CONFIDENTIAL

Qz.03775

PRIME MINISTER

Cabinet: Community Affairs

You may wish to inform Cabinet of the Community aspects of your bilateral meetings with President Mitterrand, Chancellor Kohl and Prime Minister Craxi in the margins of the London Economic Summit on 8 and 9 June. You may in particular like to refer to President Mitterrand's statement that he hoped to achieve an agreement on the budget issues at the Fontainebleau European Council and that attempts to reach agreement must be built on what had been achieved already. Less helpfully, he indicated that he was thinking in terms of two further years of ad hoc refunds before the system came into operation. Within the system he indicated some flexibility towards a figure of 1050 or 1100 million ecu rather than the 1000 million ecu which is the present position of the Nine, but the basis for these figures will need to be clarified. You are discussing these issues with colleagues on 21 June.

- 2. The Secretary of State for Employment may report on the Social Affairs Council on 7 June which adopted resolutions on local employment initiatives and female unemployment as well as conclusions on the social aspects of technology change. The United Kingdom opposed the draft recommendation on the reduction and reorganisation of working time and was alone in doing so. The Presidency is to present the recommendation to the European Council on its own authority. This will therefore be covered in your briefing for 25-26 June.
- 3. The Foreign Affairs and Agriculture Councils meet on 18-19 June and the Internal Market Council on 19 June. It is probable that,

/at

CONFIDENTIAL

at least in the margins of the Foreign Affairs Council, there will be some discussion of the handling at the European Council of the outstanding issues on budget inequity and United Kingdom refunds.

Dr Winiam

D F WILLIAMSON

12 June 1984