



Mr. Butler

To see.

Ref. A084/824

MR COLES

A.S.C. 13/3.

10/13/3 f.a.

EC Budget and Refunds

During the morning Sir Michael Butler telephoned from Brussels, to say that the technical points on the British refunds had been disposed of, and the Italians and Greeks had removed their insistence on linkage to a budget settlement. Only the French were insisting on the linkage. Monsieur Cheysson and Monsieur Dumas had made it clear to the Foreign and Commonwealth Secretary that their instructions gave them no leeway on this, and suggested that the Prime Minister should speak to the President of the French Republic.

2. The Prime Minister decided not to speak to the President herself, but on her instructions I spoke to Monsieur Attali at about 12.15 pm. I said that I understood from Brussels that the situation was that the only obstacle to agreement upon the regulations today was the French insistence on linkage with the budget settlement. The Prime Minister had asked me to speak to Monsieur Attali, to urge the President as a matter of urgency to authorise his representatives in Brussels to waive this insistence on the linkage with the budget settlement. If it was maintained, the situation would be seen as an Anglo-French dispute, which both the Prime Minister and the President were anxious to avoid, and that would make it more difficult for the Prime Minister to negotiate meaningfully and constructively on the outstanding points at the European Council in Brussels next week.

3. Monsieur Attali took the point, but said that this would be a matter of great political difficulty in France, since it would appear to remove one of the President's bargaining points. I said that my understanding was that, even if the Council agreed the regulations today, that was not the final stage, since there had to be a Commission proposal on the refunds and then agreement between the Council and the Commission. There would thus be further opportunities, later in the procedure, for the French





Government to block the refunds, if as a result of Brussels they felt obliged to do so. This appeared to be news to Monsieur Attali. He said that there was no question of the French attacking the refunds if there was a satisfactory settlement of the refunds at the European Council. The President was not in Paris, but he would speak to him straightaway. I emphasised the urgency of getting instructions to the French representatives at the Council of Ministers.

4. I am sending copies of this minute to Mr Fall and Mr Kerr.

ROBERT ARMSTRONG

13 March 1984