

Super-levy

Objections to President Pitterand's proposal

1) Applying the super-levy at the level of the dairy will enable the producers who sell direct to the consumer to escape the levy. This will reduce its effectiveness but also allow more French producers to escape than British producers. Therefore discriminatory.

2) if dairies are allowed to spread the levy among producers it will be less effective in stopping increased production.

[NB. Our own industry, especially the NFB would prefer the lunch idea] You could therefore leave it for later discussion

Wm J



CHECKLIST. POINTS FOR PAPANDREOU

1. Still a long way from a satisfactory package. He needs to work a lot harder to secure our agreement.

2. For example, on CAP the latest text is further away from us than the one before. Outrageous that increased co-responsibility is in it since actual agreement yesterday to maintain it at present level. Exemptions on milk unacceptable. Several other examples nearly as bad.

3. Financial guideline text moving nearer towards something we could accept. But one last heave required - instructions must be given to incorporate the new rules in the Community's formal budgetary procedures.

4. On budget imbalances, I am not going to accept a net contribution of more than ^{about 1% of GNP} ~~500 million ecu~~. If you want an agreement, you must help me to achieve a system which produces a result of the order of magnitude of 450 million ecus for 1984 and which will remain fair for all Member States in future.



PRIME MINISTER

MEETING WITH CHANCELLOR KOHL

These two points may be useful.

1. The Budget Inequity

(a) We need a durable system but helpful also to know what figure Chancellor Kohl could accept as Germany's limit at the outset.

In 1982 the actual unadjusted net contributions were UK 2036 million ecu. Germany 2086 million /^{ecu} Since Germany also contributed to part of our refund, Germany's actual adjusted net contribution was about 2334 million ecu.

Line to Take

Of course, the problem of the budget imbalance must be solved by a durable and equitable system. I believe, however, that we could give a push to agreement on the system if we were to have some understanding what net contributions you and I and President Mitterrand would find tolerable at the outset. On the assumption that we do not contribute to our own or other Member State's ^{reliefs} I understand that you could agree to a limit for Germany which would be at about the level of your actual contribution last year. My information is that Germany actually contributed, after allowing for UK relief, just over 2300 million ecu. If you could do that and France and the UK had net contributions of the order of 500 million ecu, a solution should be negotiable.

2. Control of Expenditure

Line to Take

I hope that we can stand together on

(a) supporting the French text³ on control of expenditure as far as it goes.

(b) including a definition of the agricultural guideline ("rate of growth of agricultural spending to be markedly less than rate



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of growth of own resources") and ensuring that, if there is agricultural overspending in one year, it is recovered over the following two years (this idea is in the French paper presented to the last Special Council).

(c) putting this into the budgetary procedures.

D.F. Williamson

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4 December, 1983

C Y P R U S

Want settlement acceptable to both parties.

No further deterioration - especially no military escalation.

Best way forward now is Secretary-General's good offices mission under Resolution 541. All should support. Pre-conditions will only delay progress. Perez de Cuellar should act quickly while Turks and Turkish Cypriots on defensive.

Consultation must be tripartite ("together").

All previous consultations have been. We are ready for tripartite talks. Have you considered implication of your refusal? Turks will say you are in breach of Treaty.

UK mediation Most reluctant. Would cut across Secretary-General. Will stay in close touch with all involved but do not see that as consultation in terms of treaty.

EC Action

Wait till Haferkamp reports to Foreign Affairs Council on 19 December.