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Prime Minister

Qz.03345

A.S.C. 7/10.

MR COLES

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cc: Sir Robert Armstrong
Mr Kerr, H M Treasury
Mr Fall, FCO

POST-STUTTGART NEGOTIATIONS

We have held a further series of bilateral discussions in Paris and Rome this week. The meetings with the Italians were a hard slog, in which we repeatedly stressed the reasons for our approach and our specific proposals on the safety net and the strict financial guideline for agricultural spending. The discussions in Paris, however, disclosed some movement on the French side. This is in some respects more encouraging than the discussions in Brussels, particularly on the safety net. I should draw your attention to these points:-

- (i) assessment of the likely results at Athens. Neither the French nor the Italians expect any substantive decisions on the important elements at Athens in December. The French approach does indicate, however, that notwithstanding appearances in the formal meetings they do not want to prejudice a later settlement, presumably under their Presidency in 1984. They want the Athens European Council to be seen as a step towards an agreement and they are just as realistic as we are in understanding that no member state - and least of all the United Kingdom - will commit itself to any element in advance of the total package.
- (ii) the safety net. The French have taken a step forward in proposing that France, Germany and the United Kingdom should now agree and explain to the other member states that the arrangements to correct the budget inequity must have at least these features: they must be

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durable; they must operate through correction of contributions (VAT payments) and not through new measures; there must be partial, not total, compensation; there must be an equitable division of the charges which will fall on member states as a result of the operation of the new system. We pocketed this without taking any commitments on our side. Although the French will continue to be extremely tough negotiators and particularly difficult on the measurement of the budgetary burden, it is significant that they have now joined Germany and the United Kingdom in suggesting that the correction should be made on the amount paid in to the budget.

DF Williamson

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6 October 1983

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MR. WILLIAMSON

CABINET OFFICE

POST-STUTTGART NEGOTIATIONS

Thank you for your minute of 6 October,
the contents of which the Prime Minister has
noted.

A. J. COLES

10 October 1983

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