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FM PARIS 261340Z JUL 83

TO PRIORITY FCO

TELEGRAM NUMBER 666 OF 26 JULY

INFO BONN, UKREP BRUSSELS

INFO SAVING OTHER EC POSTS

head in full.

MR RIFKIND'S TALKS WITH CHANDERNAGOR, 25 JULY

1. MR RIFKIND HELD A FIRST MEETING WITH CHANDERNAGOR AT LA CELLE-SAINT-CLOUD YESTERDAY. THE TALKS COVERED A WIDE RANGE OF EC SUBJECTS, PARTICULARLY THE APPROACH TO THE 'GRAND NEGOTIATION' IN THE LIGHT OF STUTTGART, AND THE UNSATISFACTORY DECISION TAKEN AT LAST WEEK'S BUDGET COUNCIL ON THE RISK-SHARING ELEMENT IN THE UK'S 1982 REFUND.
2. ON THE LATTER POINT MR RIFKIND SPOKE VERY FIRMLY, MAKING IT CLEAR THAT THE BRITISH GOVERNMENT REGARDED THE DECISION AS A FAILURE TO FULFIL THE COUNCIL'S 1982 COMMITMENT, AND THAT THE MATTER MUST BE PUT RIGHT. HE WARNED THAT THE BUDGET COUNCIL'S DECISION COULD SOUR THE ATMOSPHERE FOR THE AUTUMN NEGOTIATIONS AND MAKE IT DIFFICULT FOR BRITISH PUBLIC OPINION AND PARLIAMENT TO HAVE CONFIDENCE IN ARRANGEMENTS WHICH MIGHT BE PROPOSED FOR A LONG TERM EC BUDGET SOLUTION. CHANDERNAGOR'S RESPONSE WAS DISAGREEABLE IN BOTH SUBSTANCE AND TONE. A DECISION HAD BEEN TAKEN (THE BRITISH GOVERNMENT HAD NOT INVOKED THE LUXEMBOURG COMPROMISE) AND THE MATTER HAD THEREBY BEEN SETTLED. ANY ATTEMPT TO PURSUE IT FURTHER WOULD MEET WITH STIFF RESISTANCE FROM MITTERRAND HIMSELF, WHO WAS NOT PREPARED TO PUT UP WITH ANY MORE. BRITAIN HAD DONE WELL OVER REFUNDS, TAKING 1982 WITH 1983, AND SHOULD ACCEPT THE OUTCOME GRATEFULLY. THE EXAMPLE OF THE OVERPAYMENTS SHOWED THAT BRITAIN COULD NOT BE RELIED ON TO REPAY WHAT WAS DUE. FRANCE WOULD NOT SUBMIT TO 'BLACKMAIL'. MR RIFKIND REBUTTED ALL THESE POINTS.
3. THE TONE OF DISCUSSION ON THE AUTUMN NEGOTIATIONS WAS POSITIVE. CHANDERNAGOR ARGUED THAT THE AIM SHOULD BE TO WORK OUT A BROAD COMMON APPROACH BETWEEN BRITAIN, FRANCE AND GERMANY (WHICH THE DUTCH, AMONG OTHERS, MIGHT JOIN) ON THE COMPLEX OF WIDER ISSUES. ANY SOLUTION WHICH WAS ACCEPTABLE TO THE THREE MAJOR MEMBER STATES COULD IN THE LAST ANALYSIS BE IMPOSED ON THE OTHERS. HE ADVOCATED THE IDEA OF 'ECRETEMENT DES SOLDES' AND SAID THE FRENCH WOULD SHORTLY PUT IN AN EXPLANATORY PAPER.
4. ON CAP ASPECTS, CHANDERNAGOR FLATLY REJECTED THE CONCEPT OF A GUIDELINE TO RESTRAIN AGRICULTURAL SPENDING, ARGUING THAT THE CAP FUNCTIONED ON THE BASIS OF INDIVIDUAL COMMODITY REGIMES AND TO IMPOSE A GLOBAL CEILING WOULD BE ARTIFICIAL. THE COUNCIL SHOULD EXAMINE WHAT EXPENDITURE SHOULD PROPERLY BE ATTRIBUTED TO THE CAP AND WHAT SHOULD BE PUT DOWN TO OTHER BUDGET HEADINGS EG AS A FORM OF AID. COMMUNITY PREFERENCE SHOULD BE MORE STRICTLY APPLIED.

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5. OVER LUNCH CHANDERNAGOR MADE IT CLEAR THAT THE FRENCH ATTACHED CONSIDERABLE IMPORTANCE, WITH A VIEW TO THE JUNE 1984 EUROPEAN PARLIAMENT ELECTIONS, TO REACHING A WIDE MEASURE OF AGREEMENT ON ALL THE MAJOR ISSUES IN THE 'GRAND NEGOTIATION', AT THE ATHENS SUMMIT. HE SPOKE OF THE IMPORTANCE OF NEW POLICIES, PARTICULARLY COOPERATION IN THE INDUSTRIAL/HIGH TECHNOLOGY SECTOR, WITH SOME MEASURE OF COMMUNITY INVOLVEMENT. (WE UNDERSTAND THAT THE MINISTRY OF INDUSTRY ARE CURRENTLY REFINING THEIR IDEAS, WHICH FABIUS IS LIKELY TO PRESENT IN MID-SEPTEMBER ON SOME CONVENIENT EC PLATFORM, POSSIBLY AT STRASBOURG). MR RIFKIND EXPRESSED INTEREST. AFP HAS SUBSEQUENTLY REPORTED THAT THERE WAS AGREEMENT ON THE NEED FOR THE COMMUNITY TO DEVELOP NEW POLICIES IN THE INDUSTRIAL FIELD.

FCO PASS SAVING DUBLIN LUXEMBOURG THE HAGUE BRUSSELS COPENHAGEN
ROME ATHENS

FRETWELL

(REPEATED AS REQUESTED)

LIMITED
ECD(1)
ECD(E)
WED
NEWS.D.
PLANNING STAFF
PS
PS/MR. RIFKIND
PS/PUS
SIR. J. BULLARD
MR. EVANS
MR. JAMES
MR. HANNAY
CABINET OFFICE

COPIED SENT TO
No. 10 DOWNING STREET

THIS TELEGRAM
WAS NOT
ADVANCED

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