

SUBJECT

Mr MASTER

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NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF THE FRENCH REPUBLIC AT THE ELYSEE PALACE AT 12
NOON ON FRIDAY 4 MAY

Present:

Prime Minister	President Mitterrand
Mr. F.E.R. Butler	M. Attali
Interpreter	Interpreter

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European Community Budget

President Mitterrand welcomed the Prime Minister to Paris. He had met Signor Craxi and Mr. Papandreou since Brussels; and he hoped to meet Chancellor Kohl shortly. No progress had been made on European Budgetary matters; and he had found Signor Craxi and Mr. Papandreou more interested in matters of direct national interest to them. It might be worthwhile for him and the Prime Minister to see if they could sketch any progress on the European Budget, although he would be equally happy to have an exchange on wider subjects.

The Prime Minister said that she would like to start with the European Budget. She agreed that there had not been much movement since Brussels, although there had been two meetings of Foreign Ministers. Chancellor Kohl had told her that his newspapers were saying that the Prime Minister did not want a solution to the Budgetary problems before the European Elections. This was untrue. The problems would not become easier and it would be useful to go into the campaign showing that Europe could solve these problems. If the President wanted to achieve an early solution and would ask M. Dumas to resume his negotiations, she would make every effort to help. She would be willing to attend a special meeting, provided that an agreement had been reached informally and only had to be ratified. Much progress had been made in Brussels and a settlement had been near. In the final stages Chancellor Kohl's contribution had not been helpful, but she understood that he now wanted the system proposed by the Presidency and also wanted strict budgetary control. Such control was essential to consolidate and maintain the savings achieved through the hard decisions on agriculture. There would be no point in throwing away those

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savings by extending unlimited guarantees to Mediterranean products. President Mitterrand commented that he fully agreed that quotas would be necessary.

The Prime Minister continued that, according to her understanding, the question of budgetary guidelines had been remitted to the Council of Finance Ministers. If budgetary controls and a fairer budgetary system could both be agreed, it would be an enormous advantage. The June European Council could then be used for taking forward the Community as a force in the world and discussing co-operation in other spheres. The British Government had moved a long way in Brussels. Their final move to the reference figure of 1250 mecu on the basis of 1983 was made in the belief that this would be acceptable to Germany. That belief had turned out to be false. She now had a little room for manoeuvre which she could use for securing a final agreement, but this was not large. Public opinion in Britain, supported by the Opposition, believed that Britain did not have a fair deal when we made such a large financial contribution in addition to bringing two-thirds of the fishing grounds - the only genuine common resource of the Community; contributing very heavily to the defence of the central European front; providing a vast net market for European manufactures; accepting large reductions in agricultural production when Britain was not self-sufficient and could produce more; and when there was no genuine common market in services where Britain excelled. She believed that if the President, Chancellor Kohl and she could agree on a figure through the good offices of M. Dumas, others would follow.

President Mitterrand said that the difficulties were not just a question of a base figure. Other member countries were also worried about the system because their net contributions would become heavier after enlargement took place. Germany would face a growing contribution and France would become a net contributor. The Germans were also saying, wrongly in his view, that they should not pay their full contribution to the British refund. Smaller countries were not sure that they would have the means to meet the cost. If a new and permanent system was introduced, other member countries wanted to know what it would mean to them. Chancellor Kohl had taken up the President's own suggestion made in 1981 of a lump sum refund: this would have the advantage that every member would know their liability but it would have the disadvantage that there would be successive annual disputes. But he believed that the reason for the rigidity of other member countries about the base figure was caused by their alarm about its future growth.

The Prime Minister pointed out that France had been a net contributor in previous years. The advantage of the

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system proposed by the Presidency was that it was based on ability to pay, as measured by GDP per head. It was absurd that Denmark and the Benelux countries should be net beneficiaries. It was equally absurd that under the present system Portugal would be a net contributor to these countries. She suspected that Italy's GDP figures were under-stated, and Signor Craxi had acknowledged that Italian GDP was probably 25% greater than the official figures showed. 1983 had been agreed as the reference year because the figures were known. (President Mitterrand interpolated that if there was a delay in reaching agreement, the 1984 figures would be known). The Prime Minister continued that she could not agree to an increase in own resources which would be permanent, unless there was an equally permanent change to a fairer system. To abandon the Presidency proposal on the system would be to go backwards. Under that system Germany would meet its full share of the British refund. It was also based on a Community of twelve so that it could apply after enlargement. For larger political reasons it was important to proceed with the accession of Spain and Portugal on time.

President Mitterrand agreed about the wider political argument for enlargement. The accession of Spain would cause great problems to France, but there was a duty to support democracy in Spain. For these reasons he had decided that enlargement must go ahead despite the difficulties which would be caused for South West France. Reverting to the Budget proposals, he had never been greatly in favour of the system proposed by the Presidency. He regarded the British refund not as a right but as a matter to which he had been willing to agree for purposes of flexibility. France had not regarded principles as a decisive obstacle to a system and was not refusing to examine the possibility of a system which lasted as long as the decision on own resources, but he believed that the system caused difficulties for other member countries.

The Prime Minister said that it was essential to have a new system now. The request for an increase in own resources was itself a sign that the previous system had broken down. She hoped very much that the President would ask M. Dumas to resume his efforts to reach an agreement. President Mitterrand agreed to do so.

London Economic Summit

The Prime Minister said that discussion at the London Summit would be bound to cover political as well as economic matters. She hoped that there would be a discussion of international terrorism, perhaps at one of the dinners, leading to a statement on the subject. Chancellor Kohl was

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sensitive about the celebration of the Normandy landings. Partly for this reason he would want a statement on the principles of free societies. If there was to be such a statement, she hoped that it could be short and drafted in magnificent language. There was also a case for a statement about security to help Holland, which was facing difficult decisions about the deployment of Cruise missiles.

President Mitterrand said that the last three Summits had become press spectaculars, at which the press wanted stories of conflict between the leaders. If this Summit had not been in London, he would not have attended himself, but would have sent his Prime Minister. He hoped that the Prime Minister could find a way of enabling the Summit to achieve its original purpose of being an opportunity for personal discussion between Heads of Government. He accepted that there would have to be statements and communique, but he hoped that these could be well worked out and agreed in advance so that there did not have to be wrangles between Heads of Government about them at the Summit before the eyes of the world's press. He also advised the Prime Minister that she should be the only person to speak at the final Press Conference.

The Prime Minister said that it was an advantage of this Summit that only Signor Craxi had not previously attended a Summit. She asked whether President Mitterrand would prefer that communique on specialist matters should be issued by the Ministers concerned so that the communique of Heads of Government could be confined to large and general matters. President Mitterrand said that he would not favour this, since emphasis on participation of Ministers detracted from the principle that the Summit was an opportunity for Heads of Government to meet informally. He repeated his hope that texts of the statements proposed by the Prime Minister could be prepared in advance so that they could be approved almost formally by Heads of Government. Commenting on the Prime Minister's reference to terrorism, he had been surprised at the anxiety of President Reagan on this matter. Terrorism was a common experience in France although it was largely carried out by international rather than domestic groups. He believed that there was scope for international co-operation, for example in dealing with those who supplied arms for international terrorism. On the Normandy landings, he was a little uncomfortable at the thought that President Reagan, The Queen and he would be photographed celebrating the Normandy landings and would then meet the Germans, the Japanese and the Italians on the following day. He accepted the idea of some statement on political collaboration, but he was distrustful of large general statements of the sort which might be favoured by the Americans, committing the Europeans to taking attitudes to events in other parts of the world. For example, he

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would not be able to agree to a statement supporting the United States policy towards central America and had disapproved of the United States action in Grenada. The Prime Minister said that she also had disagreed with the American invasion of Grenada. There would be discussion of problems in other parts of the world at the Summit, but she noted President Mitterrand's wish not to be committed to statements on such matters. The United States were inclined to think that the Europeans paid too little attention to what was happening in areas outside their immediate spheres of interest, for example in Africa and the Caribbean.

President Mitterrand said that the Americans were wrong if they assumed that Europe had no interest in these matters. But it was also wrong to become too concerned about every Russian presence in other countries. The Russians were bad colonisers and experience showed how unpopular their presence was. Their military help cost the recipient countries a great deal of money and the Russians gave no economic aid. The Russians were also often made uncomfortable by their relationships with countries which appeared to be friendly to them: he recalled a remark by Brezhnev that Colonel Gaddafi took more of his time than the leaders of all other countries put together.

President Mitterrand said that matters were not going well with regard to deployment in the Netherlands. He had been invited by Dutch Socialists to visit the Dutch Parliament, where he had taken part in an informal discussion. There had been criticism from both right and left of the British and French determination to exclude their deterrents from the disarmament talks. The Prime Minister agreed. Mr. Lubbers had been one of the first to suggest that the British and French nuclear weapons should be included in those talks, and the Americans themselves had suggested it at one stage but they had not thought it through.

At this point President Mitterrand suggested that discussion should be resumed over lunch at which they would be joined by the Foreign Secretary and M. Dumas.

F.R.B.

4 May 1984

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10 DOWNING STREET

Rle SSS
cc: Sir P. Craddock
cc Sir M Franklin
MAFF

From the Principal Private Secretary

4 May 1984

The Prime Minister's talks with President Mitterrand

I enclose notes of the tete-a-tete meeting between the Prime Minister and President Mitterrand and of the working lunch which was also attended by the Foreign Secretary and Monsieur Dumas.

I should be grateful if you and other recipients would confine access to these records to those who have an operational need to see them.

I am copying this letter and the enclosures to David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

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Len Appleyard, Esq.,
Foreign and Commonwealth Secretary

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