



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

21 June 1984

Telephone call  
fixed for  
1100 a.m. The first  
point to make to him  
is that X is out of  
the question.

New Aster,

European Council: Budget Imbalances

X) Following the Dutch Prime Minister's visit to Paris on 19 June, Dr Posthumous Meyjes telephoned Crispin Tickell this afternoon to say that President Mitterrand had told Lubbers that the French had made a proposal to us. This was for two ad hoc years followed by a system based on two-thirds of the VAT/expenditure share gap. This corresponds to the ideas put by M. Dumas, to Sir Geoffrey Howe in Luxembourg, though no formal French proposal was made. Sir Geoffrey Howe made clear to M. Dumas our views on those ideas, and intends to speak to him again.

C.D.P.  
21/6

When the Prime Minister telephones Mr Lubbers, she may like to draw on the following:

- (a) there has been no formal proposal from the French, though we have had several discussions with them;
- (b) we cannot agree to further ad hoc years after the 1,000 mecu agreed for 1984;
- (c) the system in the Presidency text was the product of long and hard negotiation. We think agreement should be completed on that basis and are ready to play our part in this;
- (d) if there were to be any question of moving on to a different basis, there would have to be a higher rate of return than has so far been indicated to us;
- (e) we believe that agreement is possible at Fontainebleau, and look to the Dutch to play an active role in promoting this.

/In the

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In the time available this evening, Sir Geoffrey Howe has not seen this letter. I shall be showing him a copy in tonight's box and will let you know first thing in the morning if he has any comments to make.

Yours  
R B Bone

(R B Bone)  
Private Secretary

C D Powell Esq  
10 Downing Street

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