

CONFIDENTIAL

CONFIDENTIAL

AMENDED DISTRIBUTION

FRAME ECONOMIC

3/5

DESKBY 030830Z

FM PARIS 021705Z MAY 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 531 OF 2 MAY

INFO UKREP BRUSSELS, BONN

mo

MIPT: PRIME MINISTER'S MEETING WITH MITTERRAND, 4 MAY: EC AFFAIRS

SUMMARY

1. ALTHOUGH MITTERRAND MAY RAISE OTHER QUESTIONS EG ENLARGEMENT, THE MAJOR OUTSTANDING ISSUE FOR FRANCE AS FOR BRITAIN REMAINS THE UK BUDGET REFUND, NOT LEAST BECAUSE OF THE EFFECTS OF CONTINUING DISAGREEMENT ON THE COMMUNITY'S BUDGETARY SITUATION LATER THIS YEAR. THE FRENCH GOVERNMENT CLAIMS THAT IT IS IN NO HURRY TO REACH AGREEMENT AND THAT THE BALL IS IN THE BRITISH COURT, BUT THERE ARE SOME INDICATIONS THAT MITTERRAND, WHILE VERY CAUTIOUS, MAY BE READY FOR A SERIOUS EXCHANGE ON 4 MAY.

DETAIL

2. IN THE LAST FEW WEEKS MITTERRAND HAS GIVEN THE IMPRESSION OF ACCORDING A LOWER PRIORITY TO EC AFFAIRS. HIS VISITS SINCE EASTER TO ATHENS AND ROME HAVE BEEN CONDUCTED IN LOW-KEY FASHION, QUITE DIFFERENT FROM THE HIGH PROFILE PRESIDENCY VISITS IN WHICH HE ENGAGED IN THE EARLY SPRING. IN PART THIS IS DUE TO OTHER DOMESTIC AND FOREIGN POLICY PREOCCUPATIONS (MIPT), BUT, IT IS ALSO A DELIBERATE TACTICAL CHOICE. WHILE THE FRENCH MUST PRIVATELY RECOGNISE THAT WE HOLD THE HIGH CARDS IN A SITUATION IN WHICH THERE IS A REAL RISK OF AN EC FINANCIAL CRISIS THIS AUTUMN AND THAT THEY NEED A SETTLEMENT WHICH WILL ENSURE THAT THEIR FARMERS ARE PAID, AND WOULD LIKE TO CLEAR THE DECKS FOR A RELAUNCHING OF THE COMMUNITY AT FONTAINEBLEAU UNDER THEIR PRESIDENCY, TO ADMIT ALL THIS PUBLICLY WOULD WEAKEN THEIR NEGOTIATING STANCE. SO THEY AFFECT A NONCHALANT AIR. THIS APPROACH ALSO SUITS THEIR STRATEGY FOR THE EUROPEAN ELECTIONS. SINCE THE LEFT IS LIKELY TO DO BADLY IN THEM, THE LESS ATTENTION PAID TO EUROPEAN ISSUES (AND THUS TO THE ELECTIONS) AT THIS TIME THE BETTER.

3. THE FRENCH GOVERNMENT THEREFORE IS DELIBERATELY GIVING THE IMPRESSION THAT IT IS IN NO HURRY TO REACH AGREEMENT. LEGRAS (QUAI) HAS CLAIMED TO US THAT ALL THE OFFERS MADE IN THE CLOSING SESSION OF THE BRUSSELS SUMMIT HAVE BEEN WITHDRAWN - HE SAID THE POSITION RESTED WITH KOHL'S PROPOSAL FOR 5 ANNUAL REPAYMENTS OF 1 BILLION ECU EACH AND THAT IT WAS FOR BRITAIN TO MAKE THE NEXT MOVE. HE HAS TAKEN THE LINE THAT THERE WAS NO GIVE IN THE FRENCH POSITION AT PRESENT (AND UNLIKELY TO BE MUCH MORE AS THE EUROPEAN ELECTIONS APPROACHED AND FRANCE'S DOMESTIC BUDGETARY POSITION BECAME INCREASINGLY DIFFICULT).

CONFIDENTIAL

/4.

CONFIDENTIAL

4. HOWEVER, NALLET (ELYSEE) TOLD US TODAY THAT HE REGARDED THE MEETING ON 4 MAY AS AN IMPORTANT OPPORTUNITY FOR THE PRIME MINISTER AND MITTERRAND TO RESUME THEIR DISCUSSION ON THE BRITISH CONTRIBUTION. HE THOUGHT THAT THEY MIGHT BE ABLE TO SKETCH OUT THE MAIN LINES ON WHICH AGREEMENT COULD BE REACHED FOLLOWING - AND POSSIBLY GOING SLIGHT BEYOND THE PROPOSALS ADVANCED IN RECENT WEEKS BY NOEL AND ERSBOELL. MITTERRAND MIGHT MENTION SOME ADVANCEMENT OF THIS KIND, INVOLVING THE INTRODUCTION OF A MECHANISM FOLLOWING AN INITIAL YEAR. NALLET COMMENTED THAT TWO MAIN PROBLEMS REMAINED - THE DATE ON WHICH A SYSTEM WOULD COME INTO OPERATION, AND, MORE DIFFICULT, THE INITIAL FIGURE TO BE WRITTEN INTO THE FORMULA.

5. AGAINST THIS BACKGROUND, IT SEEMS LIKELY THAT MITTERRAND WILL OPEN THE MEETING WITH THE PRIME MINISTER ON FRIDAY BY REFERRING TO THE UNITED FRONT AMONG THE NINE AGAINST BRITAIN ON THE BUDGETARY ISSUE AND INDICATING THAT FRANCE IS PREPARED TO WAIT FOR SETTLEMENT. HE WILL BE WARY OF INDICATING ANY READINESS TO MOVE IN OUR DIRECTION. BUT AFTER HE HAS BEEN REMINDED GENTLY OF THE COMMON INTEREST IN AVERTING A CRISIS IT SHOULD PROVE POSSIBLE TO BRING THE DISCUSSION BACK TO CONCRETE ISSUE OF FIGURES AND DATES.

FRETWELL

FRAME ECONOMIC

ECJ (1)

³
CONFIDENTIAL