



PRIME MINISTER

EUROPEAN COUNCIL: 19/20 MARCH

1. I had two and a half hours of talks with Roland Dumas at Chevening on 17 March. We worked systematically through the draft Presidency conclusions and covered a great deal of ground.

- I enclose a full record of our meeting, which will be important for those working on the texts in Brussels; but I will not trouble you in this minute with all the detail.

2. Roland Dumas brought with him a personal message to you from President Mitterrand. I enclose Mitterrand's letter together with a very rough translation which I have had done on the spot.

3. I am in no doubt at all after these talks that the French want to get an agreement next week. They realise that they have to do a deal with us if they are to succeed and they are prepared to negotiate seriously. But of course, like us, they have their sticking points. We made a lot of progress during our talks in identifying the problems we have with the existing text and in identifying ways of solving them. The explicit reference in Mitterrand's letter to the Presidency producing a new text on Tuesday morning is encouraging.

4. We identified three really difficult problems, apart from anything in the agricultural field, about which I was rather unsighted, having not yet had an account from Michael Jopling of how the Agriculture Council had turned out:

(i) Duration of the Budget Settlement

The French are in no doubt of the fact that the text they have put forward, which could result in the corrective system simply disappearing when the new VAT ceiling is reached, is unacceptable to us. But

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they are determined not to accept any wording which enables us to block absolutely any change in the new ceiling while preserving our corrective system intact indefinitely. It will not be easy to find a way through this problem.

(ii) The figures

I refused to show any flexibility on figures at this stage, saying that our willingness to do so in Brussels would be totally dependent on agreement being reached on the outline of a system in terms which were satisfactory to us, which the present draft certainly was not. I think the French understand the logic of this approach and that their willingness to be receptive to our criticisms of the present text reflected this recognition.

(iii) The German Problem

Roland Dumas is going on to Bonn tomorrow. The German paper for the Summit and its indication that they are still determined to have a limit on their contribution has clearly set the cat amongst the pigeons. I suspect the French still think that they may be able to push the Germans off their present position. There is no doubt that the French willingness to do a reasonable deal with us is heavily dependent on this factor.

5. Given the warm tone of Mitterrand's letter to you, I think it would be well worth while sending him a very brief personal word before the Summit begins.

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6. I am copying this minute to the Chancellor of the Exchequer, to the Minister of Agriculture, Fisheries and Food, and to Sir Robert Armstrong.

J. A. Weir

pp (GEOFFREY HOWE)

18 March 1984

MEETING BETWEEN THE FOREIGN AND COMMONWEALTH SECRETARY
AND THE FRENCH MINISTER FOR EUROPEAN AFFAIRS AT CHEVENING
ON 17 MARCH 1984

1. The Ministers, accompanied by M. Legras on the French side and by Mr Hannay on the British side met from 16.45 to 19.15. They agreed to discuss the draft Presidency conclusions in the order in which they were set out. Sir Geoffrey Howe said that he found this draft a workmanlike one which drew everything together. But there were a good number of points on which we had difficulty.

Policies

2. Sir G Howe thanked M. Dumas for having included references to transport policy and to insurance as he had asked when they last met. He would like to see also some reference to fixing a date for phasing out lead from petrol. M. Dumas said he believed M. Mitterrand also wanted some reference to environmental questions.

Common Agricultural Policy

3. The discussion on the CAP was somewhat handicapped by the fact that neither side had had a full account of the results of the meeting of Agriculture Ministers, although the French clearly had a broad outline of the main conclusions. M. Dumas said that there was still a UK reserve on the beef premium. Sir Geoffrey Howe said this was a major domestic problem. M. Dumas said the French still wanted to see an oils and fats tax. Sir Geoffrey Howe said that we could not agree to that. M. Dumas said in that case it would be necessary to find 600 mecu in some other way. He went on to say that the Presidency's proposed reductions in common prices had been agreed. The following agricultural problems were then discussed:

- (i) The Irish milk problem. We explained that we were firmly opposed to making any concession on milk for Ireland beyond allowing them access to the 400,000 tons in the provisional reserve. Even with that we would need 17 thousand tons from the reserve for Northern Ireland. If the Irish had more than that, then we would need more for Northern Ireland (2,700 tons for every 10,000 tons more the Irish got). The French said

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335,000
more for
Northern
Ireland

they believed the Italians had already been promised most of the provisional reserve. Both Mitterrand and Kohl were likely to be ready to do something for the Irish. They hoped we would too. Perhaps the least bad solution would be to give the Irish a bit out of the provisional reserve of 600,000 tons and also a bit on top of that.

- (ii) Guarantee thresholds. We said that it was absolutely essential that the European Council should adopt the text tabled by the Germans in Athens. The French said that, even if the Agriculture Council had not agreed to do it, they would make sure that that text got into the next version of the Presidency conclusions.
- (iii) Cereals Prices. We urged strongly the need for the European Council to endorse a ^{long-term policy on reductions} multi-annual approach to ^{Prices} cereals prices. This would be crucial if there was to be a successful negotiation with the Americans over cereals substitutes. We described the text we had in mind. The French were receptive and took the point about cereals substitutes.
- (iv) MCAs. We argued against giving the Germans Community money; in favour of setting a fixed timetable for dismantling MCAs; and against changing the technical calculation of MCAs. The French favoured going for a low figure for Community payment to Germany, perhaps by setting a single figure for three years; were not unresponsive about setting a timetable for dismantling negative MCAs (they said the French Finance Minister strongly favoured this) and believed a two year schedule might be achieved; and were unsighted on the technical calculation issue.

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- (v) Agriculture Export and Import Policy. We checked the text the French had in their files, which would be tabled in Brussels, and confirmed that it was the Athens text with the Prime Minister's amendments.
- (vi) Excess Agricultural Expenditure in 1984. The French began by arguing that the European Council would have to take a decision next week on how to finance this. We said that was quite out of the question. It was still early in the year; the top priority was to take the necessary decisions to bring agricultural spending under control; if it was agreed now that the excess should be financed, the Commission would just go on spending as they had always done. The French seemed impressed by these arguments and willing to consider a text which merely expressed a willingness to look at the problem and take ~~on~~ only such decisions as were shown to be necessary later in the year.

Structural Funds

4. Sir Geoffrey Howe explained that we were not willing to agree both to an increase in real terms and also to that increase being 'substantial'. The French said that they, personally, favoured our approach; but the Italians and Greeks would be very insistent, and they must have something.

Enlargement

5. It was agreed that the text on enlargement was unexceptionable.

Budget Discipline

6. The following points were covered in the discussion:

- (i) we pointed out that the second sub-paragraph of para 1 was wrongly translated (the French 'en fonction de' being translated as 'in the light of'). The French agreed to correct this in the next version.

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- (ii) we asked whether the last phrase in the 4th sub-para of paragraph 1 ('in accordance with their respective budgetary powers') was intended to rule out a treaty change. The French disagreed with each other, one saying it was and the other that it was not. We suggested the text would be better with that phrase removed. That still left the issue entirely open. The French seemed receptive.
- (iii) we explained that paragraph 2 was quite wrongly set out from our point of view. It was essential that, after the reference in the first indent to setting the maximum expenditure level, there would then be a clear and mandatory reference to a guideline on agricultural spending and we suggested the following draft for a second indent: '' To ensure that the net expenditure relating to agricultural markets, calculated on a three-yearly basis, will increase at a rate markedly less than the rate of growth of the own resources base. This development will be assessed on comparable bases from one year to the next'''. We suggested that the present second indent should then become a third and should read as follows:
- ''To implement the necessary provisions on financial guidelines concerning the common agricultural policy, taking account of the proposals in the Commission document.''

The French took careful note of these changes and said that the re-ordering we suggested did not shock them. They would not agree to 'markedly less'; but they believed they would be able to agree to 'less'. They agreed that the reference to 'exceptional circumstances' should be dropped as being too large a loophole; and that the

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technical problem of taking account of enlargement might be relegated to a footnote.

- (iv) we said that para 3 still seemed to us weak and suggested adding the words 'so that they are formally embodied in the Community's budgetary procedures'. We reminded the French that this was the amendment tabled by the Prime Minister at Athens. They took note; but gave no indication of being willing to accept this addition.

Budget Imbalances

7. Sir Geoffrey Howe said that if there was to be a useful discussion on figures, then there must first be a proper foundation in the form of an acceptable system. Some of the points in the Presidency text were helpful, but a good deal of it was either obscure or unhelpful. It was not, in its present form, a useable basis for a serious discussion. Having agreed that there was no need to quarrel with the first three sub-paragraphs, the discussion then went systematically through the remaining indents:

(i) First Indent

It was agreed to leave on one side the unresolved difference over net contributions and the VAT/Expenditure gap. We said that the present phrasing was totally obscure and prejudicial. It gave no idea of what the gap was that needed to be measured and corrected. If the object was to say that the gap was between the VAT share on a payments basis and the expenditure share on the basis of the present allocated budget, then that was what it should say. The French responded positively to this, both to the general point about the formulation needing to be positive rather than negative and to the detail; and said they would be willing to redraft.

/Second indent

(ii) Second indent

The French explained that the initial phrase and the absence of any reference to a linear curve were both due to the German problem. They did not believe that both Britain and Germany could be accommodated within a single linear curve and they were therefore not prepared to commit themselves to that approach until they knew where they stood with regard to the Germans. We made it clear that we must have a linear curve to define our limit and also, if we were to accept that, our ticket modérateur. The French said they understood this and had no problems so far as the UK was concerned. This point would have to be taken up when the German position had been clarified.

*Ticket modérateur
proposed to
relieve R.D.P.*

(iii) Third indent

We said we saw no case for including this section at all in the operative part of the text. Both a UK contribution to budget increases and to the cost of enlargement were in fact covered in the earlier indents. This one implied that some additional monkeying about was in mind. The French denied that that was the intention. After a long discussion they concluded that it might be possible to insert these two thoughts in the introductory paragraphs, thus making it clear that the system in the operative paragraphs actually took account of them.

(iv) Fourth indent

We strongly challenged the suggested change on administrative expenditure. The Belgian and Luxembourg case was really very weak. Since neither Belgium or Luxembourg's standing as a net beneficiary was relevant to the operation of the scheme, there was no case for an adjustment. An adjustment merely complicated the task of

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arriving at an equitable figure for us. The French showed some understanding of these arguments, but gave no clear indication of a willingness to change the text.

(v) Fifth indent

We welcomed payment on the revenue side. We said that we were worried that the last phrase implied net financing but not net/net financing. The French said that was indeed the case. The Germans must not be let off their share of our relief. We suggested to them that, at some stage in the negotiation, they might need to consider an arrangement whereby the two beneficiaries from relief financed each other only at the level of their tickets modérateurs.

(vi) Sixth indent

We said the second sentence would not do. It implied that, as soon as the ceiling was reached, the corrective system would fall away. The French said they could not under any circumstances agree to wording which implied that we could, while continuing to secure our reliefs, block an increase in our own resources indefinitely.

M. Dumas then suggested a new text:

'Avant l'épuisement des ressources propres, le Conseil, sur proposition de la Commission, prendra les dispositions appropriées pour permettre la continuation du système correctif et l'établissement d'un nouveau plafond par les ressources propres'.

Sir Geoffrey Howe said that he did not think that this would do either. It was agreed that both sides would reflect further on this difficult problem.

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(vii) Seventh indent

There was no discussion of the figures.

Own Resources

8. There was a very brief discussion in which M. Dumas indicated that the French were thinking of 1.5% rather than 1.4% for the new ceiling. The French explained that the phrase about the maximum rate applying to every member state was designed to ensure that the Commission did not go on spending to a point when individual member states were above the ceiling, even though the average was within it.

9. At the end of the talks, M. Dumas referred very vaguely to two further points:

(i) a Secretariat to prepare the European Council. We were discouraging.

(ii) some additional very general language about 'the future of Europe' which the French might bring out, if things went very well on 20 March.

Resume on Cost-

TRANSLATION OF LETTER FROM PRESIDENT MITTERRAND
TO THE PRIME MINISTER


We are going to meet on a decisive occasion. I have had the opportunity to explain to you personally that it seemed to me necessary now to reach an overall agreement which would permit us to close the disputes which have too often paralysed the life of the Community in recent years; and, by means of specific measures, to re-launch the building of Europe. I believe that this will to make progress is shared by all members of the European Council. It has also led the Council to reach solutions on several of the very important subjects which we discussed at length in Athens. It therefore seems to me that the moment has now come to conclude at our level the process which was undertaken at Stuttgart.

On the basis of the consultations undertaken during the last weeks, the Presidency has prepared draft conclusions, as succinct as possible, with a view to limiting discussion to the essential points. Starting from this text, I believe that the best way to proceed would consist in reviewing on Monday afternoon all the questions covered by the Stuttgart Mandate in the following order:

- Budgetary and financial discipline,
- Budgetary imbalances,
- Common Agricultural Policy,
- Own resources,
- Structural funds,
- Enlargement,
- New policies.

- *Cont. from substantially in red letter*

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You will understand that, on each of these points, I would like the Council to reply clearly to the questions which are submitted to it without opening up again the content of agreements already reached and without proceeding to a long examination of the subjects, which are already well known to all of us. This effort of discipline should allow us to devote the greater part of our discussions on Monday afternoon to the last agricultural questions in dispute and to budgetary problems. At the end of this session the Presidency will prepare a revised draft for the Tuesday morning session.

The dinner will provide an occasion to continue to discuss those points which we consider will be crucial for the overall agreement.

The Tuesday morning session could begin by examining the draft conclusions which will have been revised by the Presidency during the night. We will then take up the traditional subjects, in particular the economic and social situation of the Community and Political Cooperation questions.

I have taken good note of the additional information which you sent me, following our meeting at Chequers, about the correction of imbalances.

I know that our Ministers are continuing to work together on Sunday (sic), and I am very pleased with that. I hope that we will be able to reach on Monday and Tuesday an overall agreement which will be acceptable to all and which will rise to the challenges which Europe has to face today.

While looking forward to the pleasure of seeing you again soon, I send you my best wishes and my warmest thoughts.

Madame le Premier Ministre,

Nous allons nous retrouver pour une échéance décisive. J'ai eu l'occasion de vous expliquer personnellement qu'il me paraissait indispensable d'arriver maintenant à un accord d'ensemble permettant de clore les contentieux qui ont, trop souvent, paralysé la vie de la Communauté au cours des dernières années, et de relancer par des mesures concrètes, la construction européenne. Cette volonté d'aller de l'avant est, je crois, partagée par tous les membres du Conseil Européen. Elle a également conduit le Conseil des Ministres à dégager une solution sur plusieurs sujets très importants dont nous avons longuement discuté à ATHENES. Le moment me paraît donc venu de conclure à notre niveau le processus engagé à STUTTGART.

A la suite des consultations menées au cours des dernières semaines, la Présidence a préparé un projet de conclusion, aussi condensé que possible, afin de limiter la discussion aux points essentiels. A partir de ce texte, je pense que la meilleure façon de procéder consiste à passer en revue, au cours de la première séance lundi après-midi, toutes les questions couvertes par le Mandat de STUTTGART, dans l'ordre suivant :

- . discipline budgétaire et financière,
- . déséquilibres budgétaires,
- . politique agricole commune,
- . ressources propres,
- . fonds structurels,
- . élargissement,
- . politiques nouvelles.

Vous comprendrez que, sur chacun de ces points, je sois conduit à demander au Conseil de répondre clairement aux questions qui lui sont soumises, sans revenir sur le contenu des accords déjà intervenus, et sans procéder à un long examen

Madame Margaret THATCHER,
Premier Ministre du Royaume-Uni.

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des sujets qui sont déjà bien connus de tous. Cet effort de discipline devrait nous permettre de consacrer la plus grande partie de nos discussions du lundi après-midi aux dernières questions agricoles en suspens et aux problèmes budgétaires. A l'issue de cette session, la Présidence préparera un projet révisé pour notre séance de mardi matin.

Le dîner pourrait être l'occasion de continuer sur les points que nous jugeons déterminants pour l'accord d'ensemble.

La session du mardi matin pourrait commencer par l'examen du projet de conclusion révisé par la Présidence pendant la nuit. Nous aborderions ensuite les sujets traditionnels, notamment la situation économique et sociale dans la Communauté et les questions relevant de la coopération politique.

J'ai pris bonne note des compléments d'information que vous m'avez adressés à la suite de notre rencontre de Chequers, au sujet de la correction des déséquilibres.

Je sais que les travaux entre nos Ministres se poursuivront dans la journée de dimanche prochain, et je m'en félicite. J'espère que nous pourrons parvenir, lundi et mardi, à un accord d'ensemble acceptable pour tous qui soit à la mesure des défis auxquels l'Europe doit aujourd'hui faire face.

En attendant le plaisir de vous revoir bientôt, je vous prie, Madame le Premier Ministre, de croire à l'expression de mes sentiments les meilleurs — *et de mes bien cordiales pensées*

François Mitterrand

François Mitterrand