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Qz.03048

SIR ROBERT ARMSTRONG

cc: Mr Stapleton  
Mr Durie

COMMUNITY BUDGET AND SAN DIEGO

I refer to my minute of 10 March. I delayed the submission of the brief for your talk with Monsieur Attali until after the discussion at the Foreign Affairs Council on 14 March.

2. The brief agreed by the Foreign Office and the Treasury is now attached. Also attached is a copy of UKREP tel No. 1103 of 14 March reporting the Foreign Affairs Council discussion.

3. It went remarkably well. I would call your attention in particular to the statement by Monsieur Chandernagor reported in paragraph 10. It is closer to our ideas than any statement by a French Minister that I can recall since I first dealt with the Community budget problem in 1972.

4. But we are a long way from getting what the Prime Minister needs - namely a solution for 1983, and the following years of the interim period, by June. Thorn and Genscher have committed themselves to introducing a discussion of the Green Paper at the European Council so that the fears expressed in paragraph 3 of my minute of 10 March were exaggerated. But you will note from the telegram that both the Germans and the Commission are tending to brush the problem of 1983 aside.

5. I hope therefore that you will take every opportunity in San Diego to impress on Attali, Paye, Fischer and Durieux the need for separate proposals by the Commission on both the lasting solution and the interim problem in time for the April Foreign Affairs Council.

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6. It may be necessary for us to compromise at the European Council itself along the lines of what Monsieur Davignon said to you in Brussels. But I think that it would be tactically unwise to drop any hint of that before we actually get to the European Council. Some contingency planning on forms of words is in hand.

D.H.

D J S HANCOCK

15 March 1983

bc: Mr Evans )  
Mr Hannay ) FCO  
Mr Spreckley )  
Mr Fry )

Mr Unwin )  
Mr Ingham ) H M Treasury

Sir Michael Butler, UKREP

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EC BUDGET PROBLEM

SPEAKING NOTE FOR SIR ROBERT ARMSTRONG'S MEETING WITH M ATTALI BETWEEN  
16 AND 19 MARCH

Bilateral contacts

1. Very encouraged to hear of the considerable contacts (list at annex) which have taken place between our countries on the EC Budget problem since the Anglo-French Summit last November.
2. The discussions M Cheysson had with the Foreign Secretary and with the Chancellor of the Exchequer at the beginning of February were particularly useful.
3. Hope that these will be followed up by further Anglo-French discussions. We are also talking to the Germans, as I expect you are. Hope that all these discussions will lead to the establishment of common ground between us on the answer to the very difficult problems we face.

Long-term solution

4. I believe that we can reach a meeting of minds on the nature of the problem of budgetary imbalances and on a basis for overcoming the problem in the long-term. [On the other hand, there is still a clear difference between us on the need for new own resources. We are not convinced of the need for any increase].
5. On imbalances, we both seem to be coming to the conclusion that, in an enlarged Community, France, Germany and the United Kingdom will all need some kind of safety net to limit the net transfers between member states.

Interim solution

6. But all this will take time. For political reasons the British Government must have a solution for 1983 and later by June. We cannot afford to delay agreement on the interim until a lasting solution is agreed and implemented.

March European Council

7. We must ensure that the March European Council sets the scene for a successful negotiation. Following this week's Foreign Affairs Council Monsieur Thorn and Mr Genscher will introduce the discussion in the European

/Council.

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Council. We expect the discussion to cover both the future financing of the Community and the interim solution. The conclusion of the Council discussion must be a request that Foreign Ministers make decisive progress on both issues by the time of the June European Council. If a solution to the immediate problem were reached by Foreign Ministers in May there would be no need to have a separate discussion about it at the June Council.

8. In order to ensure that this timetable does not slip, the European Council in March should ask the Commission to produce proposals on both (a) the lasting solution and (b) the interim problem in time for the April Foreign Affairs Council. Hope that you can agree to this way of proceeding.

Overpayments - if raised

9. [The United Kingdom cannot treat the question of overpayments separately from a further arrangement for 1983 and later. The two problems must be dealt with together because the United Kingdom's attitude to the overpayment question will be determined by the attitude of other member states to the solution of the underlying problem].

Follow-up

10. You and I will wish to remain in touch and it will certainly be useful for us to make contact before the June European Council. It would also be useful in the interval for Mr Williamson and M Morel to discuss these questions. Hope that they will be able to build up as good a relationship as Mr Hancock and M Morel have done.

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ANNEX

EC BUDGET: RECENT ANGLO-FRENCH BILATERAL CONTACTS

1983

19 January

Anglo-French "brainstorming" in London  
attended principally by:

Mr Evans, FCO

M Paye (Quai)

Mr Littler, Treasury

M Morel (Elysée)

Mr Hancock, Cabinet Office

M Legras (Quai)

Mr Hannay

M Blanchemaison (SGCI)

M Rigaud (Ministère de l'Economie et  
des Finances)

31 January

Foreign Secretary's discussion in London with  
M Cheysson.

1 February

Chancellor of the Exchequer's discussion in London  
with M Cheysson.

23 February

Discussions in London between officials arranged  
by Mr Edwards, Treasury, with Cabinet Office  
participation. The French were led by M Bouton  
(Ministère de l'Economie et des Finances), with  
SGCI participation (M Schrameck).

4 March

Mr Hurd's discussion in London with M Chandernagor.

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