



Foreign and Commonwealth Office

London SW1A 2AH

5 July 1983

See below,

EC: President Mitterrand

Thank you for your letter of 1 July enclosing a copy of a letter from President Mitterrand to the Prime Minister with which he enclosed a copy of his letter to Chancellor Kohl about our refunds for 1983.

The first paragraph of President Mitterrand's letter repeats the terms of the statement for the minutes which Prime Minister Mauroy gave the Presidency late in the proceedings at Stuttgart. The fact that President Mitterrand has chosen to circulate it in this way undoubtedly reflects French frustration that, in the absence of any formal minutes of the European Council, it was impossible to record the reserve in the normal way. President Mitterrand's letter requires a very firm rebuttal. At the same time we should avoid replying in terms which would invite a series of comments from other members of the Council. I enclose a draft reply. Sir Geoffrey Howe suggests that we should follow the pattern set by Mitterrand, ie the letter should be addressed to Chancellor Kohl, copied to all the others, including Mitterrand.

The second and third paragraphs of President Mitterrand's letter dealing with the question of 'overpayment' are particularly serious. The suggestion in the third paragraph that the French do not recognise that the 1982 refund took account, partly at least, of overpayment and that the Prime Minister accepted the 1983 settlement on condition that the overpayment issue was resolved once and for all, is very offensive.

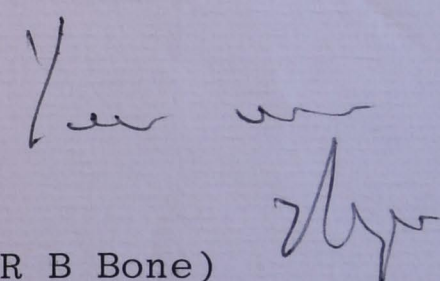
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I also enclose:

- / (a) an unofficial translation of President Mitterand's letter;
- / (b) the page of the informal Stuttgart record dealing with overpayment;
- / (c) a covering letter from the Prime Minister to President Mitterrand;
- / (d) a telegram to posts.

The draft reply has been prepared in consultation with the Cabinet Office and Treasury.


(R B Bone)
Private Secretary

A J Coles Esq
Number 10 Downing Street



UNOFFICIAL TRANSLATION OF A LETTER OF 30 JUNE FROM
PRESIDENT MITTERRAND TO CHANCELLOR KOHL

'The Stuttgart European Council adopted Conclusions concerning the payment in 1984 of an arbitrary sum of 750 MECUs net to the United Kingdom. The Council took note that, for several Member States including France, finalisation of 1984 budget procedures relating to this payment would only be possible if decisions were taken in the meantime, and at the latest at the Athens European Council, on the questions vital for the future of the Community which are set out in the Stuttgart declaration and particularly on an increase in own resources. This is necessary for the development of Community policies and for the success of the enlargement negotiations. Despite its importance, I will not revert to this aspect of our discussions and of the special negotiations which are going to begin in a few days time.

The decision taken for the benefit of the United Kingdom is not linked in any way with that taken on 30 May 1980 which dealt with a similar difficulty concerning financial years 1980, 1981 and 1982. The abnormalities observed in the application of the 1980 decision have thus still not been taken into account and the excess sums paid to this Member State must be the object of 'corrections in the light of actual figures' - as the resolution adopted by the Foreign Affairs Council on 25 May 1982 put it.

/On



On several occasions in the course of the Stuttgart Council both at our level and between our Foreign Ministers, it was recalled that the problem of what has been called 'the British 'unwarranted' benefit' or the 'overpayment' remained untouched. I thought it useful to recall this by means of this letter to the President in office of the Community and I am sending a copy to Prime Ministers of the eight other Member States as well as to the President of the Commission of the European Communities.'

[Complimentary close]'

and therefore needed to be discussed. He saw no difficulty over the principle of risk-sharing. Genscher reminded the meeting that a number of questions had been discussed the previous day including this. Mitterrand had said that he did not want the '82 model to be mentioned in any text but would accept some note in the minutes. This method had been chosen to resolve Mitterrand's problems.

8. The Prime Minister pointed out that the word "net" had been omitted after the figure 750 mecu. Kohl agreed that it should be there. The Prime Minister said that she could accept the risk-sharing formula though it was not favourable to the UK. She thought it had been agreed that the trop payé had been dealt with. The text should say so. She was concerned that nothing was said about 1984. Genscher said that he had presented three possibilities to Foreign Ministers on the trop payé:

- (a) that no account was taken - none had supported that;
- (b) that it was practically taken into account;
- (c) that it was fully taken into account.

The Prime Minister argued that it should be recorded that they had been fully taken into account: this was certainly the UK view. But Genscher replied that this had not been agreed. The Prime Minister then read out (from the Secretary of State's notes) what Genscher had said earlier about 1984. Genscher confirmed that. The Prime Minister reverted to the trop payé: it would have to be dealt with. The issue could if necessary be referred to the European Court of Justice.

9. Reverting to the issue of risk-sharing, Genscher said that in his report on the meeting of the Foreign Ministers he had mentioned risk-sharing and said that it should be on the same basis as in 1982. The Prime Minister said that in that case the text did not accurately describe the 1982 formula. Genscher and Kohl tried to argue that it was not for description in the text but only an entry in the minutes.

10. Mauroy then stated flatly that the figure of 750 was fixed and unalterable. Genscher reminded him that the previous day he had described the risk-sharing formula and the problem of the German contribution to the UK refunds. Mitterrand had said he would not accept a reference to 1982, so the Presidency had agreed that there would not be such a reference, only an entry in the minutes. Lubbers argued that on the basis of the previous day's exchanges it was clear that Mitterrand had wanted an ad hoc solution which did not flow from the past and did not influence the future. It also envisaged an ad hoc risk-sharing formula. The whole 1983 solution had to be seen as ad hoc. Kohl agreed. But Mauroy argued that "ad hoc" did not include risk-sharing. Lubbers argued that it did, also ad hoc. Mauroy refused flatly. The figure of 750 remained unchangeable and moreover was dependent upon fulfilment of the long-term agreement. Risk-sharing and the question of the over-payment were separate issues which needed to be separately discussed. He would not accept an entry in the minutes on risk-sharing. Kohl argued against unpicking a political compromise. Genscher pointed out that the text would not be made public.

11. Genscher then explained that the political compromise figure had been based on two basic considerations: the reference figure of 1,900 mecu and the over-payments of 992 mecu. Both were of equal

OUT TELEGRAM

		Classification and Caveats CONFIDENTIAL	Precedence/Deskby IMMEDIATE
ZCZC	1	ZCZC	
GRS	2	GRS	
CLASS	3	CONFIDENTIAL	
CAVEATS	4	CODEWORD: FRAME ECONOMIC	
DESKBY	5		
FM FCO	6	FM FCO	
PRE/ADD	7	TO IMMEDIATE BONN	
TEL NO	8	TELEGRAM NUMBER	
	9	AND TO IMMEDIATE ATHENS, BRUSSELS, THE HAGUE, LUXEMBOURG,	
	10	COPENHAGEN, DUBLIN, ROME, UKREP BRUSSELS, PARIS	
	11	STUTTGAERT EUROPEAN COUNCIL	
	12	1. MIFT contains unofficial translations of a letter of	
	13	30 June addressed to the Prime Minister by President Mitterrand	
	14	and of his letter of the same date to Chancellor Kohl. <i>The Prime Minister</i>	
	15	decided that the substantive reply should go in the same way <i>I have</i>	
	16	to Chancellor Kohl, but with copies to other Heads of Government	
	17	present in Stuttgart. Please now deliver the following	
	18	message to Chancellor Kohl as soon as possible. Begins.	
	19	Open square brackets Text as agreed Close square brackets. Ends.	
	20	2. Paris: Please deliver this text to the Elysee under cover	
	21	of the following message from the Prime Minister.	
///	22	Begins. Open square brackets Text as agreed Close square	
//	23	brackets. Ends.	
/	24	3. Other EC posts including UKRep Brussels. Please deliver	
	25	the following message from the Prime Minister to your Head of	
NNNN ends telegram		BLANK	Catchword Government
File number		Dept PRIVATE OFFICE	Distribution
Drafted by (Block capitals) PRIVATE SECRETARY			
Telephone number 4831			
Authorised for despatch			
Comcen reference	Time of despatch		

OUT TELEGRAM (CONT)

	Classification and Caveats CONFIDENTIAL	IMMEDIATE	Page 2
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1 <<<<
2 Government/President Thorn as soon as possible.
3 Begins. Quote I believe you will have received a copy of
4 President Mitterrand's letter of 30 June to Chancellor Kohl in
5 which he made a number of points about the agreement reached
6 at the Stuttgart European Council on UK budget refunds for 1983.
7 I thought you would like to know the terms of my reply. Unquote.
8 Ends.
9 4. In delivering these messages, you should make it clear that
10 we stand firmly by the decisions of the Stuttgart European
11 Council. There should be no misunderstanding about our
12 position ^{question} ~~on~~ either the ~~problem~~ of our 1983 refunds, or on the
13 ^{question} ~~problem~~ of future financing of the Community. On the latter,
14 it remains our aim to achieve a solution at the European
15 Council in Athens in December.
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NNNN ends telegram	BLANK	Catchword
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JUL 1983

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