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10 DOWNING STREET

From the Private Secretary

20 November 1981

Preparations for the European Council

As you know, the Prime Minister had a brief informal discussion last night with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer about our preparations for the European Council in the light of her discussions in Bonn and this week's meetings of the Council of Ministers.

In the course of the discussion it was agreed:

- (a) That the Prime Minister should send a message to the other Heads of State and of Government and to the President of the Commission about the handling of the 30 May Mandate by the Council. I enclose the text of the message as approved by the Prime Minister;
- (b) That Mr. Franklin should visit Bonn and Sir Robert Armstrong and Mr. Franklin should visit Paris in the next few days to try to get agreement, as proposed by Chancellor Schmidt, on guidelines for the Budget Chapter of the Council's conclusions which might be put to the other Heads of Government next week. I enclose the text of the draft guidelines as approved by the Prime Minister;
- (c) That we should be prepared to show a willingness to offer the French some limited help on the CAP if they were clearly prepared to reciprocate on the guidelines.

/ Officials

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Officials should consider urgently this morning the precise content of the offer to be made to the French. If the French were not prepared to make any concessions on the guidelines, we should be prepared to be extremely tough.

Other points which were agreed in the discussion were:

- (a) That the possibility of circulating to the other members of the Community a paper on the Community Budget problem after the European Council should be kept open; and
- (b) That since we could not hope to get endorsement of a permanent financial arrangement, we should go for an arrangement which would be subject to review after 7 years. It was recognised that we might in negotiation have to agree that the review period should be 5 years.

I am sending copies of this letter and its enclosure to John Kerr (H.M. Treasury), Kate Timms (MAFF) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

F. N. Richards, Esq.,
Foreign and Commonwealth Office.

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