



PM/84/93

PRIME MINISTEREuropean Negotiations

1. Your meetings with Chancellor Kohl and President Mitterrand during the Economic Summit will be the last opportunity to discuss a solution to the problem of our contribution to the Community budget directly with them before Fontainebleau. I am sure the best approach will be to set that problem in its wider context.
2. Mitterrand and Kohl have met twice in the last few weeks. They have tried to reach some measure of agreement on the sort of political proposals they propose to make for the re-launching of the Community. In his speech to the European Parliament Mitterrand was playing to the gallery, and the reality of his ideas on "European Union" is a good deal less than the rhetoric. But Mitterrand's speech has made an impact. In particular, it was very well calculated, and deliberately so, to appeal to Chancellor Kohl.
3. In your meetings you might wish to begin by expressing our commitment to the future development of the Community and interest in discussing at and after Fontainebleau the ideas which President Mitterrand has put forward, as well as our own ideas, set out in the paper you might give to Chancellor Kohl and to the others, (the final version of which was sent to you yesterday). You might emphasise the importance you attach to the further development of the Community's external relations and Europe's role in the world; and your interest in increased European defence cooperation within the Alliance. On the internal side, you might explain the importance we attach to the development of a true common market as related not just to the sectoral issues, important as these are (transport, insurance, air services), but to our conviction that the completion of the internal market would



have the kind of dynamic effects on job creation this has had in the United States.

4. On the budget issues, when I saw Roland Dumas yesterday he argued that if there were no agreement at Fontainebleau, this could prejudice the enlargement negotiations. He said that the other member states were entrenched on their present position, and sought to argue that we should consider further ad hoc refunds. I made clear that there was no question of our agreeing to increased own resources on that basis. I was left with the impression that Dumas would welcome further private contact before the European Council. I shall be hoping to see him again before then.

5. Against this background, for your talk with President Mitterrand I see no need to change the line you took with him on 4 May, namely that we wish to see the re-launch of the Community at Fontainebleau; that we would like to see the Community follow up Mitterrand's ideas on future developments, as well as some of our own which we shall be passing to him; and that, with a final effort by all concerned, we believe that a success is achievable at Fontainebleau. This can only be on the basis of the progress already made. In the absence of agreement, there would be little prospect of focussing on the longer term issues to which we all wish to direct our attention. Instead, the Community's efforts would be devoted to struggling through as best it could. You may wish to ask President Mitterrand how he proposes to take matters forward. If Mitterrand makes play with the position of other member states, you might say that much will depend on the manner in which the Presidency handles the discussion at Fontainebleau. You might perhaps mention my contacts with Dumas and say that we think that further private discussions with the French will be useful before Fontainebleau.

6. Kohl's attitude will be no less important if we are to reach an agreement. Given his views on the development of the Community, he undoubtedly wishes to see progress made at Fontainebleau. He should be willing to move some way to reach



an agreement, particularly if he thought that was the price of ensuring that the re-launch called for at Stuttgart under his chairmanship is accomplished. Despite the mess he made of things in Brussels, he could have a useful part to play in helping to unblock the negotiations. He is reported to have told Mitterrand that all parties will have to move a bit if a budget solution is to be found; and we should not rule out the possibility that he might be willing to make or put his weight behind a proposal which would help to break the deadlock at Fontainebleau if Mitterrand does not play a helpful role.

7. You might wish to say that you have noted that, following his meeting with President Mitterrand on 20 May, he referred to the need for movement on all sides if an agreement was to be reached. That, as he knows, is our view too, but we could not ourselves put forward a figure simply to be taken as a bargaining counter. We are continuing our own contacts with the French Presidency; but it is not clear to us how they propose to take matters forward. There will be a need for a positive effort to be made if agreement is to be reached at Fontainebleau. We are ready to make that effort but it will entail movement from the others, and we hope that Kohl will take a lead in encouraging this.

8. I suggest that you should give Craxi and Thorn also copies of our paper on the future development of the Community. The Italians are still objecting to the idea of a budget system because they are concerned at the effects that this could have, eventually, on the German contribution. Italy, however, has an obvious interest in increased own resources. You may wish to make clear that there can be no permanent increase in own resources without a systematic correction of our contribution.

9. I think Thorn well understands that we are prepared to move, but will not accept a further ad hoc year or only 1000 mecu in the system. The more he relays that message to others, having heard it from you, the better. At the same time, we want to encourage the Commission to play a helpful role if they can.



Davignon's efforts are blocked for the time being by the French. Nor can we have much confidence that the Commission might take their courage in their hands. But if they are seen to be an alternative source of ideas, and themselves are willing to indicate that they might have a role to play, this could help get some movement into the negotiations at a crucial stage.

10. You may very well be asked about our attitude to financing the 1984 shortfall. On that I would suggest sticking at this stage to the line you have already taken in Parliament, namely that this can only be considered if others matters are resolved. You might also recall that the payment of our 1983 refunds remains blocked by the French and Italians.

11. I am sending a copy of this minute to the Chancellor of the Exchequer and to Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office  
7 June, 1984