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10 DOWNING STREET

*From the Private Secretary*

MR. HANCOCK

30 May Mandate: Bilateral talks with the French

Thank you for your minute of 10 May.

The Prime Minister thinks it is an excellent idea that Sir Robert Armstrong should telephone Monsieur Attali in the sense of your paragraph 8 and that you should visit the Elysee on Wednesday or Thursday to prepare the ground for Sir Robert Armstrong's discussion with Attali at the weekend.

I am copying this minute to Brian Fall (Foreign and Commonwealth Office), John Herr (H.M. Treasury) and David Wright (Cabinet Office).

A. J. COLES

11 May 1982



Prime Minister

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Qz.02561

MR COLES

*Yes - an excellent idea Mr. of para. 8 below?*

*Content that Mr. Hancock should meet M. Attali later this week and that Sir R. Armstrong should speak to him on the lines of para. 8 below?*

*A.J.C. 107/5.*

cc: Private Secretaries to:

The Foreign and Commonwealth Secretary  
The Chancellor of the Exchequer  
Sir Robert Armstrong

30 MAY MANDATE: BILATERAL TALKS WITH THE FRENCH

3 The informal meeting of Foreign Ministers on 8/9 May got nowhere. The others stood firm on a flat rate refund of 800 million ecus a year for 3 years and Herr Genscher was as tough as any. Monsieur Thorn suggested a one year solution to get past the present crisis. The Foreign Secretary made it clear that this would only be conceivable if it were for an acceptable percentage of our unadjusted net contribution. Herr Genscher responded that the offer was either 800 million ecus for one year or 800 million ecus a year for 3 years. So nothing came of the proposal for a one-year solution. No arrangement has so far been made for a new discussion of the budget problem. The Belgians have hinted that they will propose that the Agriculture Council take a decision on the price package by a majority vote; but they may think better of this. Monsieur Cheysson said on Sunday that the French would increase their prices on 17 May and urged other countries to do the same. Unless this was an indirect reference to some form of national aids, it is difficult to see how the French could do such a thing without a Council decision. Sir Michael Butler is taking steps to ensure that the Commission are not tempted to co-operate in any illegality.

2. We cannot be at all sure how events will work out; but it is clear that the other member states, whose attitude is coloured by the Falklands crisis and growing agitation by their farmers, are doing everything they can to pile the pressure

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on us. Their campaign could easily get out of hand and have consequences which all governments would later regret. In particular, we know that communications within the present French administration are poor and it is open to question whether President Mitterrand has a balanced perspective of what is likely to happen if his administration proceeds on what appears to be its present collision course. Even though the Prime Minister's meeting with the French President on Monday 17 May is intended to focus on the Versailles summit, the question of farm prices now seems likely to come up in one form or other. It would therefore be worth taking steps to ensure that President Mitterrand is fully and correctly informed of our position. If he is not, he may allow Madame Cresson to take steps which would be impossible to reverse, or issue statements to the press which would establish a position from which he could not personally withdraw.

3. We may have an effective channel of communication with the French President through his personal advisor, Monsieur Jacques Attali. The Prime Minister will remember that Monsieur Attali made a secret approach to us in February to find out what the Prime Minister would regard as an acceptable solution to the budget problem. He stressed at the time that this approach was made in total confidence and that he would not wish anything that he said to get back to the rest of the French administration - hence the classification of this minute.

4. On instructions, Sir Robert Armstrong told Monsieur Attali that Ministers expected a refund of 90% of our unadjusted net contribution. This figure was reported to President Mitterrand, who reacted very badly. Since then there has been no further contact with the Elysee and Monsieur Cheysson has taken a very tough line in the formal negotiations. We understand that the figure that Monsieur Cheysson mentioned to the two Presidents in Luxembourg on 27 April was even lower than 800 million ecus.

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5. However, at one point in his discussion with Sir Robert Armstrong on 24 March, Monsieur Attali did indicate that, at a pinch, the French government might contemplate a refund of as much as 1200 million ecus in 1982. Monsieur Thorn told the Foreign Secretary yesterday that the Commission's latest estimate of the United Kingdom's unadjusted net contribution was now around 1500 million ecus and the Germans have been making similar suggestions. The French must know of these developments and may now have a lower estimate of the cost to them of an 80% refund. (1200 million ecus is, of course, 80% of 1500 million ecus and well below what President Giscard d'Estaing conceded on 30 May.)

6. Monsieur Attali also indicated, on an entirely personal basis at the discussion on 24 March, that it might be possible for President Mitterrand to accept an increase of the 1200 million ecus refund in line with inflation. The Commission view is that the United Kingdom's unadjusted net contribution will very probably rise in line with inflation and not by more. It is therefore possible to argue that the position Monsieur Attali felt able to adopt in the talks on 24 March, even though on a personal basis, would be consistent with the negotiating instructions agreed by Ministers at the Prime Minister's meeting on 6 May. At the very least, it would surely be sensible to check that the French President has not received a false impression of our wish to seek a negotiated settlement which may have been obscured by the fact that they are stuck on a flat rate refund of 800 million ecus or less so that, as agreed by Ministers on 6 May, the process of bargaining cannot even begin. President Mitterrand may also not understand why it is politically impossible for the UK to agree to the farm price package before a budget settlement because the French administration appears to have convinced itself that we are behaving quite unreasonably and improperly in this matter. The UK position on this point also could be explained.

7. Sir Robert Armstrong will see Monsieur Attali this weekend at the Preparatory meeting for Versailles. However, previous experience shows how little time there is for extended bilateral discussion on such occasions. In any case, if we left it that late, the Elysee staff would not have time to write a brief for the President's visit on Monday, and something may happen in the meantime that would make the subsequent negotiations more difficult.

Recommendation

8. I have consulted Sir Robert Armstrong, Sir Michael Butler, Sir John Fretwell, Mr Littler of the Treasury and Mr Hannay of the FCO about the situation outlined above. We should like to put the following proposal for the Prime Minister's consideration. Sir Robert Armstrong should telephone Monsieur Attali on her instructions tomorrow morning to say that she has received a report of what happened at the informal meeting of Foreign Ministers at the weekend and that it seems to her that events are taking a course which neither she nor the French President intended. She believes that it should be possible to reach an agreement which takes proper account of essential French national interests concerning the Common Agricultural Policy and essential British national interests concerning the budget. It might therefore be desirable that, before her meeting with President Mitterrand on Monday, her personal representative and that of the President should meet to ensure that each side had a full and correct understanding of the other's position.

9. Sir Robert Armstrong might go on to explain that he would find it difficult to leave London before the weekend because of the Falklands crisis but would look forward to having a word with Monsieur Attali during the weekend meeting. He would then invite Monsieur Attali to receive a visit from Mr Hancock at the Elysee on Wednesday or Thursday to prepare the ground.

D.H.

D J S HANCOCK

10 May 1982