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PRIME MINISTER

Run-Up to the European Council

You are seeing Mr. Roy Jenkins on Monday, 22nd October. In addition to the other briefing being provided I think you may find it helpful to have this note on the key stages in the run-up to the November European Council. It will also be relevant to the OD discussion on 24th October when the various negotiating cards are to be considered. The sequence will be as follows.

1. The Commission Paper

The Commission expect to finalise this by the end of October. All the signs are that it will set out a range of options and include corrective mechanisms which would be acceptable to us as well as other less satisfactory possibilities. But the Commission may well not come down in favour of a particular solution; we would not want them to unless it is one we could accept in which case this would of course be very helpful. You will want to probe Mr. Jenkins on this.

2. November Finance and Foreign Affairs Councils

The Commission's report is likely to be discussed by both the Finance Council on 19th November and the Foreign Affairs Council probably on 20th November. If, as we hope, the Commission's paper is reasonably helpful to our case it is bound to be exposed to attack at these meetings by the financial experts and others in the member States who are likely to see their own interests suffering if we get what we want. We should therefore see these as damage-limitation operations, since a decision of the magnitude we are seeking can only be taken at Head of Government level. We cannot however evade the process of discussion in the Finance and Foreign Affairs Councils without incurring the risk of postponement at Dublin on the ground that the issue had not been sufficiently prepared for Heads of Government. The other member States will be staking out positions: and we must stick firmly to our stated requirements. We must however ensure that the

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question is put to the European Council in as clear and helpful a form as possible. We shall therefore need to get an instruction to COREPER to prepare a suitable paper for Heads of Government which simply sets out the issues which they will be called upon to decide. If, contrary to our present expectations, the Commission's report does not even include options which would produce the result we want, we shall of course be ready to table proposals of our own.

3. Bilaterals

Although we may not see much real movement before Dublin, the various bilateral contacts at top Ministerial level will be important in getting over the Government's determination to see this basic inequity put right. Schmidt recognises that something has to be done although he naturally wants to limit the financial burden on Germany. He will probably go along with whatever consensus emerges: but he will not fight our battles for us and he will not be ready to have a major disagreement with Giscard. It will however be essential to press him as far as possible during the Bonn bilateral on 31st October.

The Anglo-French Summit on 19th-20th November will have a special significance, not only because Giscard is likely to be the main person who has to be won over but because it comes closest in time to the Dublin meeting. Although French officials are taking a very tough line indeed Giscard has not shown his hand and it will be a matter of nice judgment nearer the time whether it will be right to give him any hint of what we would regard as "acceptable". There is little if anything in the Community field which we can, or would want to, offer him to secure his co-operation but there are possibilities of constructive discussion in other fields of interest to him (e.g. East/West and nuclear) which might improve the atmosphere. I will send you a separate note about the nuclear aspect.

You will not be seeing Mr. Lynch again before Dublin but we ought to arrange some direct political contact if only about the handling of the meeting (see below).

M. Wähl, of President Giscard's Office, told me yesterday that we should not assume that the report will contain options. He says that there is a good deal of mismanagement within the Commission, caused in part by what some regard as Mr Jenkins' unnecessarily pro-British approach.

Do you wish to pursue this idea? If you do, we will get further advice.

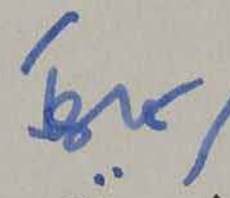
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4. The European Council

While we shall have taken every opportunity to get the political message across at the highest level in advance of Dublin, it seems inevitable that the real negotiation on figures will take place there. It will therefore be essential to ensure that the first day at Dublin is devoted to this topic so that the usual overnight meeting of officials can be given clear instructions.

It also follows that we need to keep our demand for "broad balance" formally on the table up to the opening of the Dublin meeting. Before then, however, Ministers will need to have considered what might be an acceptable outcome. In his paper (OD(79) 33) the Foreign and Commonwealth Secretary recommends that this should be done in a small informal group of Ministers without any written record: this meeting should probably take place after the Schmidt visit and before Giscard.

Ministers will be considering papers on ways in which we can exert pressure within the Community to secure our budget objectives. It seems unlikely that there is scope for any direct trade-off ("We will do this if you will do that"): in any case we should not have to make concessions to correct a demonstrable unfairness. On the other hand our stance on other current issues will have an influence on the attitude of other member States towards our requirements. We shall have to monitor this carefully.


(John Hunt)

19th October 1979

