

BRITISH EMBASSY,
PARIS.

FROM THE AMBASSADOR

11 April 1984

Sir Crispin Tickell KCVO
DUSS
FCOMr. Fairweather (ECJ (1))cc. Private Secretary
PS / Mr. E. King
PS/PUS
Sir J. Bullard
Mr. RenwickI sh^d acknowledge
with any comment in
due course. I will show
a copy to Mr. Cooks (No.
10) on the aircraft to Lisbon
tomorrow.

Dear Crispin,

EC BUDGET NEGOTIATIONS

1. I am not fully in the picture about what is happening in Brussels, or indeed elsewhere, on the EC budget negotiations. Michael Butler's recent telegrams have looked encouraging. It may be that by the time you receive this letter we shall have secured a decisive breakthrough. In which case please read no further. I would not in any event wish to interfere from the side-lines. But if negotiations are still in the balance it may be useful for you to have an impression, however incomplete, of how matters look from Paris.

2. It seems to me that our strategy has been vindicated by the results achieved so far and that we are very well placed for the final phase of negotiations. There are four important factors which all appear favourable from here:-

(a) Only we can unlock the door to increased own resources. The Community is running out of money this year and the various escape routes all have "unanimity" firmly stamped on the door. However much they wriggle and protest the others have got to secure our agreement if the Community, including in particular the CAP, is to continue to operate beyond the autumn of this year.

(b) The various threatening noises made by the French and others about variable geometry, a two-speed Europe, reversion to the Europe of Six, a new Messina to go back to the Treaty of Rome, building Europe around a Franco-German axis extending into the sphere of security and defence

/etc



etc all look unrealistic on closer analysis. I doubt whether even the French believe these spectres are going to frighten us into accepting an inadequate deal on the budget.

(c) Mitterrand has his Community triumph almost within reach. He still badly needs a major success. His claim to have resolved 95% of the outstanding problems during the French Presidency will look hollow if he hands on a Community with no agreement to increase own resources and with bankruptcy looming. Since he has decided to swallow the bitter pill of a durable system, why should he choose to put all his gains at risk over the odd 200 million écus as the starting point for the system?

(d) The Commission, or at least some of its more dynamic and intelligent elements, seem to be coming into action in the right way at the right time.

3. Against this background I find it hard to explain why I feel a slight unease about the final crucial stage of the negotiation. It is partly I suppose that one knows there are people close to Mitterrand who are capable of putting spokes in the wheel even now, not because they wish to frustrate his policies but because they want to do better for him or for France and see what is emerging as something of a defeat. Attali is always liable to try to recover lost ground and to resort to old-fashioned arm-twisting. Cheysson may still believe that we can be forced back into line by the constant pressure of nine against one. More generally, a mood of exasperation - even bitterness - could start to spread through the French governmental machine. The tide which is now flowing strongly in our favour could at some point, which would be hard to detect, start to ebb. My feeling is that we may have to move rather soon if this is not to happen, or at least that there is an opening in the next few weeks which may not recur until the late autumn, by which time the mood in the Community might be very sour indeed and the whole course of events unpredictable and uncontrollable. In France trouble will grow with the small milk-producers from mid-May and with the viticulturalists from June. The Government will be short of funds to buy them off. comparisons could be made with the apparent cost of "the British cheque". With their backs to the wall some here would prefer brinkmanship against the UK to further moves in negotiation.

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4. The key, as always here, is in Mitterrand himself. I am sure that he wants to be seen as the saviour of Europe and to carry the day with suitable French panache. He will have to be able to pretend to others and perhaps even to himself that he is securing a triumph, not that he has been driven by the British into a corner from which he and the Community have only one way out. There may have to be some theatre about the concluding phase of the negotiations - urgent trips to certain capitals, special meetings etc. I assume that a little playing-up to French vanity would be a small price to pay for the long-term solution we require. We should look out for suitable opportunities and may need to reassure Mitterrand in some way that we understand this aspect of the game. He may be feeling a little bruised by his failure to meet the Prime Minister on 9 April, even if the incident was his own fault. It does not do for a French President to appear in the eyes of his public opinion to have made a muddle, still less encountered a snub. Depending on where the negotiations are actually getting to, it might be worth considering a further message to Mitterrand to encourage him in his efforts, focussing his mind on the sunlit uplands beyond the budget agreement, and making it clear that we understand his need to be standing in the middle of the canvas on the day we all sign up.

5. To summarise, I would recommend that however strong our underlying position we should try to sew things up in the next few weeks and pay due attention to Mitterrand's ego in the process.

6. There is one other aspect which goes somewhat outside my responsibilities here. I would expect others to start making a link soon between our budget deal and the emergency arrangements which will be needed to get the Community through 1984 and 1985. I assume that there is no chance whatsoever of saving 2 billion écus on the agriculture budget and that special arrangements will have to be made by say October. If we know what we are prepared to offer (eg participation in a loan up to our VAT share, for repayment in 1986 perhaps?) we ought to consider whether and how to use it as a possible make-weight in the final stage of the budget negotiation. Even if we cannot contemplate more than an indication of readiness to consider the 84-85 problem with an open mind we should consider how to play that to advantage. This factor may in any event shorten the time at our disposal. It will weigh against the chance of a budget deal if the impression starts to grow that even with the deal wrapped up we shall be content to watch the Community slide towards bankruptcy and farming regions drift into violence, at least in France, as the CAP payments stop.

John Fretwell

John Fretwell

cc to:-

David Williamson Esq, Cabinet Office

Sir Michael Butler KCMG, UKRep Brussels

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