

SIR ROBERT ARMSTRONG

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cc. Mr. Whitmore -  
Mr. Franklin

Schmidt - EEC

Mr. Pleasant.

Mr.

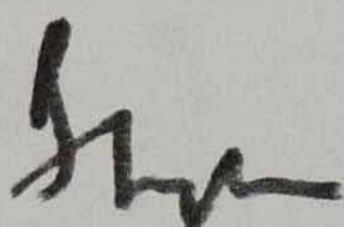
29/2

We discussed briefly the unhelpful press reports on the above and I undertook to try to pull it back, notably in the Telegraph. You will have seen the second half of Nicholas Comfort's article in the Telegraph today; I managed to get one sentence inserted and that in a negative way: my point was that it was a very useful meeting in a good atmosphere.

James Wightman, Comfort's boss, was very concerned last evening about my criticism of Comfort's article; I did, in fact, tell the Lobby yesterday it was wrong. But it is clear that I cannot carry much conviction when Ministers are reported to be the source of the damaging material.

You will also have seen Thursday's report in the Financial Times which is broadly similar to Comfort's. Here again the source was apparently Ministers, though in this case there is also more than a whiff of Brussels about it.

I shall have a go at the Sunday Lobby today, against the background of Genscher's helpful remarks reported today. But I remain somewhat dubious of my effect, given the extent to which false impressions have already been created. Last evening I met Peter Jenkins, of the Guardian, who was equally convinced the Prime Minister/Schmidt meeting had gone badly. He looked at me incredulously when I said I simply did not know where he got his bum-steers from these days. (N.B. - We are old friends who shared an office).



B. INGHAM

29 February, 1980

# MPs URGE DEBATE TO 'SHOW NATION BEHIND EEC CUT'

By **NICHOLAS COMFORT**, Political Staff

**B**ACKBENCH Conservative MPs pressed Mrs Thatcher yesterday to "ignore the faint-hearts" in her campaign to win a cut in Britain's EEC budget contribution, and sought a debate to demonstrate that the nation was behind her.

The Prime Minister in turn gave warning that unless a permanent settlement to the issue could be negotiated, the amount Britain would be expected to find would increase yearly from the present £1,000 million.

"Unless we get a settlement of this budget contribution our net contribution looks like rising," she said in reply to Mr Roger Moate (C. Faversham).

"That is why it is important not only to get a settlement for next year at a formula for future years as well."

Conservative MPs were in combative mood after reading Press reports that the contribution in the coming year might be as much as £1,300 million and that pressure was being applied from the continent to tone down Mrs Thatcher's campaign.

## 'Balance sheet' call

Mr Alan Clark (C. Plymouth Sutton) and Mr Tony Marlow (C. Northampton North) both pressed for a Commons debate to demonstrate MPs' support for the Prime Minister's tough line.

But their requests, and a call from Mr Hugh Fraser (C. Stafford and Stone) for the Government to publish a "balance sheet" of Britain's standing with the EEC were given little encouragement by Mr St John-Stevas, Leader of the House.

Yesterday's exchanges in the Commons followed Mrs Thatcher's statement in her television interview on Monday that Britain "might have to consider" withholding part of its contribution in the absence of a favourable settlement.

Although she hastened to add that breaking Community law was something only to be considered as a last resort, her remarks were widely reported on the continent where they were seen as having scotched an initiative by Mr Roy Jenkins to heal breaches between Britain and her main EEC partners.

Official sources insisted yesterday that Monday's 80-minute meeting between Mrs Thatcher and Herr Schmidt, the German leader, had not been acrimonious. They also pointed to Herr Schmidt's increasing support for British and American policy on Afghanistan — the prime subject of the meeting.

Daily Telegraph

Friday, 29 February, 1980

According to one minister involved in the negotiations over the EEC budget, the German attitude stems directly from Herr Schmidt's disillusion with Mrs Thatcher.

While the two leaders struck up a 'good relationship' after the Conservatives took office last May, it is said to have begun to sour when Mrs Thatcher visited Bonn last autumn shortly before the Dublin summit.

## Too forthright

Herr Schmidt apparently concluded that both the Prime Minister's views and her manner of expressing them were too forthright for a "middle of the road" politician such as himself.

Mrs Thatcher's blunt approach in Dublin to secure more than the £350 million on offer is seen as having encouraged the German leader to close ranks with President Giscard d'Estaing, whose attitude is that Britain knew the rules when she joined and thus has no cause to grumble.

Despite the more subtle and piecemeal approach adopted by the Government since, some ministers believe Germany now regards the £350 million offered at Dublin as generous, with France seeing it as excessive.

Such an amount would in their opinion be seen by the British public as totally inadequate.

Editorial Comment—P16

# Schmidt in clash with Thatcher

By NICHOLAS COMFORT  
Political Staff

**DIFFERENCES** between Mrs Thatcher and Herr Schmidt, the West German Chancellor, are understood to be jeopardising the Prime Minister's campaign to reduce Britain's contribution to the Common Market budget.

Herr Schmidt is believed to have taken umbrage at Mrs Thatcher's political tone and, consequently, to be supporting Britain's case less actively than Ministers had hoped.

Mr Roy Jenkins, President of the European Commission, is sufficiently worried about the state of Anglo-German relations that he invited Herr Schmidt and Lord Carrington, Foreign Secretary, at the weekend to a dinner at his Oxfordshire home.

The aim was to exercise a restraining influence on the Prime Minister through the Foreign Office, in the shape of Lord Carrington and Sir Ian Gilmour, Lord Privy Seal, who are seen by Continental leaders as less belligerent.

## 80-minute meeting

The dinner was followed on Monday by an unexpected 80-minute meeting at Downing Street between Mrs Thatcher and the German leader. Ministers do not regard the talks, which were not publicised in advance, as having been a success.

Mr Jenkins had hoped that Herr Schmidt's consultations while in Britain on a private visit, would bring about an improved atmosphere and pave the way for progress on the Budget issue as well as closer co-operation on East-West relations.

These hopes were apparently dealt a severe blow by Mrs Thatcher's statement in her television interview on Monday night that Britain "might have to consider" withholding part of its contribution in the absence of a favourable settlement.

Ministers fear the Government will not be offered an acceptable cut in the contribution when the issue is eventually put to an EEC summit—something originally hoped for in March, but now as far away as July.

Mrs Thatcher's original target was £1,000 million but colleagues feel she and Sir Geoffrey Howe, the Chancellor, would now settle for £800 to £850 million. While the Prime Minister is as determined as ever, Ministers believe she will fall well short.

Whisky victory—P5

Daily Telegraph

Thursday, 28 February, 1980

# Brussels summit faces renewed budget row

BY ELINOR GOODMAN IN LONDON AND MARGARET VAN HATTEM IN BRUSSELS

ANOTHER confrontation over Britain's contribution to the Common Market budget seems likely at next month's EEC summit in Brussels.

Some British ministers believe that opinion within the EEC is running so strongly against Britain that there is no hope of getting a final solution in Brussels.

The problem is likely to be aggravated by a new set of confidential Commission estimates which suggest that Britain's payments this year could substantially exceed the forecast £1.2bn.

The Commission, in re-calculating the figures for last year, has added another £190m to its previous estimate of Britain's net payments of £333m.

The increased estimates are largely due to the rise in sterling which gradually eliminated

the subsidies (Monetary Compensatory Amounts) paid on Britain's food imports from its EEC partners.

The new 1979 figure will not surprise the British Government, which claimed all along that the subsidies should be attributed to Continental producers, not British consumers.

The political difficulties surrounding the issue are being further complicated by the French Government's insistence that Britain's budget demands should be resolved in the context of an overall package including farm spending, lamb trade, and energy and fisheries policy.

Relations between Chancellor Schmidt and Mrs. Thatcher are now said to be bad. Britain, it is argued, will have to look elsewhere in the Community for

help in getting its budgetary contribution reduced.

Attempts at the weekend by Mr. Roy Jenkins, the President of the Commission, to bring the West German and British Governments closer together, apparently failed.

Mr. Jenkins hosted a private dinner party at his Oxfordshire home for Chancellor Schmidt and Lord Carrington, the Foreign Secretary.

But any progress achieved was apparently undermined by Mrs. Thatcher's television interview on Monday which was seen in Brussels as being deliberately provocative.

The Government is officially sticking to the position of "genuine compromise" it has adopted since Mrs. Thatcher's rebuff at Dublin summit last year.

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