



## 10 DOWNING STREET

11 March, 1982

*From the Private Secretary*The Mandate - Bilateral Discussions with the  
Elysee

The Prime Minister held a meeting this morning to discuss the line that Sir Robert Armstrong and Mr Hancock should take in their proposed talks with Monsieur Attali, provisionally arranged for the morning of Wednesday, 17 March. The Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, Sir Robert Armstrong and Mr Hancock were present. The meeting had before it a minute from Sir Robert Armstrong dated 5 March, enclosing a draft brief for the talks and a letter from Mr Kerr, dated 10 March, enclosing a revised version of that draft brief.

Sir Robert Armstrong reported on his talks with Herr Lahnstein in Bonn on 10 March. Lahnstein had said that the German Government would not in the last resort make great difficulties about money since Germany's current account was rapidly improving. But they would feel obliged to go along with the French on degressivity. The implication seemed to be that the German Government would agree to anything that the French Government could be persuaded to accept.

The meeting noted the importance still placed by other member states on degressivity. It was suggested that the French might be willing to pay more money if the solution contained an element of degressivity going beyond what the United Kingdom had so far agreed to accept. Officials should therefore consider whether some formula could be devised which would give the appearance of degressivity but still be defensible in the United Kingdom. A possible approach was a degressive feature which would only be triggered in certain circumstances unlikely to arise.

The meeting discussed President Mitterrand's objective in authorising the talks between Sir Robert Armstrong and Monsieur Attali. It was noticeable that, even though Monsieur Chandernagor

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had said some fairly aggressive things, the general tone of French press guidance during these negotiations had been much less aggressive than in the winter of 1979/80. This suggested that either the French Government genuinely did want a settlement or that they thought that time was on their side. The second explanation seemed implausible, given that they knew that the United Kingdom would be able to block the price fixing though the French might (as Lahnstein had suggested) be thinking that they could circumvent a British veto on the price fixing by introducing national aids. It seemed likely that President Mitterrand's objective was to discover the true extent of the United Kingdom's requirements for a settlement.

The meeting considered the revised draft brief attached to Mr Kerr's letter dated 10 March. The Chancellor of the Exchequer stressed that it would be most unwise to offer any concession on figures going beyond the 90%/10% split referred to in paragraph 9 of the draft.

Summing up the discussion the Prime Minister said that Sir Robert Armstrong should make it clear to Monsieur Attali that the Government's political requirement was for a substantially more favourable solution than that incorporated in the 30 May Agreement as defined. The solution must be consistent with the need to present the United Kingdom's net contribution as modest. Subject to that, Sir Robert Armstrong should be guided by the revised draft brief attached to Mr Kerr's letter of 10 March.

I am sending copies of this letter to John Kerr (HM Treasury) and David Wright (Cabinet Office).

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Foreign and Commonwealth Office