

Mr Alexander

to, Ant

Qz 02377

NOTE FOR THE RECORD

EUROPEAN COUNCIL: BUDGET GUIDELINES

It is going to be uphill work, I  
 fear. But I understand Herr Schmidt is  
 coming in a positive frame of mind (following  
 today's Cabinet in Bonn). You will want to allow  
 time for the negative influences to be forced into the open.

I telephoned several of my contacts in other European capitals this morning to explain the draft budget guidelines. I said we had thought carefully about how to prepare the discussion at the European Council. We were disappointed that we could not go further but something like this draft represented the minimum which could be regarded by us as producing a balanced and successful outcome to the meeting. We thought they reflected something like the consensus which appeared to be emerging at the last Foreign Affairs Council. Reactions were:-

- i) Posthumus Meyjes (The Hague) was concerned to avoid a complete impasse and confrontation. He had not then received the text but promised to study it carefully. We must aim for modest results.

He then went on to ask me for an assurance - which I gave - that in spite of the presence of four Ministers in the French delegation we were only providing two seats per delegation at the meeting.

- ii) Berlinguer (Rome) had just received the text. He was grateful for the call and acknowledged that in the latest draft on Chapters I and II we had tried to take account of Italian preoccupations. I thanked him for the Italian memorandum.

- iii) Dermott Nally (Dublin) had not received the text either. His response was predictable: what are you going to give us on Chapter II? He quoted what was obviously in Mr Fitzgerald's brief about the extent to which the cost of the CAP and its share in the budget had already been reduced <sup>from</sup> and which should be <sup>deducted</sup> / the "cost" of all the Community's special import arrangements. He was not surprised when I told him that the last point was bogus and that what we wanted was to continue with the good work of reducing the CAP's share of the budget.

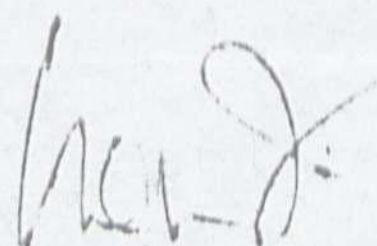
- iv) Holm (Copenhagen) was extremely negative. Our draft had arrived in time



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for a meeting of Danish Ministers. The reaction had been extremely negative. The circulation of this text was not constructive. The Danish Prime Minister would be very reluctant to engage in detailed discussion; the three chapters were still unbalanced; and had we given thought to postponing the whole discussion until spring 1982. I said we had not. We realised that the Danish Government was in a difficult position but a failure at this meeting would be very damaging and without significant progress on all three chapters this could not be disguised. He said that anything Mr Joergensen committed himself to would have to be ad-referendum.

I have recorded separately my conversations with Thiele in Bonn and Morel in Paris.



M D M FRANKLIN

25th November 1981

cc Sir Robert Armstrong  
Lord Bridges  
Mr Hannay  
Mr Hancock  
Sir M Butler