United Kingdom in a soundly financed Community and in the relaunch of the Community (during the French Presidency);

(2) some feeling in the Community that European election campaign should not be allowed to get under way without an effort to resolve the outstanding question now. Ready to do so, for example at Foreign Affairs Council on 14-15 May or in any appropriate procedural manner proposed by the French Presidency. The United Kingdom made major steps at and before the last European Council, both in accepting the VAT share/expenditure share gap as the basis and in reducing its proposed figure for the reference figure in the system. The Nine cannot stand still and get a settlement. Clearly an honourable settlement involves a movement [by both sides] on that figure;

(3) procedurally the United Kingdom could complete the present phase of the negotiation either by simply inserting the missing figure in the Presidency's text or by establishing now the threshold and rate of contribution which correspond to that figure. (Would like French/German reaction);

(4) conscious that a settlement now would allow the French Presidency to structure the agenda for the next European Council towards longer term relaunch of the Community, including enlargement. This will carry more weight following an agreement on the reform of the Community's financing.

4. I am sending copies to Roger Bone (FCO), David Peretz (Treasury) and to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

27 April 1984

2

CONFIDENTIAL