

PRIME MINISTER

cc: Sir R. Armstrong

EEC BUDGET AND REFUNDS

Sir Michael Butler has just telephoned from Brussels. The technical points on our refunds have been disposed of, as has the need for conciliation with the Parliament. The Italians and Greeks have removed their insistence on linkage to a Budget settlement. Only the French are holding out.

Cheysson and Dumas have told the Foreign Secretary that their instructions are absolutely firm, and the Foreign Secretary and Sir Michael Butler believe this. Cheysson and Dumas wondered whether you could telephone Mitterrand. The Foreign Secretary and Sir Michael Butler do not think that you would wish to do this, and would not recommend it. (any way, you haven't time this morning).

But the Foreign Secretary and Sir Michael Butler have suggested that you might authorise Sir Robert Armstrong or me to ring Attali and make the following points:-

- (i) The French insistence on linkage is the only obstacle to making progress on the refunds.
- (ii) French insistence on this point will make it more difficult for you to reach agreements in Brussels next week since the British press will say that you are being put under duress.
- (iii) If the French allow the Council to make the regulations today, that is not the final stage. There has to be a Commission proposal on the refunds, and then agreement between the Council and the Commission. So there would be a further

/chance



chance for *discussion*.

- (iv) In the light of this, you greatly hope that instructions can be given to the French representatives to enable them to come into line with the rest of the Ten on this matter, and withdraw their insistence on linkage *in Brussels*

Do you agree that Sir Robert Armstrong or I should ring Attali with this message. It will have to be done within the next few minutes.

*F.R.B.*

13 March 1984