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PREM 19/760

Anglo - French Relations

FRANCE

PART 1

OCTOBER 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
18.10.79		25.2.81					
20.11.79		9.4.81					
11.12.79		4.6.81					
28.12.79		9.6.81					
4.2.80		9.6.81					
19.2.80		19.7.81					
18.3.80		17.9.81					
29.5.80		22.11.81					
24.11.80		25.11.81					
28.11.80		27.12.81					
22.12.80		15.1.82					
23.1.81		17.2.82					
30.1.81		25.3.82					
5.2.81		- Pt Ends -					
17.2.81							
25/3/81							

PREM 19/760

● PART 1 ends:-

Hancock to AJC, Q2, 02519

25/3/82

PART 2 begins:-

British Embassy, Paris, to Sir Anthony Acland

29/6/82



SECRET AND PERSONAL

Prime Minister

Qz.02519

ed. Euro P.O. Budget: A15

MR COLES

ms

BILATERAL TALKS WITH THE ELYSEE

--- I attach a note for consideration at the Prime Minister's meeting at 9.45 am tomorrow, Friday 26 March. I have written it following discussion with Lord Bridges of the Foreign Office and Mr Littler of the Treasury, but neither Department is committed by what it says.

I am sending copies to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, Sir Robert Armstrong, Lord Bridges and Mr Littler.

D.H.

D J S HANCOCK

25 March 1982

SECRET AND PERSONAL

SIR ROBERT ARMSTRONG'S MEETING WITH MONSIEUR ATTALI
IN BRUSSELS ON MONDAY 29 MARCH

Note by the Cabinet Office

1. Cabinet Office, Foreign Office and Treasury officials have discussed the implications of Sir Robert Armstrong's talk with Monsieur Attali in London on 24 March - Sir Robert Armstrong's minute to the Prime Minister of 24 March refers. The following analysis has been prepared by the Cabinet Office as a basis for consideration at the Prime Minister's meeting at 9.45 am on 26 March.

General Reaction

2. Monsieur Attali went further in our direction than we expected. The pressure on the French government for a farm price settlement is severe, as is illustrated by the recent demonstrations by farmers in Paris. National aids, according to Monsieur Attali, would be a good deal more expensive than satisfying the United Kingdom's requirements on the budget. They would also precipitate a major Community crisis as President Mitterrand must know. It is therefore reasonable to assume that President Mitterrand wants to do a deal with us. Sir Robert Armstrong should therefore confirm the tentative arrangement to meet Monsieur Attali in Brussels on Monday 29 March and should explore further the scope for compromise.

Technical Aspects

3. Sir Robert Armstrong should encourage Monsieur Attali to continue to discuss the essence of the problem and not at this stage to get into detail about how the solution could be implemented by means of a revised version of the Presidency and Commission scheme. If the United Kingdom and France were able to agree on the substance of a solution, the conversion of it into a negotiable scheme should not present insuperable difficulties. (See section below on handling if agreement seems possible.)

Figures

4. Duration, the need for a review at the end of the period and the "over payment" do not seem to be problems, but Ministers need to decide whether to make an offer on figures.

5. Monsieur Attali is not yet committed to discussing a solution expressed in terms of a percentage sharing of our unadjusted net contribution between the Community and the UK. But he has at least indicated a willingness to do so even though coupled with a hint that the President would expect the percentage refund to fall over time. Our aim should be to commit him to a percentage-sharing formula and to get rid of the degressive notion.

6. If President Mitterrand stuck firmly to his position that the cost to the French budget must not exceed the cost of the 30 May agreement, there would be no hope of a solution acceptable to the UK. Sir Robert Armstrong should therefore begin the meeting on 29 March by stressing the difficulties for the UK of anything less than a fixed 90% share. He could mention the following points in support of this case:-

- (i) The settlement would be confined to the allocated budget. The United Kingdom's share of the unallocated budget was substantial and likely to rise. British Ministers would have to continue to defend the cost to the UK of that element even with a 90% refund for the allocated budget.
- (ii) The delay in the payment from one year to the next meant that the figures shown in our Public Expenditure White Paper were always larger than the figures mentioned in negotiations in Brussels. This added to the real as well as the apparent cost and thus added to the political problem of defending the settlement in the UK.
- (iii) The solution would do nothing about resource transfers outside the budget and these were very much a part of the British government's political problem.

The purpose of these arguments would be to persuade Monsieur Attali that it would be just as difficult for the British government to move down from a fixed 90% share as it would be for President Mitterrand to move up from a 70% share.

7. Ministers should now decide whether Sir Robert Armstrong be authorised to make a new offer in the range 90% - 70% in return for:-

- (a) A fixed percentage, ie no degressivity.
- (b) No second thoughts on the "over payment".

8. If Monsieur Attali said that degressivity was a necessary condition for a percentage-sharing formula then Sir Robert Armstrong might offer to consider inventing a presentational device which would enable the French to say that the solution was degressive, on the clear understanding that it gave us the same scale of refund - ie that the basic percentage refund would be that much higher.

9. One possibility is an idea worked out by officials in the German Ministry of Foreign Affairs, which seems to be intended to enable the other Member States to say that the scheme had degressive elements without obliging the United Kingdom to agree to a declining percentage. This is that some small part of the gap to be filled should be taken out of the sharing arrangement so that the United Kingdom would pay a 100% of it. The amount of this arbitrary lump sum would rise slowly over the succeeding years at an annual rate intended to symbolise the United Kingdom's integration in the Community. The growth rate suggested by the German officials concerned was that of UK trade with the Community between accession and 1981. This works out at about 4% a year and, provided the initial lump sum were small enough, it would be possible to incorporate such a feature in the final scheme without depriving the United Kingdom of total refunds of adequate size which would increase roughly in line with the increase in our unadjusted net contribution.

10. If the degressivity point were critical to an agreement, some presentational device of this sort could no doubt be worked out consistently with the constraint defined in paragraph 8 above - namely that the amount of money coming to the UK should not be reduced by the device so that, the more it reduced our refund, the higher the initial refund percentage would have to be.

Financing

11. The problem of financing any agreed solution will have to be sorted out because:

- (i) the cost to France will be greatly affected by what the Germans agree to pay; and
- (ii) the United Kingdom cannot accept any suggestion that our refunds be reduced if the Community budget runs up against the 1% ceiling.

Monsieur Attali referred to the first of these problems on 24 March but he did not mention the second. It might be imprudent to lay too much stress on it at the next meeting. But we must secure his assurance that France will work with us to ensure that any remaining problems about finding the money for the agreed solution are amicably solved within the Community framework.

Presentational arguments that could be used in France

12. As part of the process of persuading Monsieur Attali to accept the offer, Sir Robert Armstrong could call attention to the following possible arguments which the French government could use to justify the cost of the solution to the French budget:-

- (i) The cost would be less than national aids and agreement with the UK would avoid a major Community crisis. It was not just a case of "paying the United Kingdom for peace on farm prices"; it was a question of finding a compromise to avoid a crisis that might very well wreck the Community as a whole.

/(ii)

- (ii) The solution would be less favourable to the United Kingdom than the arrangement that President Giscard negotiated and it was tied up in such a way that there could not possibly be a repetition of the "over payment" to the United Kingdom.
- (iii) France was not doing too badly out of the Community - the unexpected benefit that the United Kingdom received in 1980 and 1981 had to be put in the perspective of the unexpectedly favourable out-turn of the budget arrangements for France in those years.
- (iv) The 1982 price settlement was much more generous to French farmers than the British Government had intended.
- (v) Getting Community assistance for small milk producers was a major achievement for the French government in the Mandate negotiations.

Procedure for handling if agreement seems possible

13. If at Monday morning's meeting it seems that an agreement will be negotiable, then Sir Robert Armstrong should ask Mr Hancock to prepare a note defining the proposed agreement and to clear it with Monsieur Attali during the course of the afternoon so that the same description of the proposed agreement would be shown to the Prime Minister and the President overnight. We would have to make it clear to the French that they must help us sell the solution to others as soon as it had been accepted by the Prime Minister and the President. We should encourage them to speak to the Germans first themselves, or at least to agree to confirm what we said. The Italians should also be informed. The French should be asked to agree that the Secretary General of the Commission, Monsieur Noel, be consulted in confidence about how the Presidency/Commission scheme might be adapted so as to provide a vehicle for the implementation of the solution.

Procedure if no agreement seems possible

14. In this case, Sir Robert Armstrong should note with regret that agreement seemed impossible, but say that nonetheless the Prime Minister would be grateful if Monsieur Attali would explain the offer personally to the President. If Monsieur Attali's reaction made it quite clear that, even so, we were at the end of the road, then (but not otherwise) Sir Robert Armstrong should speak on the following lines.

15. The British Government would greatly regret it if the French government decided to introduce national aids. This would create a major crisis in the Community and put other Member States, who could not afford national aids, into an exceedingly difficult position. But the British Government was not prepared to compromise further on the budget issue in order to avoid the crisis. British Ministers would now consider how best to protect the national interest and this might involve actions which would also damage the Community. Monsieur Attali had been kind enough to tell us, in confidence, about the French government's contingency plans if no agreement could be reached. He would not be surprised to learn that the British Government also had contingency plans. We had not mentioned them before since we had been determined to do everything possible to secure a negotiated settlement and it would have seemed aggressive to talk about what we might be obliged to do if none proved possible. But President Mitterrand should take full account of the significance of the fact that the UK had been thinking about the possibility of an unresolvable crisis for 3 years. Like France, we were well prepared for a crisis.

16. A further talk should then be arranged the following day to see whether the intervening night had produced any grounds for hope that the most serious crisis in the history of the Community could be avoided.

Main points for decision by Ministers

1. Should Sir Robert Armstrong now confirm the arrangement to meet Monsieur Attali on 29 March (para 2)?
2. Should he make a new offer on figures and, if so, what (para 7)?
3. Should he, if necessary, offer to explore the possibility of a presentational device on the condition specified in para 8?
4. In the event of failure, can Sir Robert Armstrong speak as suggested in para 15 with the full authority of Ministers?

Prime Ministry

AO.7916

PRIME MINISTER

Sir R. Armstrong suggest that you have a brief meeting on Friday with the Foreign Secretary, Chaville, Sir R. Armstrong and Mr. Hancock to decide how to handle this. Agree?

A.J.C. 24/3.

BILATERAL TALKS WITH THE ELYSEE

see Euro Int. Budget: p/15

Monsieur Attali called on me and Mr Hancock at the Cabinet Office this morning as arranged. He came alone. He stressed that the only people aware of these talks in France, apart from the President and himself, were Messieurs Cheysson, Delors and Beregovoy. He said it would be disastrous from his point of view if the figures mentioned became known elsewhere in the French administration. I assured him that everything he said would be treated by us in complete confidence.

2. We agreed to refrain entirely from debating points of principle and to confine ourselves to exploring the political requirements on each side so as to discover whether there was scope for agreement. We also agreed to confine ourselves to the essential issues and we did not consider how any agreement between you and the President might be reconciled with the new scheme tabled in Brussels on 23 March which, Monsieur Attali told us, had come as a complete surprise to the French Government. During the course of our discussion Monsieur Attali made it clear that President Mitterrand would be willing, in the context of an agreement, to concede the following points:-

/(i)

SECRET AND PERSONAL

- (i) Duration - he accepted the need to straddle the next British general election. He was not specific about the duration but it was plain that a 5 year settlement would not cause major problems.
- (ii) A review - President Mitterrand would accept a review at the end of the period without commitment to the outcome of it.
- (iii) The "over payment" in 1980 and 1981 - if the new figures were right then the French government would forget about the over payment; but Monsieur Attali gently and courteously reminded us that the President was under considerable pressure in France to deduct 900 million ecu from the amount that might otherwise be agreed for 1982 and subsequent years.

3. We spoke frankly about figures and established that a substantial gap exists between the political requirements of the two governments. I said that, although the United Kingdom considered that on merits it should be a net beneficiary from the budget, the Government was prepared to be a modest net contributor. The United Kingdom's political requirement was that the new arrangement should be substantially better than that agreed on 30 May 1980 which for convenience might be characterised as a sharing of the unadjusted net contribution between the United Kingdom and the

SECRET AND PERSONAL

Community in the ratio of 1:2. I mentioned various figures for the new division in the range 5:95 to 10:90.

4. Monsieur Attali said that the French President's political requirement was determined by the fact that he had denounced the 30 May Agreement as a defeat for France and accused his predecessor of paying too much to the United Kingdom for "peace" over farm prices. For that reason, the new agreement had to cost the French budget less than the 30 May Agreement; and this political requirement was now reinforced by the fiscal difficulties faced by the French Government. The 30 May Agreement had cost the French budget 2.1 billion French Francs for 1980 and 2.5 billion French Francs for 1981. If the 1981 figure was accepted as definitive, the maximum net refund that the United Kingdom could receive, assuming no great change in the amounts paid by other Member States, would be 1200 million ecu. At first Monsieur Attali said that this figure was very much the upper end of the French range of possibility and he told us that some officials in the responsible Departments in Paris were advocating a maximum of 700 million ecu. But later he dropped a hint without commitment that the President might be willing to go up to 1300 million ecu and then to see this amount increase in line with inflation in the years following 1982.

/5.

5. Monsieur Attali expressed interest when it became apparent that we were thinking more in terms of percentage shares of the United Kingdom's unadjusted net contribution than in terms of absolute amounts for the refunds. He noted that a 1300 million ecu would be just over 70% of an unadjusted net contribution of 1800 million ecu, the figure assumed by the French officials for the United Kingdom in 1982; and he enquired whether you would be prepared to contemplate a falling percentage share over the period of the agreement. I asked whether he meant a percentage of, say, 95% in 1982 falling to something less in later years. He replied that 95% in 1982, requiring a refund of over 1700 million ecu, would be entirely outside the French President's room for manoeuvre, since it would oblige France to pay far more than President Giscard had agreed to pay.

6. On farm prices, Monsieur Attali said that the French government's requirement was for an average price increase of $11\frac{1}{2}\%$ in addition to a devaluation of the Green Franc to eliminate the existing MCA. I detected no hint that he was privately calculating for any additional advantage from a further devaluation of the French Franc. He said that, if no agreement were reached, the French government would pay national aids to make up the difference. They were ready to face a crisis in the Community over this but they did not wish to blame the United Kingdom for it. They

SECRET AND PERSONAL

recognised the problem as a Community problem. The cost to the French budget of national aids would be 5 billion French Francs a year, ie twice what they were prepared to offer to solve the British budget problem.

7. This last figure was volunteered by Monsieur Attali when he explained that Monsieur Cheysson would not be able to agree to a budget settlement on 3 April if the price package had not been agreed by the Agricultural Council the day before. (He stressed that in public the French government would deny any link; but in fact there was one.) He said that the French government could obviously not announce an agreement costing France 2.5 billion French Francs a year the day after incurring a bill of 5 billion French Francs a year partly because of the attitude of the United Kingdom. I thought that I could detect an extremely indirect hint that, if the government were prepared to help France avoid a bill of 5 billion French Francs, they might be able to go further than 2.5 billion in the budget context.

8. At the end of our meeting I undertook to report what he had said to you and he to report what I had said to the French President. We tentatively arranged to meet again in Brussels on Monday before lunch to see whether any further movement towards a solution might be possible. I have undertaken to telephone him on Friday afternoon to confirm or cancel this arrangement.

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9. Mr Hancock will be arranging a discussion with the Foreign Office and Treasury tomorrow and a note will be submitted about what I might say to Monsieur Attali on Monday for consideration by you, the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer, to whom I am sending copies of this minute.

RA

ROBERT ARMSTRONG

24 March 1982

SECRET AND PERSONAL

France
h.a.
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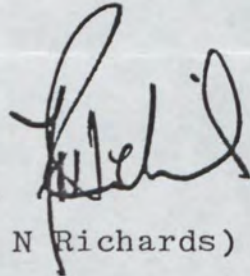
Mr Young (WED)

Cheysson Visit

M Bernard, from M Cheysson's Cabinet, rang at 1810 this evening.

He said that M Cheysson had (he implied at considerable personal inconvenience) agreed to come to London on 15 March. He would be unable to leave Paris until after a lunch engagement (as guest of the Community Ambassadors, I understand from Mr Petrie) and would therefore reach London Airport at around 1530 GMT. M Cheysson wondered whether time could be saved by reverting to the idea of holding the meeting at Chevening. I said that I thought this would probably be difficult, as the Secretary of State might feel unable to leave the FCO building while the Prince of Wales' visit was still in progress, but pointed out that if we provided a police escort, M Cheysson could reach the FCO from Northolt by 1600 GMT. M Bernard also said that M Cheysson would hope to return to Paris by midnight Paris time, which would necessitate taking off from Northolt by about 2200 GMT. I pointed out that this would mean leaving dinner at 2130, and suggested that a delay of fifteen or twenty minutes in departure would make all the difference to the comfort of M Cheysson's dinner. Mr Bernard undertook to consult M Cheysson about these revised arrangements and to get in touch again. We agreed to leave the question of whether the dinner should or should not be a working occasion open at this stage.

I have told Mr Petrie of this conversation.



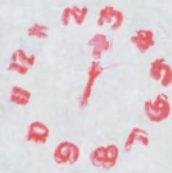
17 February 1982

(F N Richards)

cc: PS
PS/LPS
PS/PUS
Mr Bullard
Lord Bridges
Mr Goodison
Mr Hannay
ECD (I)
PCD

CONFIDENTIAL

18 FEB 1982



010

France
Prime Minister.

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MR 20/1

RECORD OF A DISCUSSION BETWEEN THE CHANCELLOR OF THE EXCHEQUER AND
THE FRENCH FINANCE MINISTER, IN THE FINANCE MINISTRY IN PARIS AT
8.00 A.M. ON 18 JANUARY 1982

Present:

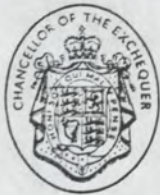
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MR 20/1

Chancellor of the Exchequer	M. Jacques Delors
Sir Reginald Hibbert	M. J-Y Haberer
Sir Kenneth Couzens	M. B. Jolivet
Mr. J.O. Kerr	
Mr. L.V. Appleyard	

Japan

The Chancellor said that the Japanese had not come under as much pressure in G5 on 17 January as perhaps they should have. They had yet to accept the necessity of reform in their trading practices; and the Community had still not begun to bring effective pressure to bear on them. The Economic Summit at Versailles in June should be the occasion for a renewed offensive; but this would require extensive prior preparation and co-ordination. M. Delors agreed. The various Denman missions to Tokyo had been fruitless, as had talk of bilateral investment agreements. The Japanese were happy to talk, but avoided action. Perhaps in preparation for the Summit personal representatives of the European Summit participants should try to produce an effective plan: leaving matters to the Commission had so far proved ineffective.

2. Sir Kenneth Couzens pointed to the risk that the Japanese would play off Europeans against Americans. He was also concerned that the new Japanese budget, being designed to reduce domestic demand at a time of fairly rapid growth, would produce another surge in exports. The Chancellor thought that Herr Matthofer would need no convincing that a common offensive was required: Count Lambsdorff might be more difficult. The Commission would of course have to play a part in the exercise. So, added M. Haberer, would the Belgians, as the Presidency. Sir Kenneth Couzens suggested that



the French, as hosts for the Summit, might like to take the lead in co-ordinating the exercise. M. Delors however thought that the British reputation for liberal external trade policies perhaps stood rather better than that of France: French amour propre would not be offended if the UK were to run the exercise. The Chancellor agreed to reflect on this suggestion, in consultation with the Secretary of State for Trade. He and M. Delors might then talk again at the February ECOFIN, and the matter might indeed be one worth raising at the ECONFIN Ministerial lunch.

3. M. Delors agreed. The French Government fully shared the concern which the Chancellor had voiced. Indeed President Mitterand had raised the matter during a recent visit by the Japanese Prime Minister. The latter had made no response whatsoever. Some way must be found of breaching the psychological barrier which appeared to prevent the Japanese from recognising that early action by them was essential.

United States

4. The Chancellor then referred to the risk to European recovery created by the mounting US budgetary deficit, and the consequently rising US interest rates. M. Delors said that the US unwillingness to recognise the adverse consequences of their domestic policies for their European partners was becoming increasingly irritating. In September we had been told in Washington to expect a deficit of some \$43 billion, and had expressed alarm: the figure had since more than doubled. We had pressed for more frequent intervention in the foreign exchange markets: and been refused. In G5 on 17 January we had asked for comments on their monetary figures: the Americans had not even replied. For 15 months Europeans had progressively reduced their demands, but had still failed to extract a single concession.

5. M. Delors went on to say that he was concerned that US intransigence on economic issues might soon begin to affect political relations. For example, the German and Benelux governments faced



major domestic difficulties, e.g. from the anti-nuclear movement, over US defence and security policies. Their willingness to sustain the ideological battle at home might be eroded if their US ally seemed impervious to their concerns on economic issues.

6. The Chancellor said that he shared much of M. Delors concern on the economic issues. The next key development would be the publication of the US budget in a few weeks time. We ought perhaps to suspend final judgement until then.

Community issues

7. M. Delors said that he hoped that we would carefully consider the possibility of establishing some link between sterling and the other EMS currencies. This might be a subject which he and the Chancellor could discuss again on a future occasion. Progress on it would be beneficial to the Community's image: which all-too-often was one of rows about the budget, and about milk. The Chancellor said that EMS would be discussed at the next European Summit.

M. Delors said that M. Haberer, the Governor of the Bank of England, and others had worked out small institutional changes, which would not fundamentally alter the EMS. This would make it easier to establish closer links with sterling, if the UK Government were to want them.

8. The Chancellor said that on the budget the UK's two aims were to establish a procedure for rational resource-planning, and to achieve a long-term solution to the problem of our net contribution which recognised that, with below average per capita GNP, that contribution could only be modest. In fairness, we should be making no contribution at all, but we would be prepared to concede a modest net contribution in the context of a long-term solution. M. Delors said that foreign Ministers had made substantial progress at their meeting on 14-15 January: an agreement on 25 January on the question of contributions seemed on the cards. As for the underlying problem of rational resource allocation, some reforms would certainly be required in the event of Spanish and Portugese assession to the Community. M. Delors added that he thought the Community unduly



tardy in disbursing funds available under the new Community instrument. Properly used, such funds could and should prime the pump to attract new capital to European markets, and assist sensible programmes of structural adjustment. The Chancellor warned against undue haste: the EIB had an important role to play. And the cost of borrowing was of course rising at present. M. Delors accepted that it would be wrong to increase the upward pressure on interest rates. The EIB could be the right channel for the lending in question; but equally there could be other channels. Some progress should be made soon.

9. Finally, the Chancellor raised the question of the disagreement between the Council and the European Parliament over the 1982 budget. M. Delors said that the Parliament was attempting to arrogate to itself a new status going beyond what had previously been envisaged. To rein it in, one could either amend the Treaty, or take the Parliament to court. A court action would not be very satisfactory, but might be unavoidable. Meanwhile, the first question was whether payments in respect of the 1982 budget should be made on the basis of the budget agreed in the Council, or approved by the Parliament. This was still under consideration in Paris. The Chancellor said that our analysis was very similar to M. Delors'. Perhaps going to court was unavoidable, although barristers rightly tended to warn potential litigants of the element of unpredictability in any court action. Given the latest developments on bank nationalisation, M. Delors would appreciate the point.

10. The meeting end at 09.30 a.m.

A handwritten signature in dark ink, appearing to read 'J.O. Kerr'.

J.O. KERR

19 January 1982



Distribution

Chief Secretary
Financial Secretary
Economic Secretary
Sir Douglas Wass
Sir Kenneth Couzens
Mr. Littler
Mr. Lavelle
Mrs. Hedley-Miller
Mr. Carey
Mr. Edwards
Mr. Ashford

PS/Foreign & Commonwealth Secretary
PS/Lord Privy Seal
PS/Governor, Bank of England
Sir Reginald Hibbert (Paris)
Sir Michael Butler (UKREP)
Sir Hugh Cortazzi (Tokyo)
Sir Nicholas Henderson (Washington)
Mr. D.J.S. Hancock (Cabinet Office)
Mr. M. Scholar (No.10)

120 JAN 1952

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Y. Hamel

Jub

2 December 1981

Thank you for your letter of
2 December enclosing the originals of three
messages to the Prime Minister from the
President of the French Republic.

M. O'D. B. ALEXANDER

M. Alain Grenier

B

AMBASSADE DE FRANCE
LONDRES

2nd December, 1981

Dear Mr Alexander,

I have just received through the diplomatic bag the originals of three messages from the President of the French Republic which Monsieur de Margerie forwarded to the Prime Minister on November, 25.

I enclose them herewith.

Sincerely Yours

Alain Grenier

Alain Grenier
Chargé d'Affaires A.i.

M O'D B Alexander,
Private Secretary
to the Prime Minister,
N° 10, Downing Street,
London S.W.1

FILE

VLB

France

cc CO

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25 November 1981

I enclose copies of an exchange of messages between President Mitterrand and the Prime Minister about the opening yesterday of the new Immunology Department at the Institut Pasteur in Paris.

I am sending copies of this letter and enclosures to David Wright (Cabinet Office).

MICHAEL ALEXANDER

F. N. Richards, Esq.,
Foreign and Commonwealth Office.

T 167/81

SUBJECT

Prime Minister
+ f.s.

(2)

MESSAGE DE MONSIEUR FRANCOIS MITTERRAND,
PRESIDENT DE LA REPUBLIQUE FRANCAISE

A

THE RT. HON. MARGARET THATCHER, M.P.
PRIME MINISTER

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 167/81

Paris, le 25 novembre 1981

"Chère Madame le Premier Ministre,

J'ai été très heureux de vous voir marquer
votre intérêt pour la contribution d'une institution de bienfai-
sance britannique à la construction des nouveaux locaux du
Département d'Immunologie de l'Institut Pasteur à Paris,
et je vous en remercie.

L'Ambassadeur de Sa Majesté la Reine a
représenté votre pays à la cérémonie d'inauguration de ces
nouveaux locaux que j'ai présidée ce matin. Cette réalisation
me paraît, comme à vous-même, une heureuse illustration

.../...

de l'excellente coopération franco-britannique à laquelle,
vous le savez, je suis très attaché.

Sincèrement vôtre et meilleurs sentiments
personnels.

signé : François Mitterrand" ./.

LE PRÉSIDENT DE LA RÉPUBLIQUE

PARIS, le 24 novembre 1981

Chère Madame le Premier Ministre,

J'ai été très heureux de vous voir marquer votre intérêt pour la contribution d'une institution de bienfaisance britannique à la construction des nouveaux locaux du département d'immunologie de l'Institut Pasteur à Paris et je vous en remercie.

L'Ambassadeur de Sa Majesté la Reine a représenté votre pays à la cérémonie d'inauguration de ces nouveaux locaux que j'ai présidée ce matin. Cette réalisation me paraît comme à vous-même une heureuse illustration de l'excellente coopération franco-britannique, à laquelle, vous le savez, je suis très attaché.

Sincèrement vôtre et meilleurs sentiments personnels.

François Mitterrand

François MITTERRAND

Madame Margaret THATCHER
Premier Ministre
de Grande-Bretagne

LONDRES

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 161/81



France de RH
c.c.o.

10 DOWNING STREET

SUBJECT

THE PRIME MINISTER

22 November 1981

I hear that on 24 November you are going to the Institut Pasteur to open the new premises of their Immunology department, the construction of which has been made possible by a British charitable trust, the Rayne Foundation.

I was very glad to hear that you had agreed to perform the opening ceremony, and I like to think that in doing so you will be not only honouring a valuable Anglo-French partnership but you will also be demonstrating your own commitment, which I welcome and share, to the strengthening of Anglo-French relations on which we agreed when you visited London ten weeks ago.

(SGD) MARGARET THATCHER

His Excellency Monsieur François Mitterrand

B



h.g.
mi

10 DOWNING STREET

PRIME MINISTER

Attached is a message to
President Mitterrand who is to
open the new premises of the
Immunology department at the Institut
Pasteur.

Background attached.

Paul

20 November, 1981

*RTA taken to
Paris*

Ref. A06038

MR ALEXANDER

Lord Rayne tells me that on 24 November the President of the French Republic is going to open a new Immunology department at the Pasteur Institute in Paris, the construction of the premises for which has been made possible by a gift from the Rayne Foundation.

2. I believe that it might be good for the Prime Minister's relations with the President if she was to send him a message which demonstrated that she was aware that he would be opening the new department, and that she welcomed his encouragement for this example of Anglo-French bilateral co-operation.

--- 3. I attach a draft message. If the Prime Minister were to approve the idea and to be content with the message, and if it could be typed and signed in time, I could take it with me when I go to Paris on Monday morning.

RE

ROBERT ARMSTRONG

20 November 1981

DRAFT MESSAGE FROM THE PRIME MINISTER TO
HIS EXCELLENCY MONSIEUR FRANCOIS MITTERRAND,
PRESIDENT OF THE FRENCH REPUBLIC

I hear that on 24 November you are going to the Institut Pasteur to open the new premises of their Immunology department, the construction of which has been made possible by a British charitable trust, the Rayne Foundation.

I was very glad to hear that you had agreed to perform the opening ceremony, and I like to think that in doing so you will be not only honouring a valuable Anglo-French partnership but you will also be demonstrating your own commitment, which I welcome and share, to the strengthening of Anglo-French relations on which we ~~both~~ agreed when you visited London 10 weeks ago.

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France

JS

10 DOWNING STREET

From the Private Secretary

17 September 1981

I enclose a copy of a minute addressed to me by Professor Alan Walters about his discussions last week with M. Attali on the gas marketing regime.

I am sending copies of this letter, and its enclosure, to Francis Richards (FCO) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Julian West, Esq.,
Department of Energy.

MR. ALEXANDER

EXPORTS OF GAS - DISCUSSIONS WITH MONSIEUR ATTALI ON
THURSDAY, 10 SEPTEMBER 1981

I had a fairly long discussion with M. Attali. Among the many subjects discussed was the issue of gas marketing regime. He said that the French Government was reshaping its energy policy and expected to complete this process by the end of the year. The French were very anxious to avoid their dependence on Algerian gas on the one hand, and the possible supply of Russian gas through the Russo-German proposed pipeline. He was also clearly concerned at the Mitterrand commitment to slow down nuclear power development.

I told him that the policy which governments in Britain had pursued of not exporting gas was not immutable and likely to be changed. The integrated gas gathering pipeline, which was oriented towards supplying the domestic market, had been postponed. Alternative pipelines might be constructed so that they would take into account the possibility of profitably exporting gas. I assured M. Attali that the price of such exports would be not less than market price, at which he was suitably glum. But it was clear he would rather France imported from us than from Algeria or Russia.

I believe that Attali was quite sincere in this discussion. He clearly had not come prepared to discuss gas at all. But at the same time it was obviously a problem that they had been worrying about.



ALAN WALTERS

14 September 1981



(2)

10 DOWNING STREET

Premier Minister.

You may like to read
N. Altali's remarks about
next year's Economic
Summit (para 8). They
strike me as pretty sound.

Rmt

Rmt

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RECORD OF A MEETING BETWEEN SIR ROBERT ARMSTRONG AND M JACQUES ATTALI
HELD AT THE CABINET OFFICE ON FRIDAY 11 SEPTEMBER at 9.45 am

Monsieur Jacques Attali adviser to the President of the French Republic on International Summits, came to see Sir Robert Armstrong on Friday 11 September 1981. They discussed preparations for the Cancun Summit, for the meeting of the European Council in London in November 1981, and for the Paris Economic Summit in 1982.

Cancun

2. Monsieur Attali said that the President was not expecting much from the Cancun Summit. There were two matters on which there might be a positive outcome. France had no great love for the global negotiations, but would go along with a commitment at Cancun to enter upon global negotiations. The other area of possible progress was the proposed Energy Affiliate of the World Bank. France would like to see this go ahead, as a means of mobilising a greater part of the surpluses of the oil exporting countries towards the development of energy production in the Third World. It would give the oil exporting countries a stake in the international financial institutions, and a proportionate voice in how their contributions to the affiliate were spent, without requiring a change of balance in the main Governing Board of the World Bank. The Cancun Summit might perhaps set up a working group to prepare proposals which could be put to the Board of the World Bank. Monsieur Attali said that recent signals from the White House - he had recently been to see Mr Richard Allen - suggested that the United States administration, which has hitherto opposed the Energy Affiliate, was now neutral; and there were signs that Saudi Arabia, which had previously been reported to be opposed to the idea, would now support it. Monsieur Attali asked what the position of the British Government was likely to be.

3. Sir Robert Armstrong said that Britain had not been a supporter of the idea of an Energy Affiliate, though she was in sympathy with the objectives for which it was proposed. It had not seemed worth investing much enthusiasm or support in an idea which appeared to be opposed by the Americans and the Saudi Arabians. If, however, it was the case that the Americans were now neutral and the Saudi Arabians were supporting it, and if there was a widespread wish to go ahead with it, Sir Robert Armstrong did not think that Britain would stand back, though she would not be particularly enthusiastic.

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European Council

4. Monsieur Attali said that the new French Administration was ready to examine reform of the budget and of the Common Agriculture Policy (CAP), and to make as much progress as possible by the next meeting of the European Council. But they did not wish to deal with these things in isolation: the European Community was not just a matter of the balance between what individual countries put into it and got out of it, although of course that element could not be ignored. The financial balance had to be looked at in the wider context of the whole balance of interest in the Community, including trade. France was ready to meet Britain's problem of budget contributions, but in this wider context; and she did not want a series of one-year arrangements continuing indefinitely: she wanted to see a fundamental and wide ranging review of the state of the Community and where it was going, so as to give renewed impulse to the development of the Community. It was because they wanted to look at matters in this broader perspective that they had proposed Ministerial (not just official) representation on the so-called Mandate Group: they did not want to see that group limited simply to the review of the mandate of 30 May 1980. Nor did they wish to look just at the CAP. The Group should be considering how the Community could advance in other fields.

5. Sir Robert Armstrong said that he was much encouraged by what Monsieur Attali had to say. Britain had been thinking in terms of a review of the CAP and of the budget, and had feared that, because of the difficulty of reforming the CAP, we should in the end be driven to thinking in terms of new financial mechanisms to meet the problem of excessive net contributions. He was sure that we should be ready to welcome the French suggestion that these matters should be looked at in a broader framework on the lines that Monsieur Attali had described. He supposed that it might not be possible to complete this fundamental and wide-ranging review in time for the European Council in November, and in that case we might need to think in terms of a one-year arrangement for 1982, on the lines envisaged in the 30 May mandate. But the British Government would entirely welcome the thought that there should not be a succession of one-year arrangements. In terms of the British political situation it was very important to get a fundamental and lasting resolution of the problem within a reasonable timescale. Not only that: the European Community was now looking towards Enlargement. Sir Robert Armstrong recalled that the Community of the Six had found it convenient to take a

number of fundamental decisions and set a course for the future at the Hague in 1969, before enlargement to Nine: the Community of the Ten was in a rather similar situation now.

6. Monsieur Attali said that the French Administration was of course new in office and inexperienced; but it did not see why there should not be rapid progress on these matters, once people got round a table. That would be the spirit in which they would be going into the Mandate Group.

7. Sir Robert Armstrong thought it would be useful if, quite apart from the multilateral discussions in the mandate group, there would also be bilateral discussions between the British and the French. He would like to ask Mr Franklin to go over to Paris and follow up these matters with Monsieur Attali or one of his colleagues. Monsieur Attali agreed that such conversations would be useful, and said that Mr Franklin should get in touch with Monsieur Pierre Morel at the Elysée.

Paris Economic Summit 1982

8. Monsieur Attali said that, reflecting on the views expressed by the President of the French Republic, the Prime Minister and most of the other participants in the final session of the Ottawa Economic Summit, he had been considering and had been discussing with the President how best to prepare the Paris Economic Summit. They thought that less weight should be placed on the work of the Personal Representatives. The President attached much importance to there being a free, frank and wide ranging discussion at the Summit itself, and did not want that to be fettered by over-preparation beforehand. He envisaged that the Summit itself might last rather longer than the Ottawa Summit, which had seemed to him rather too short. He thought that there should be no communique or at best only a very short one. Personal Representatives should meet not more than a month before the Summit itself for the final preparations. Discussions at the Summit should not be confined to economic matters but should cover the whole range of political questions.

9. Sir Robert Armstrong said that the Prime Minister would be much in sympathy with a great deal of what Monsieur Attali had said; indeed he was himself. Both the Venice Summit and the Ottawa Summit had been over-prepared. In the case of Venice, that was because President Carter had attached importance to having the communique include a lot of specific and detailed

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commitments; it was not possible to have a Summit meeting which undertook such commitments unless both the commitments themselves and the wording in which they were expressed had been carefully worked out beforehand. The communique at Ottawa had been shorter and more general, and its preparation had been better managed; but the Venice Summit had placed upon Personal Representatives the duty of preparing an aid study, and the preparation of this had added greatly to the amount of work and meeting required of Personal Representatives during the period leading up to the Ottawa Summit. In his view there was a lesson to be learnt from that experience, and Personal Representatives should not be asked to produce joint agreed documents, apart from draft communiqués. As to communiqués, Sir Robert questioned whether it would be possible to hold a Summit Meeting of Heads of State or Government of the seven industrialised countries without some kind of communique. Apart from anything else, there was value in having an agreed text to which all were committed and with which all were content. If there was no communique, the danger would be that each of the participants would give his own account of the meeting, and the media would have a field day comparing and contrasting the accounts and highlighting of current differences of opinion. If it was accepted that there would have to be some sort of communique, its preparation could not be left entirely to the moment; there needed to be some preliminary discussion. Such discussion did not serve only to clear the minds of the Personal Representatives, so that they could work quickly when it came to the Summit itself: perhaps the most valuable feature of the work of the Personal Representatives was that, given that they were each of them close to their leaders, they were able in discussion among themselves to identify matters on which there would be general agreement among the Heads of State or Government - so that they did not need to discuss them - and those matters on which there was not full agreement but some divergence of view: it was on these matters that discussion at the Summit itself could usefully be concentrated so that the divergencies of view could be clarified and resolved.

10. Sir Robert said that it had also been useful, in preparation for both the Venice and the Ottawa Summits, to have an economic review prepared by the chairman of the Organisation for Economic Co-operation and Development (OECD) Economic Committee. Neither Heads of State or Government nor Personal Representatives were in any way committed by those reviews, which indeed only committed their authors; but the reviews had proved to be a valuable basis for discussion.

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11. On the question whether the Summits should cover the whole range of political as well as economic questions, Sir Robert recalled that they had been instituted as economic gatherings in the wake of the effects on the international economic and monetary situation of the first rise in oil prices. The representation had followed from the fact that they were economic gatherings. Though it was in practice inevitable that the seven Heads of State or Government would discuss wider political questions (such as East-West relations, Afghanistan, Poland), and right that they should, the Japanese had shown themselves very sensitive to any suggestion that the remit of the Summits should formally be extended to political matters. It would be important to have regard to these sensitivities. Sir Robert also recalled that the former President of the French Republic had appeared to resist proposals to raise political questions at Economic Summits.

12. Monsieur Attali said that another idea which he was considering and had discussed with the President, was that, rather than ask the Personal Representatives collectively to produce reports, one or other of the countries represented should be invited to prepare reports on particular themes for consideration by the others. For instance, one country might be invited to prepare a report on the International Monetary System and the scope for a reform of it. But M Attali doubted whether M Mitterrand would want to commission Reports in this way, unless there was some prospect of a positive outcome, in the form of proposals for change which might be acceptable to the Heads of State or Government.

13. Sir Robert Armstrong said that he thought that this was an interesting idea, and worth following up. There had been nothing so systematic or formal as M Attali seemed to be envisaging, though, apart from the economic reviews which he had already mentioned, there had been a number of personal papers circulated by Personal Representatives to their colleagues as background to discussion. The Personal Representative of the Federal German Chancellor had circulated a number of valuable and stimulating personal memoranda to his colleagues. For the Ottawa Summit, Britain had prepared a review of Economic Summits, and a note on the Future of Economic Summits which had subsequently been adopted as a report by Personal Representatives. Clearly, however, the commissioning and preparation of reports of the kind that M Attali was envisaging could not wait until a month before the Summit itself.

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14. M Attoli entirely agreed with that. He said that he was envisaging a meeting in December or January to discuss preparations for the Paris Economic Summit, at which ideas of this kind could be discussed. He hoped before then to have the opportunity of discussing his ideas with counterparts in the various countries.

15. In a brief discussion of the institution of Personal Representatives, and of some of the individual representatives, Sir Robert Armstrong accepted that there was a real danger of over-institutionalising the Personal Representatives. Nonetheless, he thought that they had proved their value. So long as they were really close to the leaders whom they represented, their discussions had a value which discussions among diplomatic representatives could hardly hope to emulate. The habit of working together and continuity of representation made them businesslike and effective. They had not attracted much public attention, and their proceedings had remained confidential. He himself had found them a very agreeable group of colleagues, and the meetings not only interesting and valuable but also enjoyable.

16. M Attoli asked who was the Japanese representative. Sir Robert Armstrong said that it was Mr Kikuchi. In answer to M Attoli's question, he agreed that Mr Kikuchi was a senior member of the Japanese Foreign Ministry. He did not know how close he was to the Japanese Prime Minister, nor who it might be who was closer to the Japanese Prime Minister with whom M Attoli could usefully discuss these matters. He said that Mr Rashish, the Personal Representative of President Reagan, had proved to be an extremely agreeable and businesslike colleague; but he had begun to wonder whether Mr Rashish was sufficiently close to President Reagan to be as effective as he might be as the President's Personal Representative. M Attoli said that he had known M Rashish for a long time, and shared Sir Robert's regard for him; but he understood his reasons for wondering whether he was really close enough to President Reagan effectively to represent his views.

17. M Attoli said that he would be talking over these matters with a number of other people, and he would be in touch with Sir Robert again in a few weeks to let him know how he had got on.

15 SEP 1981



RECORD OF PLENARY DISCUSSION BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE FRENCH REPUBLIC, PRESIDENT MITTERRAND, AT NO. 10 DOWNING STREET, ON FRIDAY 11 SEPTEMBER 1981

Present

- | | |
|--|---|
| Prime Minister | President Mitterrand |
| Foreign and Commonwealth Secretary | M. Cheysson |
| Chancellor of the Exchequer | M. Fiterman |
| Secretary of State for Industry | M. Chevènement |
| Lord Privy Seal | M. Chandernagor |
| Secretary of State for Trade | M. Delors |
| Secretary of State for Transport | M. Dreyfus |
| Secretary of State for Energy | M. Bérégovoy, Secretary-General, Elysée |
| Parliamentary Under Secretary of State for Education and Science | His Excellency M. de Margerie, French Ambassador |
| Minister of State, Department of Industry | M. Attali, Special Counsellor Economic Affairs, Elysée |
| Parliamentary Under Secretary of State for Industry | M. Pontillon, Senator, Prime Minister's Representative |
| Sir R. Armstrong | M. Vauzelle, Spokesman, Elysée |
| Sir M. Palliser | M. Vedrine, Counsellor, Foreign Affairs, Elysée |
| Sir K. Couzens | M. Sautter, Counsellor, Economic Affairs, Elysée |
| Sir P. Carey | M. Paye, Economic Director, Quai d'Orsay |
| Sir P. Baldwin | M. Haberer, Director of the Treasury |
| Sir R. Hibbert | M. Freyche, Director of External Economic Relations |
| Miss M. Lackey | M. Achard, Secretary-General of the SGCI (European Cooperation) |
| Mr. J.L. Bullard | M. Dupont, Acting Political Director, Quai d'Orsay |
| Mr. M. Franklin | M. Grenier, French Embassy |
| Mr. C. Whitmore | |
| Mr. B. Ingham | |
| Mr. M.O'D.B. Alexander | |
| Mr. D. Gladstone | |

* * * * *

General

Welcoming President Mitterrand, the Prime Minister said that their talks had taken place in a very constructive atmosphere. Both she and the President wished to foster even better Anglo-French relations. They had discussed a wide range of subjects including Community problems. In the latter context, they had agreed to concentrate on trying to solve the big problems - restructuring, the CAP (which was to be considered in November and before which time considerable study would be needed), and the Multifibre Arrangement, Japan. They had also discussed third world problems and Cancun. On East/West relations they had an agreed approach and discussion had been relatively short. President Mitterrand had been very forthcoming and had put forward concrete proposals reflecting his clear desire for close UK/French collaboration.

President Mitterrand expressed his pleasure at meeting in this historic setting. Starting with European Community affairs, he said that he and the Prime Minister held different points of view on many aspects, but they had agreed that we must face up to the problems. It was said that the United Kingdom wanted new Community rules: this chimed in to some extent with his own thinking. The Community as a whole and the CAP in particular needed a full examination. France and the UK might not agree on the things to discuss - nor share the same objectives - but it would suit him well enough if joint studies were to be put in hand on Community problems in general and on the CAP in relation to other areas of Community activity. He did not like treating the budgetary question as a mere accounting exercise: it was indispensable to view it in a wider Community context.

As to the CAP, President Mitterrand said that France stood by the traditional rules: financial solidarity, Community preference and the unity of the market. But they could not allow situations to arise which placed constraints on their allies. If the FRG had

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a problem with surpluses, the UK with the budget, or, conceivably, France with agriculture, and it was not dealt with, an intolerable situation would be created and the Community would not survive. As it was, the Community brought great benefits both to France and to the UK. In regard to surpluses, it was said that France gained too much from the present system and put in too little. This was not his view, but if such differences of outlook were not resolved, the Community would split. Solutions which imposed over-large burdens on any one country or which breached the 1% VAT ceiling had to be avoided. He agreed that something must be done about surpluses, particularly that of milk. Then there was the problem of disruption of Community markets through disorderly movements of goods within it and imports of goods from without. The latter process could lead to domination of the Community by Japanese imports. There were also potential problems with the US which ought to be discussed one day. He instanced soya. He wondered whether it was sensible for the Community to absorb cereals and meat from abroad to an extent which distorted internal competition. All these things needed to be discussed, as did the problems of the textile industries.

President Mitterrand said that the Community must harmonise its approach to Japanese competition. If each member tried to go it alone, the Japanese would invade the Community. The latter was hampered by its own mechanics. The Western belief in free trade meant that private firms were left to draw up their own agreements and the Japanese were often too clever for them. In the process whole areas of European industry could be ruined.

On fish, President Mitterrand said that there had been no detailed discussions. The French were sticking to their previous commitments but were willing to discuss the subject.

Turning to international affairs, President Mitterrand confirmed what the Prime Minister had said about East/West relations. As regards arms control, it was necessary to define the exact point where rearmament ended and arms control negotiations began. One

/ could not

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could not pursue arms for arms' sake indefinitely, otherwise the balance of armed forces would be the only point of contact between East and West. On the other hand, one could not negotiate from a position of inferiority. On all these points he and the Prime Minister were on the same wave-length.

President Mitterrand said that he and the Prime Minister had had a positive discussion on the third world and Cancun. The West should not promise what we could not delivery. Nor should we give in to third world demands. However, we should show ourselves open to the needs of the third world. The latter would not ask western permission to speak at Cancun: they would say what they wanted to say about global negotiations and we should listen. We should be prepared to offer something more positive than hitherto in certain precise areas; for example, more aid to the LLDC's (an area where the UK was ahead of her Community partners) and energy policy. On the latter, President Mitterrand was prepared to envisage an energy affiliate of the World Bank or any other procedure that would meet third world concerns.

President Mitterrand said that there had been a very positive discussion of bilateral collaboration, with emphasis on early progress. There was an awakening of interest in the relationship. The separate conversations between Ministers had thrown up a number of useful points to be pursued. For example, in scientific research the UK occupied a leading position which had in the past been much envied by France. But the latter had had her successes too and in a number of carefully chosen fields we could now collaborate to mutual benefit and give added impetus to the European relance.

In conclusion, President Mitterrand said that clarity of thought led to clarity of expression. The Prime Minister had no need to fear comparisons on this score and this had greatly helped their conversations.

The Prime Minister then invited Ministers to report on their separate discussions, beginning with foreign affairs.

/ Foreign Affairs

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Foreign Affairs

Lord Carrington said that notwithstanding their frequent meetings on international and Community questions, he and M. Cheysson had agreed that it was useful for the Foreign Ministers to meet from time to time to take stock of bilateral relations. He and M. Cheysson had had a preliminary conversation about this in Paris on 28 May and the two Foreign Ministries had each done some work since then. In this connection, they had confirmed their intention to meet formally once a year, roughly halfway between the annual Summits, starting in the Spring of 1982. They hoped that the results of the present Summit would be such as to lead to future meetings, more frequent and more regular than in the past, between their colleagues round the table and other Ministers not present.

Lord Carrington said that he had informed M. Cheysson that the British side would shortly be making proposals for a step forward in exchanges of civil servants, moving on from the exchanges of trainees, of which we now had 10 years experience, to attachments of officials for periods of several months in both directions. As regards cultural cooperation, senior officials were due to meet at the end of the year. Meanwhile, the two sides would investigate possible solutions to three problems raised by M. Cheysson:

- a) the rates charged on premises of French cultural institutes in Britain;
- b) the imbalance in student numbers and student fees between French and British universities;
- c) how to promote youth exchanges.

International questions discussed included Southern Africa, especially the future activity of the Contact Group of Five on Namibia, and the prospects for progress in the autumn towards implementation of the UN plan. It had been agreed that specialist officials should meet to discuss arms control, disarmament and non-proliferation matters. On the Middle East, M. Cheysson had

/ given an

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given an account of his recent talks with the Arab leaders, including Prince Fahd. There had been discussion of the Lebanon. Finally, there had been a personal discussion between him and M. Cheysson about Poland.

Lord Carrington said that Community questions were discussed separately between M. Chandernagor and the Lord Privy Seal but that M. Cheysson had given him a preliminary outline of French ideas for the relance and the Community.

M. Cheysson said that he could confirm what Lord Carrington had said about their discussions. He was pleased that Lord Carrington had agreed to study the three questions which he had raised, including the rating of French cultural institutes in the United Kingdom. The French had no desire to close down these establishments and he hoped that a satisfactory solution could be found. He had nothing to add to what had been said about foreign policy issues.

The Prime Minister invited Sir. G. Howe to report on his discussions with M. Delors.

Sir G. Howe said that he had had a full discussion of national economies with M. Delors. The latter had explained the new French policies and given reassurances about the nationalisation of the banks. Problems had arisen in this area but could be resolved. M. Delors' department would consult the Treasury about these. They had discussed the problems of interest rates and exchange rates and their continuing instability. They had agreed that we should approach the United States in a quiet way and show understanding.

Turning to Community issues, Sir G. Howe said that the French understood the UK position on the EMS. They had discussed the implications of the move to the next institutional stage. M. Delors had expressed certain anxieties in the context of the relance. On the CAP, M. Delors had set out his personal views, as he had on the question of reforming the budget. He had been left in no doubt about the importance the UK attached to the implementation of the

/ 30 May Mandate

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30 May Mandate within the timetable foreseen. The French accepted that progress on the mandate was a precondition for progress in other areas in the context of the relance. On trade, they had agreed to keep in step on export credit consensus rates: they had also agreed that the minimum rate should be raised by 2%. It would be important to effect an agreement with the Japanese to ensure that they adopted a correct attitude to the consensus. M. Delors had said that from 1 October the French would raise their rate of interest for the USSR by three quarters of a per cent and that from then on Franco/Soviet agreements would make provision for future changes in the consensus rate.

On insurance, Sir G. Howe said that M. Delors had agreed to hold discussions: he understood UK concerns. He for his part understood the French taxation problem and had agreed to look urgently at alternative taxation solutions.

On international economic affairs, Sir G. Howe said that he and M. Delors had agreed that an energy affiliate could serve a useful purpose by mobilising OPEC resources and indirectly benefiting our two economies. They recognised that the US had a different view and that discussions with the Americans would be needed in due course. In the meantime they would give thought to an initiative by the Community.

Sir G. Howe said that M. Delors had been anxious for the UK to agree to accept the target figure of 0.15% of GNP for aid to LLDC's. He had explained the UK's reservations, which M. Delors understood. However, he was now in a position to say that the UK would accept the target and would agree to the Community doing so at the LLDC Conference in Paris. He and M. Delors had agreed that further consideration should be given to the position of India and Pakistan.

M. Delors said he had two comments on Sir G. Howe's presentation. Discussion of consensus rates had now reached the political level. A solution had been found, but it would be necessary to exercise caution in applying the new consensus. There would continue to be

/ problems with

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problems with big projects. As regards insurance, a real deepening of the Community would require the harmonisation of fiscal policies too.

Turning to the relance, M. Delors said that the French were most concerned to establish a common external financial policy especially vis-a-vis the Japanese. The Community must speak with one voice. The same went for the Multifibre Arrangement. As regards the proposed initiative vis-a-vis the third world, this could not be easily discussed publicly and he stressed the importance of Anglo-French cooperation in financial and monetary affairs.

Industry

Sir K. Joseph said that he and M. Dreyfus had agreed to stimulate the modernisation of old industries, especially textiles. M. Dreyfus had been a firm ally over steel. They would encourage French and British businessmen to meet more often. Despite M. Dreyfus's scepticism, they had agreed that both governments should encourage the Japanese to open up their markets. The UK still believed in voluntary agreements vis-a-vis the Japanese. M. Dreyfus wanted a 'breathing space' and there might be proposals from the French side covering motors and machine tools. As regards inward investment, M. Dreyfus was open to proposals for foreign participation but insisted that this must lead to genuine Community manufacture, not just the import of foreign technology.

M. Dreyfus confirmed that the French would like to give some of their industries a respite from the Japanese trade offensives. On the bilateral front, he had proposed that there should be intensified cooperation in space, nuclear energy and electronics. He had asked about Japanese investment in the UK. It had been agreed that there should be frequent contacts at both industrial and government level with the accent on concrete follow up.

On the energy front, France wanted to discuss nuclear power plans and wished in particular for cooperation over fast breeder

/ reactors.

reactors. The french were very interested in UK expertise in gasification of coal.

Transport

Mr. Fowler said that there had been a useful discussion of the Channel link. He had said that the British government were in favour if the French were. They had looked at the feasibility of eight schemes. M. Fiterman had said that the French government approach was positive in principle. Experts and officials were to meet in a month and proceed with a study which would take account of all other interests. It was also agreed that British and French officials would meet to discuss European transport problems in advance of the December Council.

M. Fiterman agreed with all Mr. Fowler had said. It had been agreed that each side should take greater account of each other's interests. He had welcomed the British desire for joint studies of the Channel link. These should be undertaken without delay. It was understood that the British side wished the project to be financed privately while on the French side it would be public. But this should present no obstacle.

Turning to aviation matters, M. Fiterman said he had had a positive discussion with Mr. Marshall. It had been agreed to pursue studies on the Air-bus. They would ask industrialists to examine the best engine for the aircraft. He had accepted an invitation to visit London on 29 October to survey cooperation in this area. They would then discuss the problems of Concorde on which both sides were determined to proceed together.

Mr. Tebbit said that they had agreed an agenda for the Concorde discussions on 29 October. On the new Air-bus project they awaited proposals from industry. The aim was profitable collaboration on both aircraft and engines.

/ Energy

Energy

Mr. Howell said that he had discussed all aspects of civil nuclear power, coal exploration, renewable energy resources and energy conservation with M. Chevènement and M. Dreyfus. He had confirmed the British commitment to an expanded nuclear programme. There would now be expert and official contacts leading up to a ministerial meeting before the end of the year. M. Dreyfus had outlined French plans for a Community energy initiative.

Research and Space

Mr. MacFarlane said that he had agreed with M. Chevènement that there should be meetings between members of Research Councils on both sides. Collaboration so far had been very successful. He instanced Grenoble and CERN.

M. Chevènement said that there was great potential for cooperation between the two countries in research. Liaison had been too loose in the past. There would now be a meeting between leaders of research institutes and meetings at political and expert level on nuclear energy. There had also been discussion of the development of European launchers and the possibilities in the field of military observation satellites. Efforts would now be made to harmonise the separate Franco-German and ESA satellite projects.

Mr. Marshall confirmed that there would now be bilateral discussion about space at official and ministerial level. The problems of the European Space Agency would be sorted out with a view to exploitation of third markets. The two sides would build on the present understanding.

[At this point the Prime Minister and President Mitterrand left to attend the joint press conference].

Community

Sir I. Gilmour said that he and M. Chandernagor had held a comprehensive exchange of views on a full range of Community issues,

especially the 30 May Mandate, enlargement and the Common Fisheries Policy. M. Chandernagor had told him of the President's intention to make wide-ranging proposals for the future development of the European Community. The British Government would welcome the opportunity for discussing these in due course. They had agreed that it was important for the future of Europe as a whole that the discussions on the Mandate should be brought to a successful conclusion. Each side had explained their general approach particularly on the Common Agricultural Policy and the effects of the Community budget. It was clear that there were differences to be resolved if decisions on the matters covered by the Commission's report were to be reached at the November European Council. They had agreed on the necessity for work to proceed urgently in the Mandate group with suitable political guidance and that it would be important to keep in close touch during these discussions. There would be regular informal bilateral contacts at official and ministerial level for this purpose.

On enlargement, both sides had reaffirmed their commitment to Spanish and Portuguese accession. They had agreed that application by Spain of VAT on accession was essential. The possibility of resolving differences on tactics over the Spanish Customs Union Declaration/VAT issue should be explored urgently.

On the Common Fisheries Policy, they had welcomed the agreement on bilateral meetings at official and ministerial level before the Council, and agreed on the need to work constructively for progress at the Fisheries Council on 29 September.

M. Chandernagor raised the change in the UK veterinary regime on poultry. The British side had explained the animal health reasons, and said they would be replying to the Commission's letter.

M. Chandernagor said that French ideas for a relance of the Community would be realistic and would build on proposals already made by the Commission and by partners. Given the difficult financial situation of Member States it was necessary to find ways of moving the

/Community

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Community forward at as low a cost as possible. France would strongly prefer all 10 countries to move forward together, but in some areas it might only be possible for two or three to do so. On the 30 May Mandate, he thought that the negotiations should be dealt with at the highest possible level by Ministers who had a margin of negotiating manoeuvre. On the CAP he agreed that ways should be found of insuring greater flexibility and of avoiding surpluses. Progress must be made, and measures taken which did not reduce any further the total number of agricultural workers. On enlargement, there was only one problem: France could not accept that the Acquis Communautaire should be re-negotiated. Spain had to apply VAT. This was a tactical problem and in his discussions with the LPS a potential way round the difficulty had been identified which would enable France to agree to move forward on customs union. He concluded by expressing the hope that the problems that had arisen over poultry imports would be quickly resolved since UK decisions were causing France serious difficulties.

Summing up, Lord Carrington said that many Ministers had referred to courtship and marriage. It was now necessary to beget children and he hoped for some move in that direction by the time of the next Anglo-French Summit.

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Both the majority and minority communities in Northern Ireland were represented in the British Parliament, and in the most recent by-election in the Province a representative of the hunger strikers had won a seat in Parliament. The problem was that the majority wanted Northern Ireland to remain part of the United Kingdom, whereas the minority preferred to be united with the Republic. It was part of the law of the United Kingdom that there could be no change in the constitutional status of Northern Ireland except with the consent of the majority of the people of the Province. Opinion was tested from time to time by a Border poll. The last had been in 1973 and this had resulted in an overwhelming vote in favour of staying in the United Kingdom. The minority resented this situation, and such was the hostility between the two communities that rather than try to change opinion by persuasion, some members of the minority had resorted to the use of violence as the instrument of change. Successive British Governments had continually made efforts to reconcile the two communities. Various attempts had been made to restore to Northern Ireland responsibility for taking local decisions. But these had all been unsuccessful. The Protestants maintained that democracy meant majority rule and they could not accept that the minority should have any part in government. The minority, on the other hand, argued that since they could not become the majority in the foreseeable future, there should be some kind of arrangement for sharing power. The British Government's latest attempt to bring the two sides together had taken the form of proposing that there should be a council made up of representatives of all sections of the community in Northern Ireland whose role would be to advise the Secretary of State for Northern Ireland, but it had proved impossible to obtain agreement even on this modest measure.

The Prime Minister went on to say that the Government would dearly like to see an end to the hunger strike. It was a complete waste of young lives. The Maze was a very modern prison. Conditions there were amongst the best and most liberal in the world: even so we were constantly trying to improve them. The demands of the

/ protesting prisoners

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protesting prisoners amounted to a demand for prisoner of war status. But they were criminals and not prisoners of war. The Government and its representatives had to keep control of the prison and its régime, and it could therefore not grant the demands of the prisoners. There were signs that there might be a split in the IRA about the future of the hunger strike. Some of its members wanted to go on, while others appeared to want to see the hunger strike stopped. In the last week the families of the two hunger strikers closest to death had asked the authorities for medical help to save the lives of their relatives. The unwillingness of the families to see their husbands and sons die perhaps offered the best hope of bringing the hunger strike to an end.

British troops were in Northern Ireland to protect all members of the community from terrorism: indeed, they were first used on the streets of the Province to safeguard the minority community who undoubtedly at that time were not treated properly by the majority, though they now had equal rights. Nothing would please her more than to bring the two communities together, to restore normal life in Northern Ireland and to withdraw the British Army. But so far we had not found the way to do this. Recently we had tried to improve matters by practising greater practical cooperation across the Border between the Republic and Northern Ireland. The hope was that if the people of Northern Ireland and the people of the Republic lived more closely together, this might break down the hostility between the two communities within Northern Ireland. In the same context it was worth remarking that the British Government had had excellent cross-Border cooperation on security both from Mr. Haughey and now from Dr. Fitzgerald. The British Government continued to say constantly to the terrorists that the whole armoury of democracy was open to them in order to try to persuade the people of Northern Ireland that there should be a change in the constitutional status of the Province. But this approach had not been successful yet.

/ The Prime Minister

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The Prime Minister repeated that she was very grateful to President Mitterrand for resisting the blandishments of those who wanted him to make representations about Northern Ireland. She hoped that her explanation had been of some help to him. The situation was very difficult, but the difficulties were not of the British Government's making.

President Mitterrand said that he was grateful to the Prime Minister for taking the initiative in raising the matter with him. He had had many petitions on the subject but he had never personally received any delegations making representations. The matter raised a great deal of emotion in various quarters in France, both popular and intellectual. But he had not raised the question of Northern Ireland with her before because he regarded it as a matter which related to British sovereignty. He had confidence in the leadership and the people of the United Kingdom and respected their decisions in this area. He would not like to see Anglo/French relations undermined by a French intervention in what he considered to be an internal problem of the United Kingdom. But it was difficult to avoid pressure from journalists, intellectuals and other people who formed public opinion in France. The fact that young people were dying by their own wish and were sacrificing themselves in prison added a new dimension to the problem. It exaggerated the issues and increased antagonism. The result was that the kind of arguments advanced by the Prime Minister were pushed on one side, and the fact of British sovereignty was lost in a cloud of emotional reaction. The matter then went beyond the frontiers of Great Britain and Northern Ireland and had an impact on the world in which we lived. He repeated that since this was a question of British sovereignty, it was the Prime Minister's judgement which mattered and he wanted to make it clear that he would not substitute himself in place of her judgement and the judgement of a neighbouring country and friend of France. Even so he would like to ask whether there were ways of softening the problem. Was the IRA's strategy evolving as one death succeeded

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another? It was clearly desirable to try to stop the growth of international opinion on this matter, but he saw the difficulty of doing this since the problem was almost insoluble. The growth of feeling and passion escaped treatment by reason. He was grateful to the Prime Minister for talking to him about Northern Ireland. If the press asked whether he and the Prime Minister had discussed Northern Ireland, he thought that it would be good because of its effect on international opinion that they should say that they had talked about the matter but he would go on to say that the details of their discussion were confidential and he regarded the question as a matter of British sovereignty.

The Prime Minister said that this would be a very helpful response and she would add that she had taken the initiative and had explained the Northern Ireland situation to him.

Cancun

The Prime Minister said that she thought that it would be helpful if they had a word about the forthcoming meeting at Cancun. She did not want to see the hopes of the LDC's raised too high before the meeting and then disappointed by the outcome. That would mean that the efforts which the West were making would not get the recognition they deserved. That would be a bad result.

President Mitterrand said that he thought that they could deal with the matter by sticking to figures. The French Government at present gave 0.3% of their GNP in bilateral and multilateral aid. The figure of 0.6% of GNP which was sometimes quoted for French aid was misleading because half of it went to France's overseas departments and territories. France had now decided to increase its bilateral and multilateral aid to 0.7% of GNP by 1986/87. The United Nations Conference on the LDC's which was going on now in Paris had fixed a figure of 0.15% as the amount of aid to be given to the least developed countries. This would double the

/ amount of aid

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amount of aid going to the least developed countries compared with the rest of the Third World. France thought that this was a fair target, though he did not think that the figure should be regarded as a fixed number. Rather it was something to be aimed for - an indicative value but not an obligatory figure. It would be more difficult for France to move in this direction than for the UK. The UK was already meeting this target but France was behind.

The Prime Minister said that the UK and the FRG had initially opposed this proposal because they did not want to set a new target within the overall pattern. But she had no objection to it. She thought it reasonable to give a proportion of overseas aid to the very worst off countries. The UK would now accept the target, and she believed that the FRG would do the same.

President Mitterrand added that it appeared from all the aid figures which he had seen that the UK was the most generous donor by far. Britain was already meeting the target, and so there should be no budgetary problems for her in adopting the figure of 0.15% of GNP. He agreed that the Germans would now allow themselves to be convinced of the desirability of moving towards this objective, provided it was not treated as a rigid target.

The Prime Minister said that she was not sure how Mexico would arrange the agenda for Cancun. One view was that the agenda should be unstructured and that the meeting should proceed by general discussion. The opposite view was that the agenda should be specific and detailed. She did not want the LDC's to make demands on the West which we could not meet and then for us all to turn on the OPEC countries and demand that they produced more aid. She hoped that the meeting would finish on a constructive and understanding note, though this was not an easy objective in view of the excessive hopes which had already been raised.

President Mitterrand said that whatever the agenda, nothing would stop fundamental questions being raised and nothing would prevent

/ the LDC's

the LDC's making speeches. There would be a host of demands, and so it would be wise for the West to have two or three arguments ready which would help to reduce the impact of the demands on us. He had certain ideas in this respect.

President Mitterrand continued that a theoretical discussion about the global negotiations had already been started. Much of this discussion turned on language and vocabulary, and these counted for much since they were part of propaganda. The Third World countries would want to discuss global negotiations as a whole. Until recently, however, the United States had been afraid of engaging in a too wide-ranging discussion and were generally opposed to talking about global negotiations. But the industrial countries at Cancun would have to talk about global negotiations. This did not matter, for the meeting lasted only two days, the Third World would talk and there would be no time for replies. It would not be wise to refuse a general discussion or to precipitate a clash at Cancun on this subject. We should avoid making promises, especially promises we could not keep. We should listen to the many Third World countries who would want to express their point of view and by listening to them we would calm them down.

There were one or two areas where we might be able to orientate positively the demands of the Third World. One example was the energy affiliate of the World Bank. This was an important proposal for the Third World, especially for the non oil producers. We must avoid substituting a new organisation for the World Bank or shaking up the World Bank in a way which reduced its effectiveness. But the Third World expected some kind of energy agency to be established in the World Bank. He had discussed this with Mr. Clausen earlier in the week. He was not much in favour of an energy affiliate but preferred to strengthen international arrangements in the field of energy policy by having improved guarantees and loans. If the UK, FRG and France could accept this approach, we should be able to respond positively and not defensively to the demands of the Third World and to avoid a disagreeable clash with them.

/ The Prime Minister

The Prime Minister said that much depended on the oil-rich countries. Were they prepared to play a bigger part in world institutions in return for making more of their resources available?

President Mitterrand said it would be better if the debate was turned aside and the Third World was led to point the finger at the oil producers rather than at the West. We must try to get the OPEC countries to the front of the stage.

The Prime Minister agreed that OPEC had made the problems of the Third World much worse and that this must be made clear publicly.

President Mitterrand said that when making these remarks, he had forgotten to point out that the UK was an oil producing country. The Prime Minister said that we were not producing as much as we would like. Moreover, it had been one of the conditions of the development of the North Sea, that our oil prices followed world prices. President Mitterrand said that he did not want to pursue this now. He might want to talk about oil policy one day, but it was not an immediate concern.

European Community Matters

President Mitterrand said that yesterday they had talked about ways of giving the European Community a new thrust forward. He had been reflecting further on how to give substance to such a development, and one idea was that the Community should borrow on the international markets in the context of policies on energy saving, coal exploitation and new technologies. Such borrowings might also be important to us in steel and textiles, where British and French interests were similar. The Community had a level of credit vis-a-vis the lending countries which the individual member countries did not have, and we should take advantage of this. He envisaged the borrowing being done through the EIB. A development on these lines would be a powerful element in giving the Community

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a fresh impetus. He would like to see British and French Finance Ministers discuss this idea.

The Prime Minister agreed.

The meeting concluded at 1055 hours.

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SUBJECT
cc Mitterrand

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cc France: July 71: Relations

Subject filed in France: Ptd. Visit of Mitterrand

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE FRENCH REPUBLIC, M. FRANCOIS MITTERRAND, AT 10 DOWNING STREET ON 10 SEPTEMBER 1981 AT 1600 HOURS

PRESENT

The Prime Minister
Mr. M. O'D. B. Alexander

President Mitterrand
M. Vedrine

General

After an exchange of courtesies, President Mitterrand said that he hoped his visit marked the beginning of a period in which the two Governments could speak frankly and productively on the problems facing them. The bilateral relationship was making real progress. There was a growing feeling of confidence, although, of course, this improved atmosphere could not altogether displace the reality of events. He thought that perhaps the discussions might start with general international problems in which both countries were involved; go on to deal with the problems of the Community, where there were difficulties both between France and the United Kingdom, and with their other partners; and end with a discussion of the bilateral relationship where there was much that was positive. One could equally well take these problems in reverse order. What mattered was that they were all covered.

European Community

The Prime Minister proposed that it might be helpful to start with a discussion of the Community. After all both the Governments had surrendered many powers, e.g. in the field of agriculture, to it. There were major problems to be dealt with in the coming year, e.g. the CAP, the reform of the Budget, and the CFP. All these problems needed to be dealt with as soon as possible. They did not become any easier with the passage

/of time.

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of time. It would be a great help to know President Mitterrand's mind on them. A date had been set in Luxembourg for further consideration of the 30 May Mandate and of the CAP, i.e. early September. The President had said then that by this time he would have had time to study the problems and ^{would} know the direction in which he wished to go.

President Mitterrand said that the problems of the European Community had to be examined as a whole. It was, of course, permissible to study the problems of the CAP. They could, if necessary, be discussed in isolation. But if one was to draw up a balance sheet of advantages and disadvantages for any member country, then the agricultural problems could not be taken in isolation. The French Government had no wish to evade the problems of the CAP. But the Mandate referred to the whole range of activities of the Community. France had advantages in some spheres and disadvantages in others. He could not accept that those areas where France enjoyed advantages should be picked out and the others ignored. That having been made clear by way of a preliminary statement, he was in favour of a discussion of the agricultural issue.

The positions of the French and British Governments were, of course, different in regard to the CAP and the 30 May Mandate. The British Government wished to establish the principle of the juste retour, i.e. that member countries should be entitled to draw advantages from the Community in exactly the same proportion as the effort they contributed. In relation to the CAP, Britain contributed more than it got back. France was hostile to the principle of the juste retour. To implement that principle would be to render the European Community a nullity. It implied that the Community should be regarded as a confederation within a free trade area. The British, of course, disliked indulging in broad political generalisations of the kind which he had just made. But it was important to remember the distance which separated Britain and France on this concept. Britain

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wanted the juste retour to be a permanent feature of the Community. He could not accept this. The juste retour could be useful. For a year or two agreement on a budgetary mechanism was permissible. But it could not be a permanent policy.

The Prime Minister said that she would never describe her policy as being to seek a juste retour, i.e. a situation in which member countries were getting out precisely what they had put in. Her policy was to seek a situation where, when the balance sheet was drawn up, the total budgetary result should be seen to be a flow of resources from the richer members to the poorer members. Countries like Ireland, Greece and Italy must be seen to benefit from membership. But those countries which were in per capita terms, among the richest, should not, as at present, be the beneficiaries. One had to achieve a final budgetary outcome where the better off were paying and the less well off were receiving. We should be aiming to establish a principle of equity of this kind. This was not happening at present. Germany was the biggest contributor, the United Kingdom was the second largest and France was contributing very little. Unless an equitable system could be achieved, conflicts would undoubtedly ensue. She wished to stress the importance which she attached to the Community. It had locked together countries which in the past had fought each other. Such hostilities must never happen again. The Community was playing a vital role in bringing much of Europe closer together.

President Mitterrand said that there was much in the Prime Minister's presentation with which he could agree. The European Community was a political necessity. All its members had drawn profit from it. There had, of course, been problems and crises but the economies of the members had grown, thanks to the Community. The further development of the Community posed no problem for France. He had therefore been glad to hear the Prime Minister's words.

The Prime Minister's remarks about juste retour had been a very useful corrective. The application of juste retour

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to the poorer members would certainly make more difficulties for them. He agreed that there had to be a better balance as between the various member countries. The problem was how to establish this within the CFP and the Community's other areas and policies. There would have to be much discussion on the basis of member countries' mutual requirements and individual problems. If the Federal Republic felt it was doing too much and the United Kingdom felt it was being hard done by, this must be examined. He considered that the examination would show that things balanced out. France was, of course, a larger producer of agricultural products than either the Federal Republic or the United Kingdom. On the other hand she did less well where industrial products were concerned. France prospered in those areas where the character of the workforce and the quality of her natural resources favoured her. On the other hand, she did not have the United Kingdom's commercial genius. The discussion of the Community's problems could not concentrate only on those areas where France was benefiting.

The Prime Minister said that if things went on as at present, the Community would run up against a budgetary crisis. The CAP would produce ever greater surpluses and would take up ever more of the budgetary resources of the Community. At the same time, the Federal Republic and the United Kingdom would stand firm on the 1 per cent VAT ceiling. It was neither sensible nor intellectually justifiable to spend such a large proportion of the Community Budget on agricultural surpluses which the Community could not eat, which it had to dispose of at considerable cost, and which dislocated the economies and agricultural industries of third world countries. President Mitterrand said that a brake had to be imposed on the production of surpluses. It posed too great a burden on France and her partners. The Prime Minister's reasoning was irrefutable. The question was, in practical terms, what to do.

/ The Prime

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The Prime Minister asked whether French dairy farmers were intent on increasing their yields and therefore producing ever larger surpluses. British dairy farmers were highly efficient but did not produce surpluses. They could, of course, produce a good deal more than at present. Britain had tackled the problem of small farmers many years earlier by encouraging them to combine. It was difficult to solve the problems of the Budget without tackling the CAP. Of course, farmers had to be provided with a decent living. But there had to be a reasonable budget and there had to be an agricultural policy which was reasonable in relation to the rest of the world. Of course, these problems could not be solved here and now. But each member had to feel that it was being fairly treated by its partners. She and the President were both politicians who knew what could and could not be done.

President Mitterrand said that his position was in many respects the same as that of the Prime Minister. He had no wish to encourage the production of surpluses. He had to point out, however, that the surpluses often occurred because producers outside the Community were able to get their products into the Community too easily and too cheaply. Soya was a case in point and a source of serious competition. Another example was provided by beef, the imports of which were unbalancing the Community's internal production. The problems could not be resolved in a year or two. Changes in the structure of production would be required but the Prime Minister's basic approach was right.

It was necessary to distinguish between the immediate problems, such as those relating to wine and milk, and the medium and long term problems of surplus production where fair and equitable solutions should be sought. In this latter context, President Mitterrand said he would be glad if a solution could be found which did not involve raising the 1 per cent VAT ceiling and imposing higher taxes on his electorate. As regards wine, France had been forced to take action because

/the problem

the problem was "threatening to strangle us". The measures taken were certainly legally contestable and might well have contravened Community regulations. One could also reproach the Italians, e.g. on the origins, quality and quantity of the wine they were exporting. In any case, the French Government could not have contemplated a farmers' revolt which might well have resulted in bloodshed. As a result, he had had to adopt a position which was opposed to his political philosophy. He accepted that the question of milk surpluses might be similarly urgent for the United Kingdom. There was a need to get round a table to discuss all these matters. Ways must be found to limit the production of surpluses and to avoid imbalances. France was ready for discussions. President Mitterrand said that he was a realist. He recognised that German acceptance of the present budgetary situation could not last. France would have to make proposals.

The Prime Minister said that everyone understood the need to deal with short-term problems. She and the President were both in politics. But what needed to be considered now was whether longer-term structural adaptation was not required. The CAP had shown itself to be insufficiently flexible. No-one welcomed the surpluses or the percentage of the budget being taken by the CAP. The time had come when both the structure of the CAP and the proportion of the Budget taken by the CAP had to be discussed. In the period of two years since she had been in office she had seen these problems repeatedly postponed because they were not urgent. They had to be tackled while there was still time and that meant a start in September. President Mitterrand said that although on some questions his point of view and that of the Prime Minister differed, her overall approach was just what he would have hoped for. His safeguard measures on wine had resulted from the non-observation of Community rules by Italy. The discussion of the CAP must take account of the entry of agricultural products from outside the Community. That said, he was anxious to see the reform of the

/CAP

CAP. It might not be the same reform as the Prime Minister had in mind. But it certainly was the same discussion and it was a discussion from which he wanted a result. The Prime Minister wanted to begin in September. So far as he was concerned, the sooner the better - although in practical terms September might prove to be a little early. He would be entirely happy to begin in the European Council meeting in November. If the discussions could be got under way before November, whether between Heads of Government or between others, he would be entirely content.

The Prime Minister said there were many other problems beyond those contained in the 30 May Mandate. Agreement on the Common Fisheries Policy had to be reached. So long as it remained unresolved, each Government was paying subsidies to its fishing community because they were being prevented from fishing normally. (President Mitterrand indicated that he agreed.) HMG wanted to see whether progress could not be made in developing a Community policy on insurance. Britain and France had a shared interest in the Multi Fibre Arrangement because of their textile industries. Britain wanted to see the Community developing a more effective policy for negotiating with the Japanese, whose technique of focusing on particular trading sectors caused such difficulties. President Mitterrand said he would be happy to see a start made in bringing the positions of France and Britain closely together on insurance and on the MFA. The CFP had been discussed many times in the past. France's defence was that what was happening now was consistent with the commitments entered into by France in the past. As regards Japan, he endorsed the Prime Minister's broad objective. However, Britain's own practice towards Japan had been too liberal. We had opened our market, more particularly for cars, excessively and allowed exports into the Community to a degree which was dangerous for all members. None the less, he would be happy to see this issue, like the others, discussed. The Prime Minister said that our trading policies were very liberal and as a result we had been taking in more imports than others. We had agreed that the negotiation with the Japanese should be conducted by the European Commission or at least that

/ they should

they should keep a close watch on the level of Japanese imports. But the Commission did not seem to be moving sufficiently rapidly. Because of the Community, we were, of course, inhibited from negotiating with the Japanese on a country-to-country basis and therefore had been negotiating on an industry-to-industry basis. This had resulted in widely varying situations in the various member countries. It had strengthened the case for Community action.

President Mitterrand said that he and the Prime Minister were agreed on the need for joint discussions on the MFA, on a Community policy on insurance and on the need for a Community policy on trade with Japan. These were all positive initiatives. As regards the Common Fisheries Policy, France would never refuse discussion. He recognised that the United Kingdom, an important partner whom he respected, had every right to raise the question. But there were earlier agreements in force and France had to defend its interests. As regards the 30 May Mandate, he was happy to open discussions with France's other partners in the Community on the basis which he had already described. On the reform of the CAP, which likewise should be discussed in the larger frame of the development of the Community as a whole, he would be happy to see preparation begin immediately after the present meeting with conversations between Ministers and officials. He was, in short, ready for an all-embracing discussion as soon as possible. He would be looking for progress in the direction of greater justice between the members of the Community. He did not wish to delay matters in any way.

/ Bilateral Relations

Bilateral Relations

President Mitterrand said that he thought France and Britain could give more weight to the Community if they were able to work more closely together, perhaps also with the Federal Republic. For instance, Britain was very advanced in many areas of technological research. We had achieved many major successes. It sometimes seemed a pity that they were not better used. Britain's internal market was too small to allow full exploitation of her innovations. The Community, of course, offered a much larger market. France and Britain together could create more openings. Britain would be in the lead but France hoped to be able to profit from what Britain had done. One example was provided by Rolls Royce. Their aero engines were the best available but France was working with other countries. She had usually collaborated with the American company General Electric. She might be prepared to give up that collaboration. The Airbus was an admirable machine but its present market was not large enough. There was a risk of one or other Government entering into parallel developments with Governments outside the Community before they had fully exploited the internal possibilities. The plans of the two Governments in the field of telecommunications could be brought closer together. The British computer company, ICL, had the best range of large computers in Europe. This was of great interest to France, whose industry produced smaller computers. But the two industries and the two markets should be complementary. This was the sort of area where dynamic support from Governments might make a great difference. Discussions so far had been inadequate. Likewise, the work of the two countries in tooling in the car industry ought to be complementary but both sides had been excessively timid in the past. Neither Government wished, in the present economic crisis, to have to lay out more money than was absolutely necessary. Therefore each had to be prepared to exploit what had been already done by the other. The markets were waiting to be opened up. This was an extra dimension which needed to be added to the discussion of reform of the CAP. The areas he had mentioned were of course only examples.

The Prime Minister said that she would want to examine President Mitterrand's ideas urgently. The two countries were of course already accustomed to cooperation, eg in the production

of defence equipment. In some of the areas mentioned by the President, eg the Airbus, cooperation was of course well established. There were also other aspects of cooperation to be borne in mind. For instance in relation to Arabsat, for which a contract had recently been awarded, the Anglo/French tender had been rejected in favour of a tender submitted by a Franco/US competitor. Clearly there was a possibility of closer collaboration where satellite technology was concerned. The same went for the work of the European Space Agency where we had the impression that France had on occasion chosen to work with the Federal Republic rather than through the Agency. Where computers were concerned, Britain had, at considerable expense, kept an independent European capability in existence. The Government was taking a considerable interest, as was the French Government, in the introduction of computer training into school curricula. She would be asking the responsible Ministers to go into all these matters. She would like to see more cooperation between the two countries and more concrete proposals for such cooperation. President Mitterrand said that he wished to make it clear that he was not reproaching the United Kingdom for the present level of cooperation. France also should have shown more initiative in the past. Each country on its own was too small. There was a vast field which should be exploited. The Prime Minister said that she agreed that the present market was too restricted. It was the market which had to be planned.

Arms Control

The Prime Minister said that she regarded it as vital that the deterrent capabilities of Britain and France should remain entirely outside the TNF negotiations. President Mitterrand said he absolutely agreed. The wish of the Russians to drag the British and French deterrents into the negotiations was clear. Earlier in the summer, on the day that Pravda had attacked the French Government brutally for its defence statements and defence policy, the Soviet Ambassador had called on President Mitterrand to deliver President Brezhnev's greetings. The Ambassador had gone on to say that President Brezhnev regarded President Mitterrand's statement on security in Europe as very sensible and that he agreed about the need to examine the military balance in Europe. This

last phrase had been repeated by the Ambassador no fewer than four times despite the fact that on each occasion he had been corrected by President Mitterrand who had pointed out that what was at issue was the global military balance. After the interview, the Ambassador had told the press on the steps of the Elysee that he had been very happy to see that President Mitterrand agreed about the need to examine the military balance in Europe! The Prime Minister said that it was essential that neither Government should fall for the Soviet line. President Mitterrand said that the fact was that neither country was a super-power and had no margin for negotiation. They could not give up part of their deterrent forces in any negotiation because to do so would bring them below the "threshold of security". Neither country wished to become a football between Moscow and Washington. This was another reason for the two countries to have a close and useful relationship. The Prime Minister said it was clear that both countries intended to pursue a very robust line.

Poland

The Prime Minister said that the situation in Poland had become more difficult since she had last met the President. Solidarity's appeal to workers in other East European countries could only heighten the concern of the Soviet Union about the future of communism in Poland and might thus trigger off undesirable developments in Poland itself. President Mitterrand said that as seen from the Soviet Union, the biggest threat was undoubtedly the possibility that workers in East Germany, Romania, Czechoslovakia and elsewhere would be infected by what was happening in Poland. Some of the ^{East} European Heads of State were now more savagely critical than the Russians themselves. The evolution in the attitude of President Ceausescu - whom President Mitterrand knew well - was striking and serious. Clearly President Ceausescu, who had his own economic problems, felt threatened.

President Mitterrand said that the view he had expressed in Luxembourg had not changed. The decisive factor was the state of the Communist Party in Poland, not of Solidarity. The Soviet Union would not intervene militarily so long as the Party was loyal and

/ solid.

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solid. Latterly its attitude had seemed, if anything, to become harder. It had given new commitments to the Soviet Government. So long as it continued to resist Solidarity, military intervention was not a real possibility. This was a harsh paradox. The Prime Minister commented that the Party still seemed to be in charge but Solidarity had been suggesting that the Party was not representative of the Polish people. President Mitterrand agreed but added that the Party still held the levers of power. It might, of course, have already been more undermined than he knew. If it were to collapse, that would be the moment when an adventure might take place. It would^{be}/the alarm signal. If Solidarity's bold appeal to workers in other East European countries had not triggered Soviet intervention, it was because the Russians still thought the Communist Party had a stranglehold on the situation. He did not want the Party to grow stronger. That was the dilemma.

The Prime Minister said that it was a very ironic situation. Meanwhile, the economy declined and the West kept pouring in money and food. Perhaps before more was done, there should be an examination of Poland's long-term prospects and of the consequences of giving more aid. President Mitterrand agreed that the right moment had come to do this. We could not refuse Poland the means of survival. But we might end by giving the Soviet system nourishment. One should not exaggerate but there were obvious contradictions in the situation.

The Soviet hesitations about intervening in Poland also owed something, President Mitterrand considered, to Moscow's doubts about the international situation. They were still concerned about the situation in Afghanistan. They were holding forces in reserve because of the confused position in Iran. They were anxious to open arms control negotiations with the West. All these pre-occupations would be greatly complicated by an invasion of Poland. Moreover, the Soviet economy was in a worse position than those of Western countries.

The West should engage in a more precise examination of the reality of the East/West military balance. We needed to know how far to push our re-armament. President Mitterrand said that

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/ he approved

he approved the American intention to modernise their defences and to re-establish the military balance. But to what degree? In both Luxembourg and Ottawa there had been a lack of precision in our analyses. He had been conscious of the same lack of precision in a long discussion he had recently had with Herr Brandt. He (President Mitterrand) was not simply the partisan of war and Herr Brandt that of peace. Nor was he the partisan of re-armament and Herr Brandt of negotiation. It had emerged like this because the analysis was inexact. He was due to discuss all these matters with the Bureau of the International Socialist Movement on 25 September. Chancellor Schmidt would be doing the same on 8 October. He was anxious that the Prime Minister should be kept in the picture about this evolving discussion.

The Prime Minister said she would be very grateful if President Mitterrand could do this. She was much preoccupied with the attitude of certain members of the SPD. President Mitterrand said that the evolution of West German opinion was one of the principal uncertainties in Europe today. One leading member of the SPD had said to him recently that the Russians were more in favour of rearmament than was the United States. Another had said it was better to be red than dead. It was important to bear in mind the Germans' particular position. They had no nuclear weapons. Their country was full of arms and explosives. They did not wish to be a battlefield. This was a subject which would have to be dealt with. The Prime Minister commented that the Russian propagandists had been very active. The arguments of the West had not been advanced with sufficient vigour. President Mitterrand said that the West's willingness to negotiate once our defence capability had been updated was an important element in our propaganda. We must of course be certain that the military situation was in balance or even that we were stronger than the other side. But, that said, we should never refuse negotiations. To refuse negotiations was to play into Soviet hands. The Prime Minister said that she fully agreed.

President Mitterrand said that he had been very happy with his talk with the Prime Minister. A good start had been made.

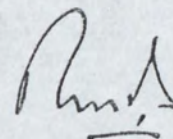
/ The two partners

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The two partners were advancing. The process must continue but with more precision. The members of the two Governments should now continue to explore the various fields with a view to taking rapid decisions in the Community. The Prime Minister agreed.

The meeting ended at 1800 hours.

A handwritten signature in dark ink, appearing to be 'Rund', with a horizontal line underneath the name.

11 September 1981

CONFIDENTIAL



MR ALEXANDER

PS/PM.

(4)

Prime Minister
 Successful discussion.

Handwritten initials

RECORD OF A CONVERSATION BETWEEN THE CHANCELLOR OF THE EXCHEQUER
AND M. JACQUES DELORS, FRENCH MINISTER FOR THE ECONOMY AND FINANCE,
AT 11, DOWNING STREET AT 4.00 P.M. ON 10 SEPTEMBER, 1981

Present:

Chancellor of the Exchequer
 Sir Kenneth Couzens
 Mr. D.J.S. Hancock
 Mr. J.O. Kerr

M. Jacques Delors
 M. Jean-Yves Haberer
 M. Michel Freyche
 M. Dominique Sauvel
 M. Benoit Jolivet

Welcoming M. Delors to London, the Chancellor suggested that it might be appropriate at the outset of their conversation to review developments in the two national economies against the back-drop of the wider world economic scene. In the United Kingdom, the fight against inflation had so far been notably successful, with the year-on-year increase in retail prices down to some 11 per cent, which was approximately half the rate applying a year ago. Further progress might be more difficult, because of sterling's fall. Most of the relevant indicators suggested that the deepening of the recession had ceased, but the prospects for renewed growth in output were heavily dependent on the Government's success in keeping public expenditure in check, and keeping pay bargaining realistic and responsible. While productivity had improved, the level of unemployment was of course very worrying: the Government was anxious to encourage the growth of new small businesses. The United Kingdom had gone into recession rather earlier than had our main European partners: our hope now was that we might emerge from it rather sooner than for example the Germans.

2. M. Delors said that the new French Government had taken office at a time of particular difficulty in the world economy. While international experts had long been predicting early recovery from recession, the rise of oil prices, the dollar, and interest rates had



ensured its prolongation. The new Government was particularly concerned about unemployment: while its level in France was lower than in some other countries, the upward trend was worryingly clear and constant. No less disturbing was the high rate of unemployment among skilled workers. The French economy had in fact been already running into trouble, with output and investment dropping and inflation high, when the electoral period began - and it had of course been a lengthy period, lasting from February to June, and had caused considerable disruption, particularly to the proper working of the capital markets. The new Government had thought it right to take new measures to encourage industry and fight unemployment: this would entail a substantial budget deficit, but it was important to remember that the Government had inherited a budget deficit. M. Delors was nevertheless determined to operate a tight monetary policy. The Chancellor asked about the risk that the new measures to combat employment might fuel inflation. M. Delors acknowledged that the risk was real, but he hoped that it would be possible to hold down wages in the public sector: private sector wages might be more difficult to control. And the Government was also determined to keep prices down.

3. Turning to interest rates, M. Delors explained why it had been necessary - given that the franc had been under pressure from 15 February - to raise money market rates. They had now come down, to some 17½ per cent, but it was hard to see how they could be further reduced while US rates remained so high. The Chancellor, agreeing that the current level of US rates posed a major problem, recalled that we had managed to bring our former MLR down to some 12 per cent for a time, but that the more recent upward tendency had been strong, and was continuing. The United Kingdom Government perhaps attached more importance than did the French to the need to avoid public criticism of the Americans which might be construed as undermining the President's efforts to reduce US domestic inflation rates: but we were at one with the French in wishing to maintain discreet pressure on the Administration, reminding them of the consequences for the European and other economies of their current



interest rate policy. M. Delors entirely agreed that the pressures must be discreet: German public complaints had probably been counter-productive.

4. The Chancellor noted that the existence of the EMS had not prevented considerable volatility among Community currencies under the current dollar pressure. The UK position on EMS had not changed: we remained genuinely doubtful as to whether it could make sense for sterling, as a petro-currency, to be included in the system, given that oil-prices contained to fluctuate sharply. M. Delors thought that the Europeans would have been in greater difficulties vis a vis the dollar but for the existence of the EMS. He did not accept that even the Germans would have been better off without it. He recognised that the question of full participation in EMS was a difficult one for the UK; and that the present time was hardly propitious for a great leap forward. M. Haberer however pointed out that if the EMS were to move to a second, and more institutionalised, stage, the United Kingdom might be obliged to reach some definite conclusion before the revised arrangements took effect. Given the volatility of sterling over the last two years, it had been as well for France that the UK had not been a full EMS participant; but conceivably a period of greater stability in sterling was now in prospect. M. Delors said that if the United Kingdom had any propositions on EMS which should be explored, he would be more than willing to facilitate, or himself take part in, such explorations. The Chancellor took note.

5. M. Delors then turned to the question of bank nationalisation in France. He had expected the Chancellor to berate him about possible effects on UK banks, and was grateful for the Chancellor's courtesy in not doing so. He would like to make it plain beyond doubt that he had no wish to prejudice the fruitful links between British and French banks, and their joint operations in third countries. The bank nationalisation proposals which he had put to his colleagues in Paris would not, he thought, create any new difficulties for UK banks with French links. If the UK Government became aware of any



such problems, he would be grateful if they could be drawn to his attention. The Chancellor said that this might well be useful. But it would be important, particularly for merchant banking operations in third countries, that potential difficulties should be identified and defused in advance of the implementation of nationalisation plans. M. Delors agreed, and thought that this should be feasible, since there would be no changes in advance of individual negotiations with individual banks. Sir Kenneth Couzens drew attention to the risk to merchant banks, such as Warburgs, arising from the prejudice in certain areas - e.g. the US and the Gulf - against doing banking business with nationalised concerns. The Banque de Paris et des Pays Bas had a substantial shareholding in Warburgs. M. Delors said that he was well aware of the Warburgs problem: he had in fact talked to Sir S. Warburg. He was clear that nationalisation must not exclude the continued existence of private sector merchant banking operations in third countries. He was confident that a formula to solve the Warburgs problem could, and would, be found. More generally, he thought it right that the scale of the bank nationalisation operation in France should not be exaggerated. Much of the banking sector was already nationalised: in the remainder, Co-operative banks would of course not be affected. M. Haberer interjected that only an additional 12 per cent of the banking sector would be taken into public ownership.

6. The Chancellor then turned to the question of the reform of the Community budget. The present budget arrangements were inequitable, and the issue must be speedily resolved. He hoped that M. Delors shared his view that the point could be ducked no longer. M. Delors said that he could give only a personal view, since the Government in Paris had yet to reach any firm conclusions on the matter: they aimed to do so before the forthcoming Community Summit. He recognised that the current budgetary arrangements were harsh on the United Kingdom, and on the FRG, but the right solution would probably be to inject a new dynamism into the Community, stimulating it to make progress in ways which would have the effect of eliminating the problem for the UK and the FRG. Increased regional programmes,



increased action against unemployment, more aid to industry, more common action to open up external markets: progress on these lines would create fewer difficulties with domestic opinion in countries such as France than a solution along the lines envisaged in the 30 May mandate, and would have the same effect. The Chancellor, referring to his speech at the Hague, argued that the Community must certainly escape from the treadmill of perennial squabbles over the budget, but could not hope to do so without fundamental budget reform. In national capitals spending decisions affecting national budgets were taken in the round, attention being paid to regional considerations etc; yet when Finance Ministers met to consider the Community budget they were faced with the sum of individual spending decisions, taken separately and to no coherent pattern. The Community had no procedure for taking an overall view, yet an overall view must be taken. The United Kingdom would warmly welcome the injection of a new dynamic into the Community, along the lines M. Delors had in mind, but it would be rash to count on new spending decisions, again taken individually and separately, to have the appropriate regional consequences, and to solve the problem of budgetary inequities. Obviously it would be easier for those who would have to pay more, if the budgetary burden were equitably distributed, if the re-distribution were to place at a time when the Community was demonstrably making progress in other fields. But it was no less obvious that a solution to the budgetary problem could not be further deferred, without further weakening the Community. It was a cancer requiring urgent surgery.

7. M. Delors said that he personally was inclined to agree. But he asked that the UK recognise the domestic political problem in France. The agricultural community, cosseted by the Giscard administration, and disposed to be critical of the new government, would need delicate handling. The Chancellor said that reform of the CAP, though difficult - there was an agricultural lobby in the UK too - was certainly necessary, not least to deal with the problem of surpluses: but that it would be misleading to assume that such reform could solve the overall problem of the budget. Reform of



the budget via the CAP route would take years, if not decades: the problem would not wait that long.

8. M. Delors said that he did not dispute the Chancellor's logic. No doubt the Chancellor would remember, as French public opinion certainly did, that the original establishment of the Community a six had been on the basis of a bargain from which French agriculture had benefitted and expected to benefit permanently. It was also a political fact that agricultural reform in France must be kept consistent with the maintenance of the small-holder population in the rural economy. He accepted that costs must be kept in check, and that current CAP arrangements were far from perfect: but he also feared that the Chancellor was right not to expect dramatic progress.

9. The Chancellor said that this reinforced his point that the budget must itself be re-examined, and proper budgetary procedures established. Mr. Hancock asked how the French approach to budget reform fitted with the timetable which the Community had laid down. The new French Government had not of course been party to the 30 May mandate, but were aware of its terms, and that it was intended as a purely temporary solution. Agreement, at least in principle, on a permanent solution by the end of 1981 had been envisaged. M. Delors' impressive presentation on the need, which we warmly endorsed, to re-launch the Community with a new dynamic suggested that he attached paramount importance to this rather than a solution of the budgetary problem. The United Kingdom Government, for its part, could not however ignore the damage to support for the Community in this country which would result if it became clear at the end of the year that no solution to the budgetary problem was in fact in sight. Increased disillusionment about the value of Community membership in this country would be damaging to the Community as a whole.

10. M. Delors said that the point was well taken. He was not, however, in a position to give a definitive view on how the French Government would wish to handle discussions on budgetary reform.



French ideas would have crystallised by November. Further bilateral contacts, at official level, might be useful before then. The Chancellor agreed. He, and Sir Kenneth Couzens stressed that time was of the essence: we must seek to avoid an adversarial negotiation in the last weeks of the year. We welcomed the new French Government's plans to give a new impetus to the development of the Community; we would not wish to see progress bogged down in further budgetary squabbles; but we were clear that a permanent solution to the budgetary problem was essential to the satisfactory future development of the Community.

11. The talks were adjourned at 6 p.m.

J.K.

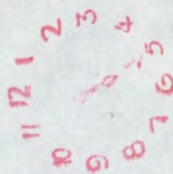
J.O. KERR

11 September 1981

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BK

France

10 DOWNING STREET

THE PRIME MINISTER

19 July 1981

Dear Julian

Thank you so much for your fascinating letter about your visit to Paris last week.

Your background material will be of real value to me in my dealings with President Mitterrand in the weeks and months ahead.

Yours

Raymond

The Rt. Hon. Julian Amery, M.P.

Rth



FROM: THE RT. HON. JULIAN AMERY, M.P.

112, EATON SQUARE,
SW1W 9AA
TEL: 01-235 1543
01-235 7409

Confidential

17th July, 1981.

Dear Margaret,

ms

I was in Paris last week for the first time since the change of Government and saw a number of people on both sides of the political spectrum including Robert Mitterand, the President's elder brother and a businessman, Michel Debre, and Madame Gareau, both unsuccessful candidates for the Presidency; Also de Marenches, the former boss of the French "friends".

You have already met the new President and have been able to form your own opinion and I expect our Ambassador has given you his impressions. But having myself observed the French scene over a number of years I thought I ought, perhaps, to let you have a note of the impressions I formed myself.

1. The President and the Government

How far is Mitterand a convinced Socialist? Noone who knew him before 1958 thought him other than a fairly typical Fourth Republic opportunist in those days. He was always, it seems, extremely ambitious and after 1958 probably saw the only way forward against de Gaulle as leader of the Left. There is an argument somewhere in Pascal that if an agnostic wants to become a believer he should pray as much as possible. The prayers may at first mean nothing to him but by dint of repeating them he will acquire faith. It rather looks as if 23 years of Socialist speeches have ended by convincing Mitterand of the truth of Socialism.

Beyond this he wants to leave his mark on history as the man who transformed France. He is widely seen as a Socialist de Gaulle. Another of his aims is to cut the ground away from under the Communists and destroy the French Communist Party in so far as it remains a pro Soviet party.

Mitterand is clearly in a very strong position. He has inherited the quasi dictatorial presidential powers provided for de Gaulle. He has an independent Socialist majority. This makes the Communists his poodle. He need not worry if they resign. By the same token he can sack them if they are difficult. Faced at a later stage with a breakaway from his own left wing he could always cobble together an alliance with the Radicals on his right. It is generally believed that he intends to bring in PR later in the life time of the present Assembly. The Socialists reckon this would give them and other left of centre groups a permanent majority.



2.

So it looks as if we should reckon on a Socialist regime probably under Mitterand for the next 7 - 10 years. I asked one of my Gaullist friends what prospects he saw of an early return to power of the right wing. He said "None, until after a Russian invasion"!

As far as I could learn Mitterand's health is good though there are always rumours about any French politician the other way. He uses the Elysee as his office but lives in his own house I gather with his wife who is said to be much more left wing than he is. He has, apparently a fairly long established mistress as well but who is kept separately and discreetly.

The economic prospect facing the Mitterand Government is not too alarming. The CGT is muzzled for the time being by his deal with the Communists. His nationalisation and welfare policies can hardly avoid creating inflation and bringing about ~~the~~ withdrawal of foreign and indeed national funds from Paris. But France is better equipped to run a Socialist type economy than most countries. It is largely self-supporting. It has a very high grade Civil Service and there has been a steady interchange between Government, finance and industry ever since the post war reconstruction began. Many of the present leaders of industry are former civil servants. Just now a number of them seem more concerned with keeping their jobs after nationalisation than with resisting it. If the world recession moves towards recovery in 1983 or thereabouts, France must also benefit to some extent. Mitterand will then be able to ~~take~~ some of the credit, at any rate with the general public.

On foreign affairs the President clearly has no illusions about the Soviets. He is accordingly pro American in so far as he is anti Soviet. He appears to be quite firm on the nuclear. He seems moreover to have sold it to his left wing on the original but rational ground that you cannot have genuine neutrality in a nuclear world without nuclear power of your own.

Mitterand also seems to be perfectly sound on the need for a strong conventional defence of Europe. There is, however, some talk of shortening military service in favour of something ~~more~~ along the Swiss lines and including ~~aid~~ ^{3arriv} to the community.

On the other hand Cheysson, the Foreign Minister, is very much a "Third Worlder". Madame Mitterand is also much involved in support of left wing guerilla forces in El Salvador and Nicaragua.

My Gaullist friends fear that the new Government will be much less concerned with French and Western interests in Africa. I would not be too sure about this. Under the previous regime the opposition received very little briefing from the Government on defence and foreign policy. But, once fully briefed, they may well continue on the same lines as before.



3.

The team is a curious mixture. Mauroy I knew, years ago, as Mollet's secretary and is, I think, very much his master's voice. He seems, to judge from his inaugural speech, to have acquired something of his master's enthusiasm for Socialism. The Ministers of Defence and Finance are reputed sound. Other like Regis Debray are obviously dubious but I suspect Mitterand is likely to rule with as strong a hand as Giscard; even stronger, perhaps, seeing that he has no need to bargain with his supporters in the Assembly.

2. The Opposition

The Right and Centre Right are deeply split. Giscard is sulking in his tent though there is talk that he may return in due course to the Assembly by persuading his alternate to stand down. At the moment he seems friendless and even the loyal Pohiatowski seems to have turned against him.

Chirac has control of the Gaullist Party machine but the remaining Gaullist barons like Michel Debre and Chaban Delmas seem pretty hostile to him. Nor do Lecanuet or the Radicals seem to look to him as a leader.

The chances of an early reunion of the Right thus seem fairly remote. It was rather striking that none of the four or five ex Prime Ministers in the Assembly made any serious attempt to reply to Mauroy's inaugural speech.

Giscard often flirted with the idea of freeing himself from his dependance on the Gaullists by forming a Centre block including right wing Socialists. So, now, some of the centre right are looking to a split in the Government majority. According to this scenario there would come a time when Communists and Left Wing Socialists would go into Opposition. Mitterand would then have to do a deal with the Radicals and others in the Centre. Edgar Faure, Lecanuet and even Chaban Delmas are mentioned in this context. It all looks rather a long shot.

I suspect we must count on having a Socialist France for most of this decade. Socialism is likely to make it economically weaker and to that extent perhaps a little less aggressively nationalist. It is likely to be anti Soviet in Europe though perhaps a more difficult partner in relation to the Third World, unless a sense of real French interests breaks in.

In our relations with Mitterand we should perhaps remember that one of the highest points in Anglo-French relations since the war was when another Socialist Prime Minister, Guy Mollet was in Office. Mollet's good relations with Eden were of course largely based on our joint approach to Middle



4.

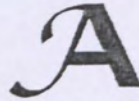
Eastern problems. ^{by v} Guy Mollet once told me - just before the Suez operation - that, keen as he was on the operation as a means of bringing down Nasser, he thought its main significance was to cement Anglo French relations and to get Britain really committed to joining France in making a united Europe. This was of course before the Messina Meeting and the Treaty of Rome. Had things developed that way the eventual European Community might have been structured much more to our liking.

It is true that Mitterand and Mollet quarrelled but when I recalled this aspect of our relations with an earlier Socialist Prime Minister, Mitterand's brother responded surprisingly warmly. I don't attach much importance to this, but it could be a useful gambit in conversation with Mitterand.

by v
Julian
Julian Amery

The Rt.Hon. Mrs. Margaret Thatcher

Copy: The Rt.Hon. Lord Carrington, KCMG, MC



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no 13
France.

10 DOWNING STREET

From the Private Secretary

8 June 1981

Anglo-French Relations

The Prime Minister has seen and taken note of the Foreign and Commonwealth Secretary's minute to her of 5 June, and of the attached paper, on this subject.

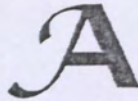
M. O'D. B. ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.

10 Downing St.
London SW1A 2AA
Tel: 01-930 2400

SR

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Prime Minister
JMW
S.v.

PM/81/32

PRIME MINISTER

Anglo-French Relations

1. My meeting with the new French Foreign Minister last week was encouraging. M. Cheysson told me that he does not consider the Franco-German relationship to be exclusive: he repeated the remark he has made publicly that there is no Paris-Bonn axis. He implied that he wanted a break with the antagonism that has often characterised Anglo-French relations. He said that France and Britain had the same points of view on many questions: both were nuclear powers and permanent members of the Security Council and both had a global point of view. In much of this he was echoing (unconsciously, I am sure) the line which you took in Paris and Bordeaux last September, to which at the time there was so little response.

2. This conversation has reinforced my conviction that the change in Paris provides an opportunity to try to achieve a definite improvement in Anglo-French relations. Despite the uncertainties of the new situation, I do not believe that France's general position in the world and her importance to us are likely to change significantly in the near future.

3. The election of President Mitterrand has already caused us in the FCO to take a thorough look at the nature of our relationship with France. I enclose the resulting paper, which I believe demonstrates that it would be worth making a real effort in the new situation to bring about improvements beneficial to British interests. It was with

/this



this in mind that, at the end of our conversations in Paris, I told M. Cheysson that we both knew that there were fields of difficulty ahead and that while we would both seek to overcome the difficulties we knew that they did reflect real clashes of interest. But I went on to say that there were also areas of practical action where we had shared interests and it was in our mutual interest to build on them. We agreed that it would be useful to discuss this further informally.

4. As a first move therefore, and to take advantage of the present climate, I am asking Michael Palliser to call in the French Ambassador next week for a preliminary discussion on Anglo-French relations. The aim will be to identify our common interests and explore, without commitment, areas of policy where we might be able to collaborate. I shall report to colleagues how this exercise goes and may in due course have suggestions for action by the UK, possibly with a view to developing a more coordinated approach to the various aspects of our relations with France.

5. Copies of this minute and the enclosure go to members of OD and the Secretaries of State for Industry, Energy and Education and Science.

(CARRINGTON)

Foreign and Commonwealth Office
5 June 1981



BRITISH POLICY TOWARDS FRANCE

Introduction

1. The election of President Mitterrand will bring more changes in domestic than in foreign policy. But the introduction of new men and new attitudes creates a chance for the UK to try to alter the quality of Anglo-French relations in a way which could benefit British interests.
2. This paper identifies some of the underlying factors that condition the Anglo-French relationship. It points to the reasons why France is important to us, and sets them against France's continuing interests and objectives. It suggests what we should try to achieve and how.

France in the world

3. President Mitterrand has inherited a country which, after a century of continuous decline, now ranks with Germany as the most powerful country of Western Europe. In the last 20 years, whole areas of her national life have been transformed, in some cases by building on old strengths, in others by a conscious departure from the patterns of the past:-
 - a) the chronic political instability of the 4th Republic has been replaced by a system which so far has permitted notable stability and continuity, and now the peaceful transfer of power;
 - b) industry has expanded, modernised and become competitive, fed with labour now surplus to an increasingly efficient agricultural sector, and some carefully controlled immigration;
 - c) with a population of 53.3m, her GDP is now (1979) 55% greater than the UK's (pop 56m) and only 25% less than Germany's (pop 61.5m);
 - d) France has embarked on a massive nuclear power programme. Even if this is not fully carried through, her dependence

/on imported

on imported energy should diminish significantly by the '90s. She also possesses a politically credible nuclear deterrent.

4. It is legitimate to doubt whether the progress of the last 20 years can be sustained. The existence of a large Communist party avid for some share of power, the heterogeneous nature of Mitterrand's own party, and the potential for conflict inherent in de Gaulle's constitution may all make for a period of greater instability and uncertainty. However, it is also possible that the change of leadership will renew France's energies and sense of purpose. And any economic and political difficulties will have to be prolonged and serious before they begin seriously to erode the position that France has built up.

5. Mitterrand's new Foreign Minister has already announced that the starting point for French foreign policy is complete continuity with the immediate past.

6. Since de Gaulle came to power in 1958 French foreign policy has been characterised by the determined pursuit of national interests, both within the Community and outside it, where necessary at the expense of friends and allies. This policy is not just a reflection of national character, a blend of vanity and selfishness. It has been deliberately designed to foster a high sense of national feeling and thus to overcome the deep divisions, social, political and economic, which have marked French society and to heal the scars left by the ignominious experiences of 1939-45. The French are also acutely aware that they have lost much of their cultural pre-eminence: the chief symbol of this, the French language, has everywhere lost ground to English. A prickly foreign policy is to some extent the result, especially in dealings with English-speaking countries.

7. But despite her insistence on independence, France has not been adrift or alone. France is active in all international organisations except those she has chosen not to belong to. French influence is felt in many continents. And, if her main anchors have been membership of the EC and her relationship with Germany, she has also shown some

/skill



skill at retaining the confidence of the United States. Even the anomalous position of France in NATO weakens the latter more than the former.

France and the EC

8. France's determined use of the EC to serve her own national ends often seems cynical and ruthless. Yet the French see it as an expression of their commitment to Europe. France believed in the Community from the beginning, and moulded it to her own image. Everyone knows that the Community without France is inconceivable. This enables her to exploit the Community to her own advantage. French governments have been able to identify the French interest with that of the Community, thus ensuring the continuing support of the French people for the latter.

France and Germany

9. Even more fundamental to France's position, and fundamental to the Community too, has been the special relationship with Germany. The basic elements that have given it its strength and hitherto exclusive quality are:

- a) Its historical significance. All the great European wars of modern times have been in some sense wars between France and Germany. Territories like Alsace, Lorraine and the Saar have been bones of contention for centuries. Now that Europe has been partially eclipsed by the rise of powers elsewhere, continued Franco-German rivalry might condemn Europe to insignificance. Franco-German cooperation permits her to be strong.
- b) Mutual interests. France and Germany complement each other. Each is the other's major trading partner. The EC originally rested on a marriage of France's agricultural production and Germany's industrial might. Both countries emerged from the war psychologically battered: France by the occupation, Germany by her defeat and partition. With Japan, these two are the major non-English speaking Western powers. Germany and the Western defences based there allow France the luxury

/of her



of her idiosyncratic defence policies. Close relations with France are the anchor without which Germany's internal attachment to the West could hardly be convincing. Together France and Germany have often been able to manipulate the European Community and, when they act in concert, can greatly influence the western Alliance.

- c) Good relations between leaders. The rapport between Adenauer and de Gaulle gave the relationship its initial strength. That between Pompidou and Brandt was adequate to sustain it, while that between Giscard and Schmidt greatly reinforced it. Early contact between Schmidt and Mitterrand has shown the importance both leaders attach to maintaining the tradition of intimacy, while the institutional framework of the 1963 Treaty should serve to maintain cooperation at lower levels.

10. A distinctive feature of the Franco-German relationship is that form preceded substance and has remained some way ahead of it. The two governments cooperated because they had committed themselves to do so. Neither conflicts of interest, which have been frequent, nor public prejudices, which are deeply rooted, have been seen as standing in way of the principle that each country should accord primacy to the other in its international relations. The relationship is artificial in one way but real in another.

The importance of France to Britain

11. Of all our major allies and partners, relations with France have been the hardest to handle and have to date yielded the fewest results. A worrying degree of instinctive antagonism has built up which the change of French leadership may give us a chance to dispel. It would be greatly to our advantage to do so, since:-

- a) The special relationship with Germany has a multiplier effect on French influence in a number of fields, especially in matters to do with the Community. It means that the UK and Germany cannot agree on a common line on an EC matter if France is fundamentally opposed to it.
- b) France can have a powerful and at times almost a controlling

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influence in the EC. It is difficult either to modify Community policies against France's wishes, or to launch a successful new initiative without her. In the past the EC has often tended to develop along the lines and at the speed favoured by France.

- c) France's interests in the world are often complementary to Britain's. As ex-colonial and nuclear powers, and permanent members of the Security Council, both countries enjoy broadly similar status. Policies supported by Britain and France could often hope to win the endorsement of the EC as a whole.
- d) France is Britain's fourth largest export market. In addition France and Britain share many similar interests in the development of world trade.
- e) France's scientific and technical achievements, and her good record at developing modern technological industries, make her a formidable competitor. By the same token she can also be an attractive partner for various forms of industrial and scientific collaboration.
- f) Geography speaks for itself. Our contacts with Europe, both physical and to some extent cultural, tend to be through France. Decisions important to them such as a fixed cross-Channel link, are dependent on French cooperation. Internal French matters - air traffic controllers' strikes, fishermen's harbour blockades, outbreaks of foot-and-mouth disease - affect Britain more closely than similar developments elsewhere

Britain's importance to France

12. In general, the French have in recent years become used to thinking that France has less need of Britain than Britain of France, because of

- a) France's greater economic strength;
- b) her central position in the EC and in Europe;
- c) her close relationship with Germany;

/d) the

- d) the political considerations that make an independent foreign policy desirable in domestic terms and a degree of isolation acceptable.

13. It has to be admitted that there is much force in this. Nevertheless, Britain is also France's fourth largest export market, and successful industrial collaboration can benefit France as much as Britain. Moreover France may be entering a period of greater economic difficulty and problems. It may therefore be that the balance is changing. There are also other specific ways in which Britain is of considerable importance to France:-

- a) Britain has influence with the US, with France's European partners and in the world. As the French recognise, our common allies prefer it when France and Britain work together; they find Franco-British antagonism wearing and wasteful and dislike having to take sides between us. Improved relations between us would widely be welcomed, particularly in Germany.
- b) Good relations with Britain would make France less dependent on the relationship with historically less reliable Germany.
- c) Britain is a sufficiently weighty component of the EC for it to be unsatisfactory to make progress without her. The Budget negotiations of 1980 have made the French realise that we can be an awkward and determined partner against whom they cannot count on winning. If some French people draw the conclusion that the EC would be better off if Britain withdrew, the new government are likely to calculate that this is not going to happen, and would not, objectively, be in France's interest. If the French respect us, they will do business with us; we are not looking for affection but collaboration.
- d) In the military field, Britain's status and role within NATO give her an influence on a range of issues where French interests are touched significantly if indirectly, eg arms control and nuclear policy.

/e) In



- e) In foreign policy British support is useful and can add considerably to the impact and the respectability of French ideas, both in more purely political and in international commercial and economic matters.
- f) France has few indigenous energy resources and is vulnerable to interruptions of supply. She looks with envy at our own abundance.
- g) Many French people see British political institutions as stable and their own as brittle.

/Britain's

Britain's objectives

14. Britain's importance in the eyes of France will vary according to Britain's position in the world. The standing of the UK in Bonn and Washington and her prominence in East/West relations will be particularly relevant. But efforts to improve the strictly bilateral relationship are also important and can bring significant dividends. Even if, in a formal sense, the Franco-German relationship continues to take precedence in both countries, there are many areas where Britain's dealings with France could become at least as significant. Anglo-German relations would also benefit from an easier and more productive relationship between Britain and France. The new French Foreign Minister has specifically said that he does not consider the relationship with Germany to be exclusive and that he would welcome early bilateral talks with Britain on a number of subjects. The sooner we can come forward with concrete suggestions, the more favourable the prospects. Advances from Britain will be more welcome in the early days while the new leadership still feels uncertain; if we wait for Mitterrand's position to become clearer, old habits may have time to reassert themselves.

15. It will not be easy to build the necessary businesslike relationship. While the two countries have many common interests and in many respects a common view of the world, the element of rivalry runs deep and cannot be wished away. We shall also need to watch whether, if Communist Ministers are included after the legislative elections, this needs to modify the fields in which we can work with France. But these are not arguments for making no effort.

16. Our objectives must be to make progress on three main fronts:

(a) The EC. It is never enough to berate the French

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or try to convince our partners that France is less communautaire than we are. We can hope to influence French policy by developing our common interests with Germany, eg on budget restructuring and CAP reform: but the Germans will not be used as a crude lever on the French.

It is necessary also to make an effort to identify those areas in the Community field where French interests can be made to coincide with ours and to build on these. France and Britain each have an exceptionally strong sense of national identity. As M Cheysson has said, we should be able to agree about the development of Europe. We ought to find it easy to understand each other. The UK should be readier to bargain with France and offer support where her interests are involved and ours are not, if she is prepared to reciprocate.

On specific Community issues we need as a matter of course to ask ourselves certain questions. What is the French position? Can it be made compatible with our interests? If not, is there the basis of a trade-off? On questions of the general evolution of the Community we need to think and plan with France as much as possible. Where British and French interests diverge irremediably, the UK should aim wherever possible to maintain the initiative. This means being always prepared to put forward concrete, constructive and fully thought out proposals, requiring the French to respond and react. The outcome of the Community Budget negotiations in 1980 showed that, if kept on the defensive in this way, the French decision-making machinery can malfunction quite badly. Putting them in this position too often will not endear us to the French but will lead them in time to respect us (it will also impress the Germans).

The most pressing need in the months ahead will be to achieve a solution on fish and engage the French

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in detailed discussion of the restructuring of the Community's finances and reforming of the CAP. But it will be vital to show that we are not obsessed by restructuring to the exclusion of all else. We shall therefore need to discuss wider issues with the French, such as the implications of the Genscher initiative on European union, the problems likely to arise from enlargement, and the direction that Europe's social and industrial policies should take. If we can work more with the French behind the scenes, we may need to confront them less often, and be able to do so more effectively, on the Community stage.

- (b) Foreign policy and defence. French diplomacy, although often perverse and always self-interested, has been fertile in ideas. But France on her own is often not strong enough to exert sufficient influence or steal all the thunder. In numerous areas (eg Afghanistan, Libya, Arab/Israel, the North/South dialogue, relations with the NICs) closer Franco-British cooperation would make good sense. And our ideas for the development of POCO will stand more chance of success if the French can be brought to see POCO as a means for the extension of Franco-British ideas and influence.

In the military field, Britain and France are the only European countries with a capability outside the NATO area, have joint responsibilities over Berlin and are the two European nuclear powers. Together we can make a special contribution to Western security in Europe and in key areas of the developing world. It is only reasonable for us to coordinate as far as possible. The British interests are:

- i) to promote collaboration on specific projects;
- ii) to give more substance to our dialogue on defence issues. In the longer run this might encourage the French to play a more positive role in NATO.

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In the shorter term we might well achieve greater harmony in politico-military policies, eg arms control and operations outside the NATO area.

iii) To explore the long term possibilities of closer collaboration in the military nuclear field, although quick and quantifiable returns should not be expected here.

(c) Practical cooperation in other areas. France's level of industrial development, her geographical position as our nearest continental neighbour and her cultural importance all provide opportunities where we both can gain from working together. While initiatives that are not followed through, and projects that are cancelled, can badly harm our relations, sustained effort of a modest kind can bring disproportionate goodwill. The following are some indicative examples of the opportunities:

- i) The French desire to secure increased supplies of, or access to, North Sea oil and gas could provide leverage for concessions in other fields.
- ii) The French have a great deal to offer in the field of civil nuclear technology, though possibilities may be limited at present.
- iii) Further opportunities may occur in aerospace, satellite projects, information technology and joint research and development programmes designed to avert Japanese/US hegemony in advance technology. (In many cases it may of course be appropriate to include partners other than the French.)
- iv) We both share an interest in improved cross-Channel links. The French may soon be ready to reconsider a fixed link provided we can convince them that this time we will not change our mind.
- v) Increased information exchanges both between governments and involving representatives of the

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media could eventually lead to more sympathetic reporting, more in line with Franco-German coverage of each other's affairs.

- vi) There is probably scope for more official encouragement of better language teaching, educational exchanges, town-twinning, visits of young people etc. The direct benefits of such exchanges are hard to quantify, but to work for them would serve to demonstrate the importance we attach to our contacts with France and could improve mutual understanding, especially among the young.
- vii) Other areas where cooperation could prove profitable include the environment, bilateral trade and questions of inward and outward investment.

How to pursue these objectives

17. The Franco-German relationship has gained much from the elaborate programme of ministerial, official and other exchanges provided for by the 1963 Treaty. To work for similar arrangements between Britain and France might on the face of it appear to be the surest way of achieving a more productive relationship.

18. In practice, however, even if the French were prepared to give Britain the appearance of formal parity with the FRG, we ourselves might not wish to adopt these practices. Form matters less to us than substance. The important thing is to develop to the maximum our own opportunities for cooperation with France. Our requirements for that are as follows:

- (a) Arrangements for top-level Franco-British consultation already exist. The annual summits provide the necessary contact. The important thing is to ensure that the right message is transmitted from the summit to the toilers on the lower slopes, and to gear the two together so that each summit is prepared, followed up and linked to the next. In

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- view of the change of President, a new document might be proposed redefining the objectives of Franco-British collaboration and the framework within which it is to be pursued; alternatively, or in addition, opportunities should be seized to reaffirm those set out in the 1976 declaration.
- (b) There is, however, a case for more regular consultation between British Ministers and senior officials and their French opposite numbers. The meetings that already take place in fields like industrial collaboration and defence need to be made more effective and purposeful.
- (c) If we accept that France can be a key to a more effective British role in Europe and more widely, the objective needs to be pursued over time, with single-mindedness, consistency and sense of purpose. Relations with France need to become a priority on which resources are concentrated in a coherent manner.

Conclusions

19. (a) There is a risk that Atlantic and European relationships may develop in such a way as to push Britain towards the sidelines, with diminishing influence over our major allies and over decisions affecting our vital interests.
- (b) A closer and more productive relationship with France could make a disproportionate contribution to halting that process, because there is so much room for improvement and so much scope for France and Britain to work together profitably. The election of President Mitterrand provides an opportunity for a fresh start. But much of the effort, at least initially, will have to come from us: France matters more to Britain than vice-versa, and will have other preoccupations. There is no time, and we have no need, to wait for our own economic recovery.

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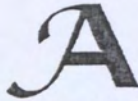


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- (c) We should seek progress on three fronts:
- i) The EC. Cooperation with France could contribute to an EC in which Britain finally feels at home.
 - ii) Foreign and defence policy. Consultation and joint action could make for a stronger Alliance and a world in which Britain has more influence.
 - iii) Bilateral collaboration in commercial, technical, cultural and many other fields.
- (d) For the time being we need not try to emulate the Franco-German relationship in all its elaborate arrangements. But we should achieve more intensive and purposeful Anglo-French consultation in more fields. A new summit declaration, or a reaffirmation of the 1976 one, could be needed. But the main requirement is for clear objectives and a steady course maintained over time. Only thus will the necessary resources be marshalled and the necessary momentum maintained.

Planning Staff

May 1981



The National Archives

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RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS AND THE FRENCH MINISTER OF EXTERNAL RELATIONS AT THE QUAI D'ORSAY ON 28 MAY 1981

[The meeting, which started at 7.30 and continued over dinner, was preceded by a private conversation between the two Ministers.]

Present:

The Rt Hon Lord Carrington
KCMG MC

Sir M Palliser GCMG

Sir R Hibbert KCMG
HM Ambassador, Paris

Mr B J P Fall
Private Secretary

M. Claude Cheysson

M. E Jacquin de Margerie
French Ambassador to London

M. Dufourcq
Director for Europe, Quai d'Orsay

M. S Boidevaix
Director for Middle East,
Quai d'Orsay

M. F Scheer
Directeur de Cabinet

Community

1. M. Cheysson welcomed Lord Carrington to Paris and pointed out that he was the first Foreign Minister to visit since the new French Government had taken office.

2. Lord Carrington said that he wanted our bilateral relations to improve. There would no doubt be differences of opinion but he hoped that they would be differences in friendship. M. Cheysson said that there was no Bonn-Paris axis. There were very close relations between France and Germany but the French Government wanted very close relations also with others and France and Britain had the same points of view on many questions. He noted that both countries were nuclear powers, and permanent members of the Security Council and that they had a global point of view. There was every reason to have regular exchanges and close cooperation. We might differ at times but there were many subjects, including the development of Europe, where we would agree. We had a common interest in giving Europe its full dimension. It was at present too limited and a European dimension was needed on a wider range of subjects. This might or might not have budgetary implications. There was no French blue-print although they had ideas which they would want to discuss with us and with others (he made specific mention of the Germans and Belgians).

3. Lord Carrington recalled that in their private conversation they had spoken of the timetable for the restructuring of the budget. M. Cheysson had said that France would need two or three months delay but had agreed that a solution should if possible be found before the end of the year. M. Cheysson intervened to say that the 'if possible' was not necessary. He went on to say that in order to gain public support for the development of Europe we would also have to discuss matters other than the budget and agriculture. The French would be approaching us and others to suggest that the mandate should not be considered immediately but should be left until say September. Meanwhile, they would hope to start bilateral discussions of other subjects. The consideration of these would go beyond the end of this year and he accepted that a decision on the budgetary and agricultural questions could not be left until the other subjects had reached the stage of firm proposals. He hoped that it would be possible also to solve the question of fish. Lord Carrington said that the best way to make progress would be for us to have bilateral discussions. We would be willing to do so whenever the French were ready. M. Cheysson expressed great interest in this idea which he undertook to pass on to the Minister for the Sea.

4. There was a brief discussion of political cooperation, during which M. Cheysson emphasised the need for a system to allow immediate Community discussion in times of crisis. Lord Carrington said that the Political Directors' paper had not yet been discussed by Ministers and might usefully be put on the agenda for the informal weekend during the British Presidency.

Poland

5. Lord Carrington and Sir M Palliser described the very serious state of the Polish economy and the prospects for further deterioration. Lord Carrington added that the economic situation was not only very serious in itself but made it more likely that the political situation would get worse. We could do nothing about the internal political situation but had been able to provide a certain amount of help on the economy; but the problems were such that it was difficult to see what more we could do in the future. M. Cheysson agreed that it was right to start from an analysis of the internal situation, which would be the trigger of a graver crisis. The reports the French had had (including those from their recent talks with the Germans) were contradictory. There was talk of anarchy, particularly at the grass-roots level, but also evidence of a more responsible attitude at the higher levels. M. Dufourcq said that it was possible that the elections to the Polish Party Congress might not result in such dramatic changes as some expected. Some 20-30% of the leadership

/might

might survive but it remained to be seen whether this would be enough for the Russians.

CSCE/CDE

6. In connection with Poland, M. Cheysson mentioned the German view (which the Germans had said the Americans supported) that we should now seek to multiply contacts with the Soviet Union (Brezhnev's visit to Bonn, the continuation of the Madrid meeting until agreement had been reached on a CDE). Lord Carrington said he thought that the US administration were fairly luke warm about the CDE. They would go along with it, but would not be prepared to make significant concessions in order to get one. But it was important that the West should not appear to dismiss the possibility of a disarmament conference. If we failed to get a CDE, it must be in circumstances where the blame was seen to rest on the Soviet Union. It was however important that we should get the terms of reference right. We supported the French position. M. Cheysson said that we should keep in close touch on this subject.

Arab-Israel

7. M. Cheysson said that the new French Government had made it clear that they regarded themselves as bound in all respects by the previous Government's commitments. He made specific mention of the UN, the EC (including the Venice Declaration) and contracts in which the previous government had been involved. They were not happy with all these contracts and might not have signed them themselves (he cited the nuclear contract with Iraq) but the contracts were there and would be implemented. The President would shortly be sending emissaries to some of the main Arab countries. The starting point would be French policy where it now stood, including the recognition of Israel and recognition of the rights of the Palestinians. M.Mitterrand had talked in the past of a Palestinian state, but he would say nothing about this at the moment as France was a member of the Community and an ally of the United States. For the future, the new French Government had contacts with Israel and might be able to do things which could not have been done before. This could prove useful to the European initiative. In some, France would start on the same position, but would start afresh. The next step would be the British Presidency.

8. Lord Carrington said that he did not see how there could be another round of Presidential visits to the region. A lot would depend on the Israeli election, and if Begin were elected there would be little that Europe could do, though it might be able to suggest some ideas for the future. Peres was a very different character; and, although his under-

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lying feelings might not be very different, he understood that there would have to be a settlement and had said within five years. The US government's position would probably be Camp David plus a bit, but Haig's domestic room for manoeuvre on Palestine and the PLO was almost nil. We did not want a row with the United States but we did want to push things forward. M. Cheysson agreed about the importance of the Israeli elections. Peres and Allon were people who knew Israel belonged to the region and must find its future there. Begin on the other hand would be content to live behind barbed wire for ever, and, like the Old Testament, saw the region only in terms of Egypt and Israel. He took up Lord Carrington's reference to ideas for the future and suggested that we should give further thought to how the region would look and work after a settlement.

9. Lord Carrington said that the Community would not remain credible if it did nothing. We must look for something constructive which was not in opposition to the United States. M. Cheysson agreed. Lord Carrington suggested that when M. Cheysson went to the United States he should try to get across the point that the world should not be seen purely in east-west terms: the more one did so, the more the prophecy was likely to prove self-fulfilling.

Lebanon

10. M. Cheysson said that Habib's mission had appeared to have some effect. Lord Carrington agreed that it would now be much harder for Israel to try to take out the Syrian missiles, but he doubted whether the problem of the Lebanon could now be solved until progress had been made on Arab-Israel. Sir M Palliser said that this was one of the consequences of Israeli involvement. M. Boidevaix said that there was not much that we could do but that the Lebanese army would need equipment if it was to be able to establish control and play a useful political role thereby. We might be able to help in this way, which fitted well with the aims of the Habib mission. The Syrians might be prepared to accept this, and it would in any case be hard for them to oppose measures designed to strengthen the authority of the Lebanese army.

Southern Africa

11. M. Cheysson said that his speech at the UNESCO Conference on apartheid had not changed the international position which France had established with us and with others. Namibia was now a first priority and he was very pessimistic about it. There seemed to be no future in the US position and we would all have to consider whether we could support it. Sanctions were absurd and irresponsible, but it was more important than ever that we should make some progress.

12. Lord Carrington said that if we did not get a negotiated settlement the war would intensify, the Soviet Union, East Germany and Cuba would increase their aid to SWAPO, South Africa would hit at SWAPO in Angola and the general escalation might take on an east-west dimension. To avoid such a catastrophe we needed a negotiated settlement and this required the agreement of South Africa. The present South African line was not sellable to SWAPO, but safeguards and something to provide an assurance of UN impartiality might be. At the worst, something on this line would serve to fish the South Africans out - if they had decided against a negotiated settlement there was in any case nothing we could do. But we should explain to Haig that we could go only a certain way down the road indicated by the latest South African proposals. He added that he would be seeing Mr Nujoma on 29 May. M. Cheysson made it clear that he had a low opinion of Nujoma's ability.

13. M. Cheysson asked whether the South Africans had not been almost ready to agree before the US elections. The Germans were now very worried and the question would be a very difficult one for the French Government. It would perhaps be the first occasion when changes in policy would appear. President Mitterrand was likely to see this as an issue of principle and 'we won't be able to be diplomatic for very long on apartheid'. M. Cheysson said that he would wish to avoid surprises, but that it was more difficult on this question than on the Middle East for the French Government to stick to the policies of their predecessors. Lord Carrington said that there was no disagreement between us on the principles, including the independence of Namibia and universal suffrage, but the question was how to get there. In his view, we should keep trying to find a negotiated settlement. The consequences of giving up were horrifying. Sir M Palliser explained the differences concerning Mr Crocker and Mr Haig in Washington. M. Cheysson said that France would be very firm about the Atlantic Alliance but that the United States could not ignore points of concern to others who also had political pressures to take into account. He asked whether we should not all be doing more to put our views across to Americans outside the State Department. Lord Carrington agreed that we should express our views but we should do so in such a way as to be helpful to Haig in Washington. The struggle between him and others was a crucial factor in the short term. M. Cheysson concluded by saying that French would behave as very reliable partners.

Chad

14. M. Cheysson said that the French Government would have to consult neighbouring countries in Africa and it would probably be about a month before they had formed a view. They would be ready to support their friends where the need arose, but they would not impose. They would keep their

/troops

troops in Africa until they had found a better way. Egypt had to be brought into the discussions on Chad. It had not been wrong for Giscard to send troops to Ndjamena but he should have assured himself in advance of African support. If there had been even token African participation (especially by the Egyptians) Qadhafi would not have dared to move.

Afghanistan

15. Lord Carrington mentioned in general terms our thinking about an initiative of the Ten and said that Mr Goodison would be coming to explain our thinking in more detail to M. Robin. M. Cheysson took note.

Distribution

WED (to enter)

PS

PS/LPS

PS/Mr Hurd

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PS/PUS

Sir A Acland

Sir J Graham

Mr Bullard

The Lord Bridges

Mr Day

Sir L Allinson

Mr Goodison

Mr Fergusson

Mr Hannay

Mr Gillmore

EESD

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Defence Dept

WAD

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News Dept

PS/10 Downing Street

PS/Mr Walker

Mr Franklin, Cabinet Office

HM Representatives:

Paris

Washington

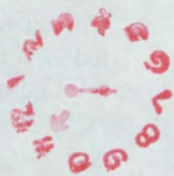
Bonn

UKDel NATO, Brussels

UKRep Brussels



1952 JAN 1 62



CONFIDENTIAL

INTRODUCTORY CALL BY NEW FRENCH AMBASSADOR ON
SECRETARY OF STATE: 25 MARCH 1981

Present

The Secretary of State

M. de Margerie

Mr G G H Walden

Mr P W M Vereker

1. M. de Margerie asked about Maastricht. The Secretary of State said that the Council had been satisfactory except for fish. On that everyone had their own problems and no one was keen to recognise that the others had problems too. Chancellor Schmidt had emphasised his own political difficulties which of course we recognised, but was not prepared to see ours. The Chancellor felt that the issue was the last straw. Nevertheless on the substance Lord Carrington believed it should be possible to get an agreement. He had had a quarter of an hour's talk about it with President Giscard and M. François-Poncet before dinner. Access was the outstanding problem. There had been an agreement on quotas. Although Commission calculations had shown we should get 38%, we indicated that we would be willing to accept a lower quota of some 36% for the sake of reaching agreement on a revised CFP, with the French getting 15%. But there was no point in having a quota if you could not catch the fish. He recognised that there were special problems over the boats at Boulogne. But we too had a political problem. We believed that we had a raw deal when we joined the Community. The Six had produced a Common Fisheries Agreement the day our negotiations opened which did not take account of our length of coastline. The Norwegians had refused to join because of this. Our fishermen were outraged. It was a political problem not a fisheries one. Would it not be possible for the British side to take account of the French fishing problem, by recognising essential French historic rights in certain areas, in return for French recognition of the British political problem - not insisting on unrestricted access to all UK waters? If there were goodwill on both sides this seemed conceivable.

2. M. de Margerie commented that what he had heard from Paris that morning gave him some small margin of optimism. It had been agreed that there should be a bilateral exchange in advance of the Special Fisheries Council on Friday. Lord Carrington recalled that M. François-Poncet had said to him that if fish were out of the way the French and British were in agreement about everything else.

13.

CONFIDENTIAL

CONFIDENTIAL

3. M. de Margerie said he knew M. François-Poncet was pleased with his relationship with Lord Carrington. In answer to a question he said that if the President were re-elected he thought the Foreign Minister had a fair chance of retaining his job. The re-election of the President would be the normal thing to expect but anything was possible in politics. He agreed, as M. Chaban-Delmas had told Lord Carrington that M. Barre on the other hand was likely to lose his job. M. Chaban-Delmas had explained to the Prime Minister why this was so. There were certain members of M. Chaban-Delmas's Party who could have a good working relationship with the President: he mentioned Guichard and Peyrefitte. M. François-Poncet was not in the race for Prime Minister at the present time.

4. Asked about the significance of First Round results, M. de Margerie said that if the President had a poor showing that would be really bad for his prospects in the Second Round. If he had more than, say, about 28% and M. Chirac about 14% the President would obviously be in the lead. Lord Carrington said that M. Cheysson thought the President would win but very narrowly like last time. M. de Margerie agreed. M. Cheysson stood to gain if Mitterrand were elected in which case he might well be Foreign Minister.

5. Turning to his new job, M. de Margerie said that he had every desire to try to be useful and he hoped that Lord Carrington would make any use of him that he saw fit. He would try to do his best. Lord Carrington said that he did not think M. de Margerie had an easy job, any more than the Ambassador had in Paris. But he wanted very good relations and if fish could be got out of the way he did not believe there were any other major issues on which we were likely to disagree. Our interests on restructuring were broadly similar. M. de Margerie said that areas of manufacturing policy could be explored to find convergent interests. There was also the whole question of our common interests in the world at large which should be explored and discussed. Lord Carrington said that his door would be open to the Ambassador: he very much wanted relations improved and misunderstandings removed. M. de Margerie concluded by saying that these sentiments coincided with his instructions and also with his personal instincts.

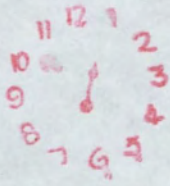
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Mr Bullard
Lord Bridges
Mr Fergusson
Mr Hannay

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Planning Staff
MAED
Sir R Hibbert, Paris
Sir M Butler, UKREP Brussels
No 10 (Mr Alexander)

CONFIDENTIAL

28 MAR 1981



CONFIDENTIAL

274



Handwritten signature

10 DOWNING STREET

From the Private Secretary

25 February 1981

Message to President Giscard

I enclose the text of a message from the Prime Minister to President Giscard which has just been despatched on the direct line. As you will see it is virtually identical with that enclosed with George Walden's letter of 24 February to me.

Handwritten initials

Francis Richards, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Handwritten initials

As you know, I am leaving London today for a three-day visit to the United States during which I shall be seeing President Reagan and the leading members of his Administration, as well as Dr. Waldheim in New York. I think that you, Chancellor Schmidt and I have a very good understanding on the subjects which are likely to arise. My impression is that Mr. Reagan and his team are some way from having made up their mind about many of the important questions. I believe also that they are sincere in seeking closer consultation and harmonisation of policy with their European allies. This gives us in Europe an opportunity of which I shall try to make the best use, as I have no doubt Jean Francois-Poncet is doing during his own visit this week. It might be useful for him to exchange impressions later with Peter Carrington, who will in any case be briefing the Community Ambassadors in Washington on Friday.

I would also like to take this opportunity to confirm to you what I said in my message of 18 February about the fisheries question, that we hope it will be possible to reach an agreement on this at the next meeting of the Council on 9-10 March. We, for our part, will do all we can to bring this about.

I am glad that a compromise has now been reached on access for New Zealand butter. I attach great importance to making decisive progress in the next few weeks on the other main outstanding issues of Community business, agricultural prices for 1981 and fisheries. My representative Mr. Michael Franklin has explained these views to the Secretary-General of the SGGI, M. Pierre Achard. I am not suggesting these issues be linked. Each must be resolved on its merits. But I do see real advantage to us all, and to the Community as a whole, if these matters can be resolved speedily and without undue public dispute. Such dispute would benefit neither of us in the long term.

25 February 1981

SUBJECT

copied to MASTER
OPS
USA Policy
Fisheries Policy
CAP

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No.T33/81.....

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PARIS FROM LONDON
CONFIDENTIAL GOVERNMENTAL 0028

BT
C O N F I D E N T I A L
MESSAGE FROM THE PRIME MINISTER TO PRESIDENT GISCARD

MY DEAR PRESIDENT,
AS YOU KNOW, I AM LEAVING LONDON TODAY FOR A THREE-DAY VISIT TO THE UNITED STATES DURING WHICH I SHALL BE SEEING PRESIDENT REAGAN AND THE LEADING MEMBERS OF HIS ADMINISTRATION, AS WELL AS DR. WALDHEIM IN NEW YORK. I THINK THAT YOU, CHANCELLOR SCHMIDT AND I HAVE A VERY GOOD UNDERSTANDING ON THE SUBJECTS WHICH ARE LIKELY TO ARISE. MY IMPRESSION IS THAT MR. REAGAN AND HIS TEAM ARE SOME WAY FROM HAVING MADE UP THEIR MIND ABOUT MANY OF THE IMPORTANT QUESTIONS. I BELIEVE ALSO THAT THEY ARE SINCERE IN SEEKING CLOSER CONSULTATION AND HARMONISATION OF POLICY WITH THEIR EUROPEAN ALLIES. THIS GIVES US IN EUROPE AN OPPORTUNITY OF WHICH I SHALL TRY TO MAKE THE BEST USE, AS I HAVE NO DOUBT JEAN FRANCOIS-PONCET IS DOING DURING HIS OWN VISIT THIS WEEK. IT MIGHT BE USEFUL FOR HIM TO EXCHANGE IMPRESSIONS LATER WITH PETER CARRINGTON, WHO WILL IN ANY CASE BE BRIEFING THE COMMUNITY AMBASSADORS IN WASHINGTON ON FRIDAY.

I WOULD ALSO LIKE TO TAKE THIS OPPORTUNITY TO CONFIRM TO YOU WHAT I SAID IN MY MESSAGE OF 18 FEBRUARY ABOUT THE FISHERIES QUESTION, THAT WE HOPE IT WILL BE POSSIBLE TO REACH AN AGREEMENT ON THIS AT THE NEXT MEETING OF THE COUNCIL ON 9-10 MARCH. WE, FOR OUR PART, WILL DO ALL WE CAN TO BRING THIS ABOUT.

I AM GLAD THAT A COMPROMISE HAS NOW BEEN REACHED ON ACCESS FOR NEW ZEALAND BUTTER. I ATTACH GREAT IMPORTANCE TO MAKING DECISIVE PROGRESS IN THE NEXT FEW WEEKS ON THE OTHER MAIN OUTSTANDING ISSUES OF COMMUNITY BUSINESS, AGRICULTURAL PRICES FOR 1981 AND FISHERIES. MY REPRESENTATIVE MR. MICHAEL FRANKLIN HAS EXPLAINED THESE VIEWS TO THE SECRETARY-GENERAL OF THE SGGI, M. PIERRE ACHARD. I AM NOT SUGGESTING THESE ISSUES BE LINKED. EACH MUST BE RESOLVED ON ITS MERITS. BUT I DO SEE REAL ADVANTAGE TO US ALL, AND TO THE COMMUNITY AS A WHOLE, IF THESE MATTERS CAN BE RESOLVED SPEEDILY AND WITHOUT UNDUE PUBLIC DISPUTE. SUCH DISPUTE WOULD BENEFIT NEITHER OF US IN THE LONG TERM.

YOURS SINCERELY
MARGARET THATCHER.

25 FEBRUARY 1981
BT

SENT AT 1053^z P.m.

MESSAGE FROM THE PRIME MINISTER TO PRESIDENT GISCARD

Confidential.

T 33/87

My Dear President,

As you know, I am leaving London today for a three-day visit to the United States during which I shall be seeing President Reagan and the leading members of his Administration, as well as Dr. Waldheim in New York. I think that you, Chancellor Schmidt and I have a very good understanding on the subjects which are likely to arise. My impression is that Mr. Reagan and his team are some way from having made up their mind about many of the important questions. I believe also that they are sincere in seeking closer consultation and harmonisation of policy with their European allies. This gives us in Europe an opportunity of which I shall try to make the best use, as I have no doubt Jean Francois-Poncet is doing during his own visit this week. It might be useful for him to exchange impressions later with Peter Carrington, who will in any case be briefing the Community Ambassadors in Washington on Friday.

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Yours sincerely

Margaret Thatcher.

25 February 1981

Ans 25/2

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

24 February 1981

*for
Message sent.*

*12/2
- 25/2*

Dear Michael,

Message to the French President

Following my letter of 23 February you told us that the Prime Minister would be willing to speak to Chancellor Schmidt on the telephone but preferred not to do likewise with President Giscard. You requested our further advice.

We continue to believe that it would be useful for the Prime Minister to speak to the Federal Chancellor in the terms suggested in the enclosure to my previous letter. The Prime Minister might then send a written message to President Giscard d'Estaing. I enclose a draft, which has not yet been seen by Lord Carrington. We will let you know by telephone if, after Cabinet, Lord Carrington wishes to recommend any changes.

I am sending a copy of this letter and enclosure to David Wright in the Cabinet Office.

G G H Walden

(G G H Walden)
Private Secretary

M O'D B Alexander Esq
10 Downing St

CONFIDENTIAL

As you know, I am leaving London tomorrow for a three-day visit to the United States during which I shall be seeing President Reagan and the leading members of his Administration, as well as Dr Waldheim in New York. I think that you, Chancellor Schmidt and I have a very good understanding on the subjects which are likely to arise. My impression is that Mr Reagan and his team are some way from having made up their mind about many of the important questions. I believe also that they are sincere in seeking closer consultation and harmonisation of policy with their European allies. This gives us in Europe an opportunity of which I shall try to make the best use, as I have no doubt Jean Francois-Poncet is doing during his own visit this week. It might be useful for him to exchange impressions later with Peter Carrington, who will in any case be briefing the Community Ambassadors in Washington on Friday.

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CONFIDENTIAL

vb

France

17 February 1981

The Prime Minister was grateful for the Lord President's comments on Concorde cost sharing, as set out in his minute of 13 February.

MAP

Jim Buckley, Esq.,
Lord President's Office.

CONFIDENTIAL

A



Prime Minister

Mr Tebbit's note showed that this approach was the only one offering any hope.

*MAD
16/2*

PRIME MINISTER

CONCORDE COST SHARING

I have seen a copy of the note sent by the Department of Industry to Mike Pattison about Concorde costs.

Frankly I think it odd that our share of the costs was allowed to get out so far ahead of the French. However that is water under the bridge.

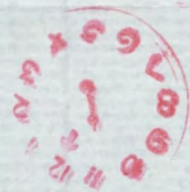
I would be surprised if, at this late stage, the French were ready publicly to admit that they owe us anything. But if the figuring clearly and evidently supports our case I would expect the French to be ready to let some compensation come our way through an indirect route. It is to that end that I would advise our pressure to be kept up - if need be in such a way for them to see that it will not go away.

I am copying this minute to Peter Carrington and Norman Tebbit.

S. *mb*

SOAMES

13 February 1981



1167 FEB 21 11

COMMERCIAL

Fraser 2

*cc pass
NJS*



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 7691
SWITCHBOARD 01-212 7676

From the
Minister of State

PS/Norman Tebbit MP

Prime Minister

Mike Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

*You asked Mr Tebbit
to provide a note. It
has also gone to Lord Soames.*

5 February 1981

*Would you
ask Mr
if Christopher Soames
can have a
copy of this
note
MAD
6/2.*

Dear Mike

CONCORDE COST-SHARING

Thank you for your letter of 130 January.
I enclose a brief note on Concorde Cost
Sharing, which has been approved by Mr Tebbit.

I am copying this to Francis Richards (Foreign
and Commonwealth Office), Jim Buckley (Lord
President's Office) and Terry Matthews
(Treasury).

*Yours sincerely
Peter Mason*

PETER MASON
Private Secretary



TS/14/06

ANGLO-FRENCH COST SHARING

1 The 1962 Treaty between Britain and France on the Concorde project provided for equal sharing of costs and work but gave no guidance on:-

- a what was to be compared;
- b the method of calculation to be used;
- c the means of remedying an imbalance, other than by transfer of work.

2 The question of equal sharing has been brought to a head in the last few months as a result of efforts by British officials. Against the background that each country has spent over £2000 million (at current economic conditions) on the Concorde project, British officials argued that we had spent some £200 million more than the French, ie corrective action in our favour to the tune of £100 million was needed.

3 In contrast, French officials argued that they had spent some £200 million more than we had. They could do this only by:-

- a excluding intra-mural costs eg those of RAE, Farnborough;
- b including VAT expenditures but not receipts;
- c including Air France operating losses (outside the Treaty's scope);
- d using methods of calculation which gave special weight to particular reference years, rather than due weight to all years.

4 It was common ground that there was no scope for transfer of Concorde work.

5 Mr Tebbit and M. Hoeffel, the French Minister of Transport, discussed at an unannounced meeting in Paris on 19 January a Situation Report by British and French officials. They had previously agreed that it was desirable to seek a political solution. Mr Tebbit argued that the sound political approach was to follow Anglo/French precedents on military and civil



cooperative projects, all of which supported the British position. M. Hoeffel argued that Concorde pre-dated these precedents; he supported his officials and implicitly suggested a political deal whereby it would be agreed that each side's claims cancelled out the other's.

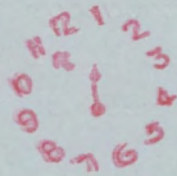
5 Mr Tebbit said that this was not politically acceptable. M. Hoeffel said that, even if he believed the British arguments (which he did not), he could not admit them, since he could not defend politically any payment by France to Britain.

6 The apparent deadlock was somewhat tempered by the ghost of a French suggestion that some benefit for Britain might be found in the context of the Airbus programme. The British side had in any case had in mind that this might be the way forward, especially in the context of the waiving of subsidies which Britain would otherwise have to pay if Rolls-Royce engines were selected for the Airbuses purchased by Saudia and subsequently for other Airbuses. It now appears, however, that Rolls-Royce has lost the Saudia engine order.

7 It seems clear that the French Government will neither explicitly nor implicitly admit that there is a Concorde imbalance against the United Kingdom. However, in recognition of the weakness of their position (which they have not admitted), they may be willing to let a compensating benefit come our way, provided this involves no financial payment by the French Government. Our present strategy is to maintain pressure on the French against the day when another opportunity emerges like the hoped-for Saudia engine deal. Our judgement is that, if a claim on the French Government is made publicly, they will publicly reject it and dig their heels in. This would then close off the chance of getting compensation in the Airbus context, or indeed in any other appropriate context.

Department of Industry
3 February 1981

5 FEB 1981





10 DOWNING STREET

MICHAEL

Ka
V. Hunt 15/2

1. HAVE DISCUSSED WITH
P.M.

2. SHE ACCEPTS F.C.O.
ADVISE.

3. HAVE SO INFORMED
DICK BOOT.

I.L.
13/2/1961

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

30 January 1981

Dear Michael,

Visit by M. Debre

You asked for our advice as to whether the Prime Minister should see M. Debre next month when he comes to address the European Affairs Committee.

Having consulted HM Ambassador in Paris, we would recommend that the Prime Minister decline to see M. Debre. Assuming that the latter is only in London for the day, it would be possible to plead an over-full diary.

To accept a request passed through the Party net rather than through the French Embassy would carry the inevitable risk of causing offence in the Elysee. This would not be an overriding objection if there were countervailing advantages from the point of view of British interests in cultivating M. Debre for the future. However, given that M. Debre has no chance of winning the Presidential election, and is not even likely to be the preferred choice of his own party, he is of no real political interest to us.

Agreement to see M. Debre would in addition imply an obligation to see any other Presidential candidate who requested a call. In practice, this boils down to M. Chirac, but a visit by the latter during an election campaign would certainly be viewed askance by President Giscard.

The Prime Minister did see Herr Strauss before the Federal German elections. But Herr Strauss was the only Opposition candidate in the FRG and political sensitivities are rather greater and more personalized in France than in the FRG.

If nevertheless the Prime Minister decides that she will see M. Debre, we would advise that the call be handled as quietly as possible. This would not be easy given M. Debre's natural desire for maximum publicity.

Yours ever,

(F N Richards)
Private Secretary

Michael Alexander Esq
10 Downing Street
London

CONFIDENTIAL

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

30 January 1981

In conversation yesterday, Mr. Tebbit mentioned to the Prime Minister some continuing difficulties with France in settling accounts over Concorde.

The Prime Minister would be grateful for a brief note on the problem as soon as possible. She has asked that a copy should be sent on a personal basis to the Lord President.

I am sending copies of this letter to Francis Richards (Foreign and Commonwealth Office) and Jim Buckley (Lord President's Office).

M. A. PATTISON

Peter Mason, Esq.,
Department of Industry.

CONFIDENTIAL

CO
WPO

VLS
30/1
France.

cc HMT
BF 3.2.81

2/4



Below 10 DOWNING STREET

1 attach FLO advice,
~~MICHAEL~~ with which I agree. P.M.
has already received a
suggestion that she should see some
General, another of the candidates.

DEBARE IS, AS YOU
KNOW, "UN DES FIDELLES"
DEPUIS LE DIX HUIT JUNE"
AND IS A HEROIC FIGURE.

HOWEVER, I EXPECT
THAT THE FOREIGN OFFICE
WILL SAY NO, IN CASE
WE UPSET GISCARD.

J.M.

29/1/1961

BY BAR

FROM PARIS

CONFIDENTIAL

[CULL]

*The visit seems to have been
useful.*

TO FCO SAVING TEL NO 20 OF 28 JANUARY 1981 AND SAVING TO FOR INFO
BRUSSELS, THE HAGUE, ROME, COPENHAGEN, BONN, DUBLIN, ATHENS,
LUXEMBOURG

VISIT OF THE CHANCELLOR OF THE EXCHEQUER

1. The French press and television have provided good coverage of the visit of the Chancellor of the Exchequer to Paris yesterday. The Chancellor had a meeting with M Monory in the afternoon and delivered a speech under the auspices of the Club d'Aujourd'hui to a large audience of senior representatives of the French banking, insurance and business community at a dinner at which M Monory was also present. The Governor of the Bank of England accompanied the Chancellor and had a separate meeting with the Governor of the Banque de France.
2. Figaro (right-wing) today carries an article by Alan Vernay entitled "France and Britain: Common Interests". The article begins by referring to the Chancellor's remarks on the common approach of the British and French Governments on many contemporary problems. It goes on to quote the Chancellor as referring to France and Britain's joint interest in modifying the Community so that it will endure and prosper by realistic solutions on the budget and CAP. On CAP, the article argues that the Chancellor pointed out that France, having become a net contributor to the budget, would be more inclined not to want to see surpluses impose a heavy burden on consumers and tax-payers, and that even the strongest advocates of CAP would admit that the system did not work entirely as intended. The Chancellor's explanation of the problem of integrating sterling into EMS exchange rate mechanism is also summarised. The article highlights the Chancellor's phrase that developed countries should think not so much of re-distributing the world's total wealth but rather of enlarging it. The article finishes by saying, tongue in cheek, that a member of Mrs Thatcher's Cabinet could hardly have gone further in this cordial exercise of understanding and friendliness.
3. Quotidien de Paris (independent) reports the Chancellor's remarks on CAP and EMS at similar length and places the speech in the context of the Prime Minister's address at Bordeaux and your speech at Hamburg. The article argues that although governments are agreed on the need for changes in the Community, profound divergencies still exist. British policy on CAP remains firm. Electoral considerations in France mean that consideration of Community problems has been deferred. The article notes that on domestic economic policy the Chancellor considered that Britain was bringing about important changes of attitude.

4. AGEFI (financial daily) begins by commenting on the convergence of views existing between Britain and France underlined in the Chancellor's speech. It quotes extensively from the Chancellor's remarks on freedom of trade in services and of investment. On Community affairs it says that the Chancellor skilfully drew attention to the fact that France, Germany and Britain have become net contributors to the budget, and to the illogicality of expecting public opinion to accept an increase in expenditure on CAP while their own governments were preaching reductions in public spending. The article quotes at some length the Chancellor's remarks on the principal objectives of the reform of CAP: preserving a healthy industry, reducing the proportion of spending on CAP, eliminating structural surpluses, moving towards market prices. It also picks up the Chancellor's argument that countries should work for an increase in the world's total wealth rather than redistribution.
5. The late-night news on the principal television channel (TF1) yesterday carried part of the Chancellor's speech with a commentary emphasising the evidence of a convergence of views between the Chancellor and M Monory and the British Government's success in the fight against domestic inflation. There was also a short extract from the speech on the lunchtime TV news today.
6. The visit appears to have been very successful in communicating to a top-level audience of French businessmen the British Government's firmness of purpose in domestic and international economic policy: in this context it has also been seen here as a useful follow-up to the high level mission of French industrialists to Britain last year, on which the Embassy continues to receive much favourable comment from a wide range of French businessmen and officials. More particularly it enabled the Chancellor to point out that on a wide range of international economic questions British and French views are close, while taking the opportunity to reaffirm and publicise the British Government's position on the principal outstanding Community questions, particularly on budget restructuring.
7. The French press has not picked up M Monory's graceful concluding speech in which he spoke warmly of Franco-British relations and described Britain and France as quote amis exigeants unquote. But the spirit of his concluding remarks has been fully reflected in the press comment.

HIBBERT

FINANCIAL DISTN.

ERD

WED

THIS TELEGRAM
WAS NOT
ADVANCED

France



Foreign and Commonwealth Office

London SW1A 2AH

23 January 1981

Dear Michael,

Farewell Call by the French Ambassador on the Prime Minister

M. Jean Sauvagnargues is paying a farewell call on the Prime Minister on Tuesday 27 January at 09.30 hours. As this is essentially a courtesy call, we are not expecting any matters of substance to be raised. I enclose briefing accordingly, with suggested Points to Make, a short Background Note and a Personality Profile of the Ambassador who, as you know, was Minister for Foreign Affairs 1974-1976. I also enclose a copy of HM Ambassador's Annual Review for France.

The Prime Minister may like to know that the Secretary of State is giving the Ambassador a farewell luncheon on 29 January.

Yours ever,
Francis Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
Private Secretary
10 Downing Street
LONDON



FAREWELL CALL BY THE FRENCH AMBASSADOR

POINTS TO MAKE

1. Welcme the opportunity to thank you personally for your efforts in maintaining the good working relationship between France and Britain. Recognise there have been some strains, notably on Community issues. Believe that media have blown them up out of proportion. Pleased with success of Franco British Conference in Bordeaux in September.

2. Recognise that the two countries have some different points of view but believe that we share far more. I am convinced that both our interests best served by frequent and frank exchanges of views on all issues, across the board.

3. Please convey warm personal regards to President Giscard. My own best wishes to yourself on retirement from the French Diplomatic Service. What are your plans for the future?



BACKGROUND NOTE

1. M Sauvagnargues has not been particularly close to the central thinking of his government and not surprisingly, he has regarded his present job as somewhat of a comedown. He is opinionated and lacks sensitivity; he can be a prickly customer to deal with. However, he has been an active representative of France, has made a wide range of contacts runs an efficient Embassy and, with his wife, has much enjoyed his time in London. He speaks English fluently.

2. M Sauvagnargues has been Ambassador here since 1 September 1977. He was awarded the GCMG in 1976 during President Giscard's State Visit. He leaves London in mid-February on retirement from the French Diplomatic Service. His future plans are not known but there were rumours earlier that he might be considered for a place in the French Conseil d'Etat. M Sauvagnargues will be replaced by M Emmanuel Jacquin de Margerie, who has most recently been French Ambassador in Madrid. M de Margerie is expected here at the beginning of March.



FRANCE - REVIEW OF 1980
SUMMARY

1. France has been a difficult neighbour in 1980. She has also been obsessed with the coming presidential election. The latter does not entirely explain the former. The "Bordeaux spirit" has not reached the French government (paras 1-4).
2. A deteriorating world situation and testing prospects for French economy have put question marks over several of France's "independent" policies. France is anxious to find a modus vivendi with the new US administration (paras 5-6).
3. Since the May 30 agreement on Britain's contribution to the Community Budget, France has found herself on the defensive. She still fights her own corner vehemently, and there is little evidence that there will be a new spirit of cooperation after the election if President Giscard wins, which is still likely. Consultation needs to be developed simultaneously in several different circles if France is to be influenced successfully - bilateral, à quatre, in European Political Cooperation and in NATO (paras 7-10).

/4. French



4. French defence policy is sometimes said to be changing, but it is doubtful if this is really the case. The French government seems chiefly interested in deriving political benefit from appearing flexible. The President is keen on the Intervention Forces but they have not done much this year (paras 11-13).

5. President Giscard approaches the election with his image a bit tarnished and with policies decreasingly suited to the world environment. But France is still a well-run and attractive country. Britain should be well placed to extract advantage from France's current situation by being both firm and magnanimous (paras 15-16).

BRITISH EMBASSY,
PARIS.

6 January 1981

The Right Honourable The Lord Carrington KCMG MC
London

FRANCE - REVIEW OF 1980

My Lord,

An Uneasy Climate for Franco-British Relations.

1. France is still four months away from its Presidential election, but, in the absence of other ways of bringing about change, French politics have been focussed on the coming election throughout 1980.
2. At the best of times, the French national tradition and the French system do not inculcate in Frenchmen a generous attitude to the outside world, and especially not to the Anglo-Saxon world by which the French genius tends to feel eclipsed or threatened with eclipse. In 1980 there has been a series of disagreeable brushes between France and Britain - on the Community budget, on sheepmeat, on fisheries, on butter, on apples, through the blocking of the Channel ports during the French fishermen's strike, through a divergence of attitudes towards the Soviet invasion of Afghanistan and its significance for détente in Europe, over independence for Vanuatu, over details of energy policy, over

/European

CONFIDENTIAL



2.

European space satellite policy and over several other questions too tedious to catalogue. In all of these matters unsurprising divergencies of national interest have tended to be played up into episodes of national rivalry of surprising vehemence. The French government has rarely seemed to want to attenuate this. France has been a difficult neighbour.

3. The exigencies of the coming election are very commonly quoted in explanation of this phenomenon. My own feeling is that the election has the effect only of intensifying something which is to some extent in the nature of France and of the French polity. It is notable that in most of the rivalries which have characterised 1980 France has been the loser. This does not seem to disconcert anyone in France. President Giscard has seemed to conduct France's affairs broadly in harmony with French popular feeling, or at any rate with one very important aspect of it. In engaging the various targets presented to him he has been ensuring that the range is set at next April and May. One gets the impression that, for the time being, he hardly looks beyond that dateline.

/4. Since



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4. Since the Anglo-French summit at Paris in September and the colloquy organised by the Franco-British Council at Bordeaux which followed it, it has been common on both sides of the Channel to register with relief that Franco-British relations are more "normal", ambiguous though that word is, and to identify a Bordeaux spirit which has mellowed mutual sentiments. I detect no sign that this spirit has influenced the Elysée and the Matignon. It is sometimes invoked at the Quai d'Orsay, but usually as a means of urging Britain to keep up to some mark or other. The Elysée, Matignon and Quai do, however, show signs of feeling that they have been losing points in the various encounters of 1980. Their growing circumspection is welcome in that it leaves room for other, less central, Frenchmen to indulge in a restrained way in the Bordeaux spirit.

The Sobering Impact of World Affairs on France.

5. The world situation has deteriorated in 1980 as a result of the invasion of Afghanistan, the Gulf war and the Polish crisis. This places President Giscard and the French government in a more uncomfortable position

/than /



than most of their neighbours because it puts in question some of the policies and attitudes inherited from General de Gaulle which electoral arithmetic makes it difficult to abandon. Détente in Europe, a special relationship with the Soviet Union, a Europe led by France and Germany, France's independent foreign policy, France's independent defence posture, France's independent deterrent, France's special bid to win the 1980 yellow jersey in both the CSCE and the disarmament marathons by promoting her own proposals for a Conference on Disarmament in Europe, all look less credible as tension mounts between the Soviet Union and the United States. As the year ends President Giscard finds himself trying to appear to the incoming Reagan administration across the Atlantic as a reliable partner, while trying at home in France to avoid Gaullist accusations of subordinating France to America and moving France back towards integration in NATO. As the international situation has deteriorated, France has adopted a harder line towards the Soviet Union; but the hardness tends to remain generalised and unspecific and is not being allowed to affect current business if France can help it. France is not at present making difficulties of principle about political consultations in NATO, but she is making it difficult for those consultations to proceed to effective, corporate decision-taking. This is likely to remain the position

/unless



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unless or until Soviet/US relations spiral further downwards as a result, for example, of repressive Soviet action in Poland. At the same time the French government looks with favour on more exclusive and secret ways of consulting with the United States government as these do not involve a public commitment and so are electorally harmless.

The Uncertain Economic Outlook in France.

6. It is not only France's independent, nationalist posture which has started to look a bit out of place as international danger rises. The French economy has also begun to look more vulnerable. The main cause of this is the shock imparted by the war between Iraq and Iran in the Gulf. M. Barre's cautious management had until 1980 kept the French economy on a steady, rising course and enabled it to absorb the earlier oil price increases. In 1980 the inflation, unemployment and trade indicators began to look unfavourable and growth slackened markedly as the year advanced. M Barre succeeded in keeping the franc stable and strong by the resolution with which he continued to pursue his economic strategy and by virtue of the resilience of French industry, now attempting to restructure itself for a high technology future. 1981 will undoubtedly be a much more testing year and President Giscard and M Barre's government are going to have difficulty in /maintaining



6.

maintaining between now and May that the economy is
in a satisfactory state.

7. The economic difficulties encountered by both Britain and France did not have an adverse effect on Britain's exports to France. Britain's 1979 deficit of roughly £1 billion in visible trade with France was more than halved in 1980. This is gratifying, but as the reasons for it do not throw useful light on the state of France they do not need to be analysed here.

Community Affairs: France's Fighting Retreat.

8. Events in the European Community have also evolved in ways unwelcome to France. The 30 May agreement for correction of Britain's budget burden will probably be seen in retrospect to have been a turning point in Community affairs - the point at which France ceased to be able to dictate terms to her partners. The possibility that this may be the case is only dimly felt so far in France. France has since May been constrained to acquiesce in the settlement of various Community issues in ways contrary to her declared wishes and intentions. This process may continue, although she is showing no signs of moderating her dogged resistance. The fisheries dispute and the delay in settling the New Zealand butter issue drag on, and

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7.

at Christmas the French government fushed precipitately into an angry dispute with the European Assembly over the way in which the supplementary Community budget for 1980 and the budget for 1981 were passed. It looks as though the French government continues to be attracted by ideas of 'linkage' even though the experience of last spring should have shown that 'linkage' can weaken rather than strengthen France's bargaining power, because France is so much on the demanding side where agricultural prices are concerned. French "sacro egoismo" and the imminence of the Presidential election may cause France to make a bitter stand on outstanding issues in the new year and to let the agricultural price fixing in March/April escalate into a real crisis. But France's chances of winning a fight do not look good, and President Giscard may yet decide not to continue in the negative line of 1980. I suggest this without conviction.

The Political Immobility of France.

9. Frenchmen who recognise how difficult a partner France has been in 1980 and British francophiles who are determined to see a fresh dawn after every cock-crow tend to argue that electoral considerations explain all the difficulties and that after the election a new spirit of cooperation can be expected. I find little evidence in 1980 pointing encouragingly in that direction. The prospect is still that President

/Giscard

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Giscard will be re-elected, that is to say that the abstentions by Gaullists refusing to vote for candidate Giscard in the second round will not outweigh the abstentions by communists refusing to vote for candidate Mitterand. But President Giscard will still have to work with the same majority as now, and there is no good reason for thinking that his UDF would drastically reduce RPR representation in the National Assembly if he were to dissolve it before the next legislature elections due in 1983. In spite of the Communist Party's treacherous treatment of the Socialist Party, there is no prospect of the President finding a new ally on the left. He will still be condemned to the unpromising competition with the RPR in which both main partners of the majority outbid each other in extremes of nationalist self-assertion. Another, more moderate and constructive policy would in theory be possible, but it would take a figure of de Gaulle's stature (but not his thinking) to persevere with the upheaval in party politics and alignments which it would necessitate. On his showing in 1980, indeed on his showing during his whole 7-year term, President Giscard is not that man.

Constraints on France: Many-tiered Consultations.

10. While the evidence of 1980 does not point to any likelihood of spontaneous change in France, it does

/point



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point to possibilities of moving France in the direction of change. Skilful and determined diplomacy can produce combinations which compel France to give way. The task is an arduous one and will not be achievable unless Britain's internal economic recovery is successfully accomplished. Much will depend on the evolution of wider world events. In 1980 the Carter administration in the United States largely lost sympathetic touch with the French government following the Soviet invasion of Afghanistan. In January it looked for a while as though Britain might do the same. France was encouraged in her difference by the relative alienation of the Federal Republic of Germany from the USA. Fortunately, as has happened so often in modern times, the Soviet Union's extremism has come to the rescue, abetted by the destructive short-sightedness of the rulers of Iraq and Iran. By the end of the year the French government was more conscious of the need to work with the United States. Britain was able during the year to take a leading role in European Political Cooperation and to make it difficult for France to set herself up as the leader of a European line either against or for the United States, or to make headway with the idea of a Europe led by a Franco-German duo, or to go it alone.

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11. The lesson of 1980 was, I think, that there is no single, simple way of achieving a degree of reliable cooperation with France. It is necessary to combine various methods of consultation if positive results are to be achieved. There must be persistent bilateral consultation with her by her bigger allies and partners, because this is what France likes best: there must be some sort of inner-circle consultation between France, Germany, Britain and the USA, because France will not consult on equal terms in any larger circle: there must be vigorous development of European Political Cooperation so that the Ten can become a more valid interlocutor with the US and others, because nothing less than this will make it possible for the smaller Community partners to put up with the existence of a more exclusive combination which can never be wholly hidden: and, in the essential interest of European security, there must be steady and vigorous consultation in NATO in which France will probably acquiesce with some degree of good grace if consultation is prospering in the smaller circles.

The French Defence Conundrum.

12. There was speculation on various occasions in 1980 that the French government was slowly moving towards open acknowledgement that the defence of France might

/require

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require collective participation in a land battle in Europe (flexible response). There are some who claim that France's contacts with SACEUR and other senior NATO commanders are so extensive that France's participation in a land battle on German soil is already assured. Franco-German military cooperation featured prominently when Chancellor Schmidt visited Paris in February and again when President Giscard paid a state visit to the FRG in July. The French defence budget is going up by 17.9% (4.2% in real terms). The public was given to understand that France would probably start producing an Enhanced Radiation Weapon (ERW) towards the mid-eighties. Many have taken this to mean that President Giscard is preparing the way for a definite shift of strategy in his second 7-year term.

13. I find it difficult to believe that this is what he really intends. It remains the case that reliance on France's own strategic nuclear strike to ward off any attack on France continues to be the fundamental principle of French defence policy and this principle alone ensures political consensus in France on defence expenditure. France still refuses to enter into any specific commitments for eventual joint action in Europe. It is difficult to escape the conclusion that President Giscard likes the political benefits of appearing more flexible in defence matters, without wanting to commit

/himself

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12.

himself definitely to being more flexible. The political benefits consist of making France seem a more convincing partner for the FRG in a Europe led by two and persuading the United States that France is not in fact a lost soul but simply a partner with special characteristics for whom special allowances need to be made.

14. President Giscard seems happiest when promoting the overseas intervention capacity of the French armed forces. Future defence planning and expenditure tend to be biased in that direction. 1980 has not brought new laurels to the French intervention capacity because the crisis in Chad proved to be beyond it, but the French ships in the Arabian Gulf earned a political dividend.

The Image of President Giscard.

15. I have tried to show how, during 1980, while President Giscard has seized every opportunity of holding up to the French people the image of an independent, intelligent, decisive, resolute and courageous France which the French people are supposed to crave, this country has in fact been beset by an accumulation of changes in the World and in Europe by which both have become less resonant and accommodating to a France pursuing that fictitious image. The

/President

CONFIDENTIAL

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President is in danger of appearing less successful in many fields than he claims. The Gaullist charge of incoherence is beginning to look more justified. At the same time the President's reputation has become somewhat tarnished by a series of scandals touching him and his government and evoking some ill-tempered and authoritarian reflexes. A degree of disillusionment has crept over the political scene, more in Paris than in the provinces. It has been enough to create a certain response to the ludicrous Presidential candidature of Coluche, the most vulgar of clowns. The odds are still on a Giscard victory, but unless 1981 produces an unexpected improvement in the international situation, the President will start his second term a little diminished, committed to policies which are decreasingly suitable to France's environment and no nearer to creating a suitable centre majority for himself than he was seven years ago.

16. For all this, President Giscard's France remains a skilfully governed country, a country enjoying the blessings of stability and well-judged adaptation over a protracted period to the demands of the modern world, a continually attractive country with a talented people. In the more adverse environment in which France is now obliged to operate she is likely to remain cleverly sensitive to her own self-interest.

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/A



14.

A France which is sound and coherent but at the same time increasingly conscious of external restraints should be a partner with which Britain can transact realistic business by acting with firmness, imagination and magnanimity.

17. I am sending copies of this despatch to Her Majesty's Representatives at Community posts, Her Majesty's Ambassador at Washington and the UK Permanent Representative on the North Atlantic Council.

I have the honour to be
Your Lordship's obedient servant,

Reginald Hibbert

From: Dick Body,



HOUSE OF COMMONS
LONDON SW1A 0AA

22nd January 1981

D → T

I can now confirm that M. Michel Debre will be coming over to London to address the European Affairs Committee. The meeting has been fixed for 4 p.m. on Tuesday, 24th February.

I know from my personal contact with M. Debre that he is most anxious to meet with the Prime Minister if at all possible to exchange views and I am quite sure that she would be most interested in many of the ideas he might express.

Should Mrs. Thatcher be able to find the time to see M. Debre during his short visit to this country, I would be most grateful if you could let me know as soon as possible in order that I can pass the information on to M. Debre quickly so that he can, on his side, organise his timetable for his visit. My Secretary is liaising with M. Debre's office and her telephone number is 219 6206.

Ian Gow, Esq., M.P.,

*James
Dick*



original filed on:-

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~~Mr Alexander~~

No 10.

He. *[Signature]* 3/2

Private Secretary

ANGLO-FRENCH RELATIONS AND THE EUROPEAN COMMUNITY

1. During the course of my visit to Paris yesterday for a day of talks with the Secretary General at the Quai d'Orsay (Monsieur de Leusse) the French Foreign Minister saw me for about 35 minutes. M. de Leusse and Sir Reginald Hibbert were also present. It rapidly became clear that M. François-Poncet was seeing me for a specific purpose. After M. de Leusse had outlined the subjects he and I had been discussing (Africa, East-West relations, Middle East etc) M. François-Poncet commented a shade tartly that we seemed to have been discussing everything except the one subject which might really affect Franco-British relations, namely Europe and the matters at issue between us in the European Community.

2. He was in favour of our concerting views as effectively as possible, both bilaterally and in political cooperation, on the big foreign policy issues. But we should be under no illusion that this would effectively bring France and Britain closer together unless there was also greater agreement between us on matters such as the Common Agricultural Policy (CAP) and fisheries. The agreement reached last May and the way in which it had been achieved had been deeply resented in France: and the French Government was considered by French opinion to have conceded far too much. They were still under vigorous criticism for this, as he himself had just witnessed at a meeting of the Foreign Affairs Committee of the National Assembly, at which M. Couve de Murville had been bitingly trenchant in his criticism (I am afraid I permitted myself a broad grin at this news, which only encouraged the Minister to more vigorous exposition of his case). It was now essential that there should be an early satisfactory settlement on fish in the run up to the agricultural price fixing which must also take satisfactory account of the needs of Europe's farming community; and thereafter reason and good sense must be shown in the debate about the CAP itself. In the agricultural price settlement it would be wholly unacceptable for prices to be held down

/unreasonably



unreasonably low while at the same time Britain's farmers got a better price than anyone else because of our refusal to do anything about our MCAs (the Minister admitted in parenthesis that Mr Peter Walker seemed disposed to take a "reasonable view" in these matters). There was a lot more in the same vein, including a repetition of much of what M. François-Poncet had said to the Secretary of State at Chevening. He was clearly under instructions to convey a message to all and sundry: and I was yesterday's recipient.

3. I heard him out. But then replied that there was an element of mirror image to all this. Whatever view might be taken in France of last year's budgetary settlement, the fact was that British opinion at all levels had been outraged prior to the settlement by what was seen as the inequity to Britain built into the budgetary system; and the fact that on current policy, the CAP looked like absorbing something between 70 and 80% of the total budget. Had there not been last year's settlement, British indignation with the Community would have become unmanageable. Now, critical though the British were of the Community and its working, there was a good chance that they could be brought to realise the value of the Community to all its members. So far as fisheries were concerned, I could not believe that an early solution was impossible. It was certainly desirable that there should be no linkage between it and the agricultural price settlement (M. François-Poncet assented warmly; no linkage, perish the thought!), but I did not see how the price settlement could, as he had implied, be totally disassociated from the subsequent debate about the future of the CAP, not least because of the implications of excessively high agricultural prices for the 1% VAT ceiling on the budget. The Secretary of State had asked me to underline the importance of an early settlement on fish. I wished to ask M. François-Poncet a direct, if indiscreet, question. Would the French Government prefer to get an agricultural price settlement before or after the Presidential election? He replied without hesitation, that it would be politically unacceptable for the settlement to be deferred until after the election. French opinion would assume that the Government was trimming and prepared to make excessive compromises once the election was out of the way. The prices had to be agreed before the election.

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4. The discussion continued in this way for quite a while. But the message was very clear: and part of it was that agreement on these two or three key subjects within the Community was what really mattered so far as Anglo-French relations were concerned.

Michael Palliser

23 January 1981

Michael Palliser

cc: PS/LPS
Lord Bridges
Mr Bullard
Mr Hannay
Mr Fergusson
ECD(I)
WED
Sir R Hibbert KCMG,
PARIS

THIS
COPY
FOR



France

10 DOWNING STREET

From the Private Secretary

6 January, 1981.

BF 23.1.81

I mentioned this morning that M. Sauvagnargues will be paying a call on the Prime Minister to bid her farewell on Tuesday, 27 January at 0930.

W

Could you please provide briefing to reach this office by close of play on Friday, 23 January.

CAROLINE STEPHENS

Christopher Jebb, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

MOORBA 0/2

I told George that PM
would see him, and
agreed that we would
set it up direct.

You may have views
on the timing.

MS
31/XII.

Aris Stephens: Pse arrange.

Arms
5/1,



Foreign and Commonwealth Office

London SW1A 2AH

30 December 1980

Prime Minister.

Agree to see M. Sauvagnargues?

Yes no

file
Box 11

Dear Cline

M Sauvagnargues, the French Ambassador, is leaving London at the end of January after nearly three and a half years here. He has already been received in a farewell audience by The Queen, and Lord Carrington will be giving him lunch on 29 January.

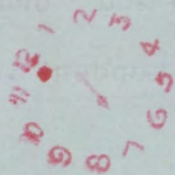
In view of the importance of France to the United Kingdom, Lord Carrington recommends that the Prime Minister receive M. Sauvagnargues in a farewell call. If the Prime Minister agrees, I should be grateful to learn in due course when the call will take place.

To see
JGG

(G H G Walden)
Private Secretary

C Whitmore Esq
10 Downing Street

30 DEC 1980



[Faint, illegible handwritten text in blue ink]

[Small handwritten mark or signature in blue ink]



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister and seen and taken note of your minute to me of 18 December about your discussion with Monsieur Wahl.

I am sending a copy of this letter to George Walden (Foreign and Commonwealth Office).

M. O'D. B. ALEXANDER

22 December 1980

*Prime Minister: This is the (2)
 conversation mentioned by Mr Walker this
 morning in Cabinet. For some reason this*

RECORD OF CONVERSATION BETWEEN THE FOREIGN AND COMMONWEALTH
 SECRETARY AND THE FRENCH FOREIGN MINISTER AT CHEVENING ON
 FRIDAY 19 DECEMBER 1980 AT 5 PM. *record had not been sent to us previously.*

Present

File is paras 10-18.

The Rt Hon Lord Carrington
 KCMG MC *hr*

M. Jean François-Poncet *Ant - 8/1*

Sir R Hibbert KCMG *Ant*

M. Jean Sauvagnargues GCMG

Mr J L Bullard CMG

M. Pierre Achard

Mr D H A Hannay

M. Gabriel Robin

Mr D A S Gladstone *md*

M. Alfred Siefert-Gaillardin

Mr G G H Walden

M. Jean-Paul Cluzel

Poland and Afghanistan

attached -
 1. (Discussion of Poland and Afghanistan has been recorded separately).

Middle East

2. Lord Carrington said that Mr Linowitz had said at a press conference in Jerusalem that the Reagan Administration was committed to the Camp David process and that any European initiative would be harmful. He was not a helpful influence. M. François-Poncet said that General Haig was more open-minded about the Middle East than the present administration. But he foresaw great difficulties ahead with the Americans on this subject. It would be important for the Europeans to stand by their policies, otherwise European interests would suffer. We could not afford further mistakes in that part of the world.

3. In reply to a question by Lord Carrington, M. François-Poncet said he thought a victory by M. Peres at the next Israeli elections was not a foregone conclusion. In any case a Peres victory could pose more difficulties for the Europeans even than did Begin because Israeli policies would then look more reasonable. But in practice the policies would probably be equally hard.

4. M. François-Poncet said it was very hard to understand the military tactics of either side in the Iran/Iraq war but especially of Iraq.

5. Lord Carrington said that the difference, if Labour came to power in Tel Aviv, would be mainly of style. Israel ought to see the present period as the moment to be flexible: but they were doing the opposite. He was going to Egypt after Christmas and would see Sadat. M. François-Poncet thought it important to build a bridge between

/Europe

Europe and Egypt (and the Arab moderates). Egypt was potentially a source of military strength. She could also help vis-à-vis Libya: unfortunately, she did not.

6. M. François-Poncet wondered how Mr van der Klaauw would perform on the Middle East and how strong his domestic position was. Lord Carrington thought that his position was not very strong but that he would honourably do his best. He himself was in trouble with the Board of Deputies of British Jews on account of Sir J Graham's meeting with Mr Arafat.

Uganda

7. Lord Carrington thought that the recent elections had been questionable but the result was perhaps better than any alternative.

Chad

8. M. François-Poncet said that Europe regarded Qadhafi as a dangerous clown, but to the Africans he was a menace. All surrounding African states were worried and wanted the Libyans out, especially the Nigerians, who wrongly thought that the French were behind Hissein Habré. In fact, the latter was not a potential pole of attraction in the area, being hated by the people of the south. All were fearful of Qadhafi, who trained terrorists, distributed weapons and threw his money around. The French had no intention of going back into Chad: their recent communiqué had certainly been unfortunately timed but had been misinterpreted. Equally, however, they would not let other neighbouring states be destabilized by Libya. In time, M. François-Poncet thought that Qadhafi would get into trouble in Chad. His troops were unpopular with their supposed allies. He repeated that the attitude of the Nigerians would be crucial: they would not put up with Qadhafi for long. Lord Carrington pointed out that the Nigerians had given Qadhafi facilities in the past. However, the Lord Privy Seal had found their attitudes changing. He himself was going to Nigeria in February.

9. M. François-Poncet said he would receive the 'political' Foreign Minister of Libya. The Libyans were telling the Africans that the French were their best friends and that a secret deal existed. Jalloud himself talked of dividing Africa between Libya and France, but M. François-Poncet made a point of keeping him at arm's length. France did not even buy oil from Libya and relations were thin. Nevertheless, there were still 1800 Frenchmen living in Libya. Lord Carrington commented that Britain had 5,000. M. François-Poncet said that Qadhafi was constantly trying to visit President Giscard at very short notice. He said that the Egyptian Foreign Minister had admitted, unfortunately, that Sadat had no appetite for 'taking Qadhafi out'.

European Community

10. Lord Carrington said that problems had arisen in Brussels in the last few days concerning especially fish and agricultural issues and the budget of the Assembly. Frankly, we were mystified by these developments. Things had been going better and we had understood that the French wanted agreement on fish by the end of the year. He would be grateful for an explanation of what had gone wrong.

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11. M. François-Poncet said that there was an explanation. As regards fisheries, there was a key principle at stake: all waters were Community waters. The UK had asked the Community to move away from this principle and agree that within the 12-mile limit they should not be Community waters. The French had made a big concession in agreeing to talk on that basis: they could have stood pat on the Treaty. The question now was how to define historic rights.

12. M. François-Poncet said that we had been close to agreement on quotas but French fishermen had traditionally fished in areas from which the British now wished to remove them. If that happened, they would be unable to take up their quota. If the UK could not formulate an acceptable definition of historic rights, they would have to go back to the simple concept of all-embracing Community waters. What the British were asking was in fact the impossible, i.e. elimination of French historic rights off the Scottish coast. If the French agreed, they would lay themselves open to similar exclusion from Irish 12-mile waters and would lose 40% of their fish. It was therefore not true to say that the Community had been 'close to agreement' at Brussels: agreement on a definition of historic rights was still outstanding.

13. Lord Carrington said that he had spoken to Mr Walker who had told him that the proposals currently under discussion had been with the French for 4-5 months without the French raising major difficulties until now. The UK had done a great deal to improve French quotas. M. François-Poncet agreed, but said that quotas were only meaningful if they could be taken up.

14. Lord Carrington said that the problem dated back to the time of UK accession to the Community. The Dutch had allowed the fishing regime to be introduced and we had been bounced into accepting it. A great deal of ill-feeling on the British side had ensued. If it were now suggested that we could not have an exclusive 12-mile zone, a solution would be impossible.

15. M. François-Poncet said that the French were not just arguing with the British but Community-wide. What was done for the UK would apply generally, especially to the Irish. Mr Hannay said that we did not understand the French reference to losing 40% of their catch opportunities. In any case, Ireland was not on all fours with the British case. The Hague areas were only part of the UK. It was surely in the French interests to settle with us since this would ensure that other member states boats did not get fishing rights in our 12-mile zone, diluting the French historic rights.

16. M. François-Poncet said that the British attitude on historic rights raised acute problems, especially for Brittany, where the fishermen concerned were concentrated. The UK was pushing France back on to Treaty principles, when they had in fact moved away from the pure doctrine of Community waters. British calculations that the French would not be doing badly were not justifiable. One could not conduct this discussion in percentage terms: the French would bring out the Bible. Mr Hannay said there could be no solution that way. M. François-Poncet agreed; there would just be a lamb war situation in reverse - we must avoid a Spanish situation where waters were fished out.

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17. Lord Carrington said that in no way could the UK accept Community fishermen coming right up to our coasts. We had to find a solution. M. Francois-Poncet agreed that the problem must be removed and suggested that further bilateral consultations would be useful. Lord Carrington said he thought this was already agreed. We had told the Commission and the Presidency we were prepared for any bilateral contacts they might decide to initiate.

18. M. Achard said that the derogations in the Treaty of Accession could be lengthened. But historic rights must be maintained. It was difficult to say that historic rights should remain in Southern England but not in Scotland. Mr Hannay pointed to the major changes that had taken place since the Accession Treaty was negotiated in 1971. Extension to 200 miles and a drastic reduction in the quantity of fish meant that new factors were now more important, especially conservation. Maintenance of French historic rights should be seen as a concession to France: the problem of Scotland was very sensitive. M. Francois-Poncet said that one could not reason and negotiate as if no Treaty existed. If we waited until 1983 everything would belong to the Community in any case.

EC Budget Restructuring

19. M. Francois-Poncet said he understood there had been talks between British and French officials. He understood the UK had some ideas. He would like to hear them. Lord Carrington said that the problem was to reform the CAP within the 1% VAT ceiling. He invited Mr Hannay to explain the British position. Mr Hannay spoke on the lines of EQS(80)50, emphasizing that the UK position was still basically in the analytical phase; we had no solutions to propose as yet.

20. M. Francois-Poncet said that the French government still had much homework to do. He queried whether the proportion of EC expenditure on agriculture was really so high, maintaining that the proportion had dropped from 80% to 60% plus. He wondered what sort of agricultural policy the Community wanted. The CAP was not a white elephant. Rather, we should accustom ourselves to regarding the EC as an agricultural power in the world: we should not aim to reduce agricultural output in Europe and thus encourage imports. Nor, of course, should one aim to pile up surpluses for their own sake. The French agreed that an extremely prudent price policy was needed; the coming year would unfortunately not be a favourable time to make a start on it.

21. M. Francois-Poncet said that it would be painful to eliminate what had gone wrong with the CAP, but there were in fact fewer agricultural problems than was generally supposed. Improved accounting procedures would help: the 30 million UA's for Poland and the cost of importing sugar from ACPs above world prices should not be included under the FEOGA heading. With a growing food problem in the world at large the CAP might look very different in three years' time. Already Community grain was being sold close to the world price and sugar below it. With more grain at

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Our disposal the Community would acquire greater weight. The real problem was powdered milk, which now absorbed some 10% of the budget. There was also a pressing need to discuss vegetable oils and fats before Spanish accession. There must be a policy on this.

22. Lord Carrington agreed that the EC's accounting procedures could be looked at. But he had to say that national aids to farmers as practiced by France appeared to be contrary to the EC's rules.

23. M. François-Poncet said that everyone helped their farmers. The Germans had always done it: they had the Grünen Plan aimed at keeping incomes from agriculture level with those of other sectors. In any case, loss of income through reduced aids could encourage farmers to produce more, not less. Lord Carrington pointed out that there were capital and other constraints. There was no doubt that the £100 million disbursed by the French government to its farmers created inequalities.

24. M. François-Poncet said that the German farmer received the market price plus 10%. It was essential to abolish that state of affairs first. MCAs were originally supposed to be a temporary measure: now they were permanent distortion. We should engage in a basic discussion of how we wanted European agriculture to develop. The French were closer to the British than, for example, the Dutch, when it came to issues such as the use of imported foodstuffs and the production of milk by factory farming.

25. Lord Carrington wondered how all these problems were to be resolved in 1981.

New Zealand Butter and Australian Beef

26. M. François-Poncet said that the UK could not ask France to sign three-year agreements in these areas. Asked by Lord Carrington why not, he said that they were not in favour of renewing or extending any long-term agricultural agreements. Mr Hannay instanced Tunisian olive oil after enlargement as a recent case where they had not taken this view. Lord Carrington recalled that the arrangements on New Zealand lamb were to last three years. M. François-Poncet agreed that there was an undertaking in that sense and stressed that his government were not refusing indefinitely to look at the question but said it was unreasonable to ask the French government to take on a long-term commitment towards New Zealand when the Community did not know where it was going.

27. Lord Carrington said that the UK Accession Treaty had recognised the need for New Zealand to have continued access for its butter. The principles had been reaffirmed in 1975 in Dublin. The UK was committed in honour to New Zealand, which had been greatly affected by our accession to the EC. M. Achard said that in those days the UK had needed butter from New Zealand because it was in short supply at home. Now British production had expanded and New Zealand butter was a burden on the market.

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28. M. François-Poncet repeated that the French could not take on a long-term commitment on quantities in the present uncertain conditions. He had a commitment of honour to his farmers. Lord Carrington said that the outcome would be very important for the New Zealanders. He appealed to M. François-Poncet to treat them generously. M. François-Poncet said that the present arrangements could be prolonged for one year. No-one wanted to sever ties with New Zealand.

29. Lord Carrington asked why the French were being so rigorous currently. They were also making difficulties over 10,000 tons of Australian beef. M. François-Poncet said that, for his part, he was surprised that the British were making unreasonable demands. The French would not neglect New Zealand, but an undecided agricultural policy created real difficulties for them.

30. Lord Carrington reminded M. François-Poncet that the French would be asking us to take difficult decisions in the spring on agricultural prices which also had long-term implications.

31. The discussion ended at 7.15 pm.

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RECORD OF CONVERSATION BETWEEN THE FOREIGN AND COMMONWEALTH
SECRETARY AND THE FRENCH FOREIGN MINISTER AT CHEVENING ON
FRIDAY 19 DECEMBER 1980 AT 5 pm

Present

The Rt Hon Lord Carrington
KCMG MC

Sir R Hibbert KCMG

Mr J L Bullard CMG

Mr D H A Hannay

Mr D A S Gladstone

Mr G G H Walden

M. François-Poncet

M. Jean Sauvagnargues GCMG

M. Pierre Achard

M. Gabriel Robin

M. Alfred Siefert-Gaillardin

M. Jean-Paul Cluzel

Poland

1. M. François-Poncet said that the Quadripartite discussions had not yet gone far enough. There must be a consensus on what had to be done if the situation in Poland led to a confrontation. This was not going to happen yet, but it might well happen one day, no doubt on a Friday evening. The best place for further discussions would be Washington, between the US Secretary of State and the Three Ambassadors. This would make it easier to keep in touch with the incoming Administration.
2. M. François-Poncet said that the most sensitive subject was economic sanctions. This issue might be easy for some but was not simple for France. He was proposing to have further internal discussions in Paris in the first days of January. As to the trigger for sanctions, he thought we should instruct our Representatives not to waste time imagining every feasible form of Soviet intervention in Poland. We should restrict ourselves to the classical models of Czechoslovakia and Hungary.
3. M. François-Poncet said he had meant to say in Brussels the week before that in the French view it would be important for the 15 Foreign Ministers to meet very quickly following an intervention, but that the Four should meet as soon as possible and certainly the day following an intervention. They should not meet in Washington, nor in Bonn, but London or Paris would do equally well.

4. Lord Carrington said that NATO could do little unless the Four agreed. The Four had been discussing contingency planning since August. It would be criminally inept and culpable if the Allies were still caught on the wrong foot by a crisis. He pointed out that there would have to be meetings of the Three and the Ten to be fitted in with those of the Four and Fifteen. There was, of course, no commitment at the moment for the Ten to meet, unlike the Fifteen.

5. Mr Bullard recalled that an earlier suggestion for quadripartite meetings in Washington had been turned down on the grounds that they would be bound to leak. M. François-Poncet accepted that meetings in Washington would leak but thought that such meetings might prove more 'operational'. Ambassadors in Washington, of course with clear instructions, could meet more frequently than Political and/or Economic Directors from capitals. He recalled that the series of Political Directors' talks on the Gulf had lasted three months.

6. Lord Carrington wondered whether US attitudes would change much with the arrival of the new Administration in Washington. They were unlikely to go back on commitments entered into by their predecessors. It was more important that the Germans should declare their hand. He wondered whether the French might suggest the formation of a 'Washington Group' to the Americans?

7. On substance, Lord Carrington suggested that it would be best to start by agreeing on the easy measures. M. François-Poncet said that there were few of these and they were all political rather than economic. Counter-measures must be acceptable to all the Allies, not just the Germans. For example a proposal to ban governmental credits to the USSR might cause no problems to the Germans, who did not extend such credits; but the French government did and would find such a proposal very hard to accept.

8. Lord Carrington said that food looked like the most promising area. The Soviet Union needed to import some 40 million tons of grain in a bad year. If the Western nations refused to supply he doubted if Argentina could make up the shortfall.

9. M. Francois-Poncet agreed, but stressed the need in that case for an EC export drive in the rest of the world. France had had a good harvest this year and would want to dispose of the surplus somewhere. It was galling to see the Canadians offering grain to the USSR. One needed to be clear about the nature of a ban. Could one stop all exports, or cancel all existing agreements? The Germans had a legitimate worry about the implications of such a measure for Berlin. For that reason alone there would be no quick or easy agreement between the Allies. The Russians were currently seeking to conclude a fresh grain Agreement with France: the French government were stalling.
10. Lord Carrington said that he was worried about the current US attitude to aid to Poland. Washington was apparently proposing to postpone consideration of aid to Poland until the new Administration had arrived. He thought things might by then have gone too far. It was important to try and prevent a crisis occurring, not just to deal with its results. Mr Bullard said that the Americans appeared to hope that the Poles could live on Soviet credits for the time being. He wondered whether a joint message should not be sent to the Americans. This was agreed.
11. Lord Carrington said that Soviet communications traffic around Poland had died down. As a consequence, warning time might have lengthened. M. Francois-Poncet thought that recent Soviet military moves had been largely psychological in intention. They had to be read in conjunction with the outcome of the Moscow Summit. They were two parts of a political strategy which had moreover produced results. He doubted whether the Russians had at any time in fact been on the point of intervening militarily and wondered why the Americans had given such wide publicity to this prospect. Were they simply wrong, as they had been over the earlier alleged Soviet threat to Iran?
12. Lord Carrington said that the Americans had asked whether we would support their action in playing up the Soviet movements: we too had thought that nothing was going to happen. He supposed that the outgoing Administration had felt a political need to be seen to be active. M. Francois-Poncet

wondered whether the Americans had not also been happy to help the Soviet Union calm the Poles down. The Poles, after all, tended to believe only what they heard on the radio from the West. Lord Carrington doubted whether the Americans were capable of such French subtlety. Mr Bullard said that the Americans had been upset by euphoric Western reactions to the Moscow Summit and were trying to bring public opinion down to earth. M. François-Poncet said that Mr Brzezinski had provided a professor's catalogue of explanations after the event but none had been wholly convincing.

Arms Control

13. Lord Carrington said that there would be a problem if the new Administration in Washington were too dismissive of the importance of arms limitation. The FRG defence effort was tied to it, and other members of NATO also felt strongly. It would be a good idea to try and influence the Americans. M. François-Poncet said that the subject was also important in relation to the USSR: indeed, for the latter it was the subject. He thought that the best hope of influencing developments in Poland lay in persuading the Soviet Union that implementation of TNF modernisation would be unavoidable if they went into Poland: whereas meaningful discussions on arms limitations were always possible if not. It was vital that Mr Reagan should not throw this card away.

Afghanistan

14. Mr Bullard expressed concern about the possibility of a Waldheim mission to Afghanistan replacing the appointment of a special representative. M. François-Poncet said that the French had made a démarche to Mr Waldheim and could keep up the pressure. Before discussing this problem with the new US Administration it was important that the Europeans should know what they wanted on Afghanistan, and especially Soviet withdrawal. It would be illogical to give up now, having made such a fuss during the first half of the year. Afghanistan might be only a pawn, but in a very big game of chess. As he had often said before, he thought that the Afghan resistance was the key to the situation. He would like an early discussion with General Haig. Lord Carrington found it worrying that Dr Kissinger evidently regarded aid to the Afghan rebels (and

recognition of Karmal) as pawns to be traded for Soviet concessions in Europe.

Quadripartite Consultations

15. Lord Carrington said it was important that the right man should be appointed to succeed Mr Vest if he was replaced. It would be desirable also to have an early Quadripartite Ministerial meeting with General Haig. M. François-Poncet agreed, but wondered how one could stage such a meeting without it becoming public. There might be some international occasions: we should look out for one.

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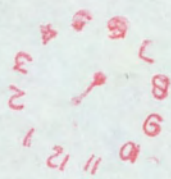
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-8 JAN 1981



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Prime Minister

MS.

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Ref. A03830

MR. ALEXANDER

As you know, the Prime Minister agreed that, when I was in Paris for the meeting of Personal Representatives last week, I should take advantage of the opportunity to go and see Monsieur Jacques Wahl, the Secretary General at the Elysee. I arranged to do so; but a few days beforehand Monsieur Wahl rang up to say that after all he would have to be out of Paris at that time. He was, however, pressing that we should have an early meeting, and I accordingly arranged to see him for lunch on Monday, 15th December.

2. I was not the only lunch guest at the Elysee that day. While I was lunching with Monsieur Wahl, Monsieur René Lévesque, Premier of Quebec, was lunching with the President of the Republic. This naturally led Monsieur Wahl and me into some discussion of Canada, of relations between the Federal Government and the Provinces and of our own problems in relation to patriation. Monsieur Wahl had a considerable interest in these matters, having served for part of his career in Ottawa. It was clear from what he said that neither he nor the President was at all anxious to see the break-up of the Canadian Federation, and that the commitment to some kind of support of Quebec separatism was an embarrassing inheritance from President de Gaulle which they could not be seen (certainly this side of the presidential elections of 1981) to abandon or betray. I took the opportunity of giving Monsieur Wahl some account of the problem which we were facing in relation to the patriation of the Canadian Constitution. It was clear that he was already well-informed about it. I said that it was extremely difficult for the British Government to "look through" a formal request duly received from the Federal Government and Parliament, but that, if the request took the form of the draft Bill which had been discussed in recent weeks in the Canadian Parliament, it was likely to lead to considerable political controversy in the British Parliament.

3. Monsieur Wahl said that Quebec separatism had recently brought about the abandonment of a conference on Francophone countries at Dakar. The Federal Government of Canada had refused to allow Quebec to be represented at the conference other than as part of the Canadian Federal Government's delegation. The French Government had felt that it could not attend the conference on that basis, and the conference had had to be cancelled.



4. Monsieur Wahl and I had some discussion of Poland. Monsieur Wahl confirmed that French public opinion was very sensitive to what had happened in Poland. If Soviet Russia intervened militarily, there would be a strong public reaction. Russia would have to be made to pay a very high price. Monsieur Wahl did not disagree when I said that the price would no doubt have to be not only political but economic. He said that this would be a very serious difficulty for the Federal Chancellor, to whose political strategy Ostpolitik and detente were central. Monsieur Wahl thought that Mr. Kania was not likely to last very long, but he doubted whether General Moczar was likely to be in the running as a successor, because he was Ukrainian. I said that it seemed to us that, following the recent Warsaw Pact meeting in Moscow, Mr. Kania and his colleagues might at least have secured a breathing space to allow for a further endeavour to bring the situation under the control of the Communist Party, though it seemed clear that the Soviet Union had completed the preparations which would enable it to intervene at short notice, if it felt obliged to do so.

5. Monsieur Wahl said that the President of the Republic had an unfulfilled commitment to visit Poland. If the situation got no worse over the next few weeks and seemed to be reasonably stable, at least in the short term, he might fulfil that commitment and pay a visit early in the New Year.

6. Monsieur Wahl confirmed that he had been out of Paris the previous week for the purpose of visiting Washington. He had had contacts both with the outgoing and incoming Administrations. He said that the purpose of the visit had been no more than to 'ensure communications' with the incoming Administration, and its effectiveness for the purpose had been limited by the fact that the relevant officers of the new Administration had not been appointed. He had seen Mr. Meese and Mr. Richard Allen and also Mr. George Bush (at Mr. Bush's request). They had not discussed "questions of substance". Monsieur Wahl thought that Mr. Allen was well-placed to become National Security Adviser, but that no decision had yet been taken. He had detected a general assumption that General Haig would be nominated as Secretary of State. He had found the Reagan team worried about the decisions they might have to take in relation to Poland; but not half so worried as the outgoing Administration: those worries were perhaps the greater because of the special position of Dr. Brzezinski.

7. We had some discussion about political co-operation. I said that we set great store by close and continuing political co-operation à quatre with the French, the Germans and the United States. Monsieur Wahl said that the President also regarded this as a most important and effective forum of political co-operation. It did not please the Italians, but then they never had a Government. He said that he thought that the idea of political co-operation à quatre was new to the Reagan team, and while in Washington he had taken the opportunity of stressing to them its value and importance. I said that at the meeting of Personal Representatives the previous week the Canadians had raised the question of political co-operation among the seven Economic Summit countries. The British position on that, which had clearly not entirely commended itself to the Canadians, had been that in the ordinary course of business normal diplomatic channels of communication were sufficient for this, though it might be that, if there was a political ingredient in the Ottawa Summit, there would need to be ad hoc meetings of political representatives, shortly before the Summit to make the necessary preparations, as there had been before Venice this year. Monsieur Wahl indicated that the French position was likely to be similar to that. He remarked, however, that we needed to find some means of achieving closer political co-operation with the Japanese: it might be that this was best done through the bilateral relationship between the United States and Japan.

8. 1 Monsieur Wahl asked about the situation in Northern Ireland. I gave him a brief account of the outcome and aftermath of the Prime Minister's meeting with the Taoiseach, and of the situation in Northern Ireland (in particular, of course, that of the hunger strikers). Monsieur Wahl said that the French found it very difficult to understand that sectarian differences could be so profound and pervasive in their political consequences. I said that the religious differences, though very real in themselves, were also symbolic of economic and tribal differences: the Protestants in the North were descendants of Scottish colonists of the seventeenth century, and the descendants of the colonists had remained separate from the indigenous Irish and had retained their own special characteristics. The North had been over a long period more prosperous than the South. Since partition in 1920 general economic prosperity and individual living standards (including social welfare) had continued to be significantly better in the North than in the South.



The Protestants were a majority of 2 to 1 in the North, but over the whole of Ireland would be in a minority of 1 to 2, and feared a loss of economic privileges as well as of political privileges if they entered into any closer association with the South.

9. Turning to bilateral relations between the United Kingdom and French Governments, I said that the Prime Minister felt that as a result of her meeting with the President of the Republic on 19th September the Entente Cordiale (as she said at the time) was once again in good heart. I recalled what Monsieur Wahl had said to me at that time, to the effect that, while the President set much store by the Franco/German relationship, it was not thought of as being exclusive and that the French Government would like to generate a no less close relationship with the British Government. I said that it was our wish too that the relationship should be "thickened up". In that context the Prime Minister had welcomed the exchanges of telephone conversations and messages which she had had with the President in recent weeks. There was much business to do together, and much business in which both of us would be involved, both in the wider international scene and in the European Community. For our part we were anxious not to see difficulties arise unnecessarily, particularly during the next few months in the period leading up to the Presidential elections. No doubt things would normally be handled satisfactorily through diplomatic channels and through the regular meetings which Lord Carrington had with Monsieur François-Poncet. If and when, however, the President felt that it would be useful to engage the Prime Minister's personal interest, she would be very ready to be in touch with him, either by telephone or by message; and, if and when Monsieur Wahl thought that contact between him and me would be useful as a kind of surrogate for that, I should be no less ready to be contacted with a view to seeing whether issues that might otherwise become problems could be defused. Monsieur Wahl responded that the President, too, had welcomed the improvement in the Franco/British relationship that had resulted from the meeting on 19th September. He knew that the President would be glad to know that we saw it as we did. The President had been glad to be able to be in direct contact with the Prime Minister from time to time, and would welcome the proposal of being able to continue in such contact.



10. I said that the issue immediately outstanding in the European Community context was that of New Zealand butter. We hoped that that would be resolved at the next meeting of the Council of Ministers (Agriculture). We needed an arrangement which covered three years, with a clear understanding for review thereafter. We understood that it might be difficult to fix definite numbers for 1982 and 1983, and we could probably go along with something which left the precise numbers open, provided that there was some kind of floor or fail-safe provision. Monsieur Wahl appeared not to be briefed on the subject, and merely took note of what I said, observing as he did so that he thought the President had had a message from Mr. Muldoon on this subject.

11. I am sending a copy of this minute to George Walden.

RA

ROBERT ARMSTRONG

18th December, 1980

SAVING TELEGRAM

France

SAVING TELEGRAM
 BY BAG
 FROM PARIS
 [FRAME GENERAL]
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Prime Minute ②

30.11.80

TO FCO TELNO 168 SAVING OF 28 NOVEMBER

REPEATED FOR INFORMATION: EC POSTS, WASHINGTON

M BARRE'S VIEWS ON EUROPE: SPEECH IN BRUSSELS ON 25 NOVEMBER

1. As agreed with HM Embassy, Brussels, we are summarising below the speech made by the French Prime Minister in Brussels on 25 November. Full text by bag to the department. Comment follows separately.

2. M Barre began with a general survey of the international political and economic scene, arguing that the European Community provided a framework for safeguarding the interests of individual European countries. They had to face four major problems: the energy crisis (in particular the massive rises in the cost of imported oil), worldwide commercial competition, international monetary instability, and the search for peace (which required European countries to increase their military budgets at a time of reductions in public spending).

3. In such a situation it was necessary to avoid isolationist policies, which in the long run would lead to even greater instability, massive and chronic indebtedness and "more or less widespread protectionism". Countries should jointly lay down the principles of regular growth in trade which would allow those industrial sectors which were the worst affected by world trends to adapt without risk. M Barre mentioned the problem of Japanese exports: Japan's industrial policy would not blend into the patterns of world trade "if she concentrates commercial pressure to an excessive degree on a restricted number of industrial sectors".

4. M Barre dismissed suggestions that the European Community was in a state of crisis. He enumerated issues on which agreement had recently been reached, and picked out the Lomé Convention and the recent agreement with Zimbabwe as success stories. Of course the Community had its problems, partly due to enlargement. The difficulties proposed by the UK over the Budget were an example. They had been resolved by an "effort of financial solidarity by the UK's partners (particularly the FRG and France) which was without precedent". However the solution was only a temporary one.

5. There were six principles on which Community action should be based:

- (i) The vast industrial market (extending through agreements to Switzerland and Austria and the Scandinavian countries) should be consolidated.
- (ii) The Common Agricultural Policy was an essential counterpart to the industrial market. Its functioning should be based on a "common, balanced and effective policy".

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- (iii) The creation of a zone of monetary stability through the EMS was a crucial element in the running of European economies.
- (iv) Privileged economic links with the 60 ACP countries.
- (v) Political co-operation was necessary in order "to lend weight internationally to positions agreed in the interests of Europe". Political co-operation should be a motor and not a brake.
- (vi) The existence of an original institutional system "founded on co-operation between the institutions created by the Treaty". European construction had in practice progressed by agreement between the Commission and the Council of Ministers.

6. Putting these principles in practice required close collaboration between the Member States and particularly between the original Six. The "close and confident" co-operation between France and the FRG constituted the corner-stone of Community construction.

7. On Community financing, M Barre said that the own resources ceiling could not be breached. It was illusory to think that new Community policies could be set in motion via the Budget or that an increase in expenditure or changes in the shape of the Budget would "by some miracle" lead to new Community policies. Certain essential policies had been created by non-budgetary methods eg elimination of internal barriers to trade, the Common Commercial Policy, co-operation on economic policies or a European monetary policy. Changing the balance of contributions and expenditure among the Member States could bring temporary remedies to certain exceptional problems, but if it were raised to the level of a political principle it would mean giving up the very idea of a Community. M Barre repeated that the Budget could be neither an instrument of re-distribution among Member States nor a means of measuring the advantages that each State derived from membership. Measurement of this kind had to take into account other elements.

8. M Barre went on to say that although the UK (and soon Spain and Portugal) now belonged to the Community, any attempt to force on them the "original concepts" of the EC would lead to "an absurd series of conflicts". Conversely, the search for ever more ingenious ways of making their Community participation easier "would quickly destroy the heart of what we have been striving for for 30 years". But could we not consider, in the vast unit which the enlarged Community would constitute, various functional re-groupings on the lines of the EMS?

9. On the Common Agricultural Policy, M Barre said that it was not surprising that it absorbed a large part of the Budget. The time had come to look for certain improvements while respecting absolutely the CAP's basic principles (unity of the market, financial solidarity and Community preference). Price guarantees must take account of production volumes and market prospects. Agricultural imports should continue, but the Community should develop a vigorous policy of stocking and exporting.

10. In conclusion, M Barre extolled the virtues of sticking to the Community's initial philosophy. The Community had developed well economically, but politically it had been dominated by the super-powers. However, the world had changed in the last ten years. He quoted Crozier to the effect that for the good of both Europe and the United States the Europeans should face up to their responsibilities: "There is no longer any big brother". M Barre indicated the opportunities for Western Europe to develop distinctive relations with E European countries, Japan, the Middle East, Africa and Asia.

6

HIBBERT

FRAME GENERAL

EC D (1)

**THIS TELEGRAM
WAS NOT /
ADVANCED**

CONFIDENTIAL

FRANCE RH

SUBJECT

FILE



cc: CO
Master NFR

10 DOWNING STREET

From the Private Secretary

21 November 1980

New Genfe,

Telephone Conversation with President Giscard

At the end of their conversation last week (my letter of 14 November refers) the Prime Minister suggested to President Giscard that she should ring him some time this week following her meeting with Chancellor Schmidt. In the event it was not possible for her to ring until today. The telephone conversation took place at 1545.

The Prime Minister began by summarising some of the salient points of her conversation with Chancellor Schmidt. She referred to the discussion on East/West relations, to that on the world economic situation and to that on the Community. The main points of interest were that the Prime Minister told President Giscard that there was some difference of opinion between her and the Chancellor on the scale of the Soviet threat; that the Prime Minister and President Giscard agreed that Chancellor Schmidt was on occasion inclined to be too gloomy about the state of the world; that they agreed there should be a discussion in Luxembourg about trade with Japan; and that President Giscard appeared to be unaware of the joint SPD/FDP Document on reform of the CAP about which Chancellor Schmidt had told the Prime Minister in Bonn.

Middle East

The Prime Minister told President Giscard that we wanted to ensure that the outcome of the discussion on the Middle East in Luxembourg was such as "to keep some movement going". Four good documents had been produced. These should enable the Nine to continue the process of clearing their minds on what various phrases such as self-determination meant. In short, we were wary of taking a major new initiative but wished to continue with the one that had been started in Venice. President Giscard replied "this is also my view". He had been surprised by the statement attributed to Lord Carrington in the International Herald Tribune. He knew it had been inaccurately reported but a certain impression had been left. It was important not to give the appearance that the Nine were retreating from their position. The Nine were engaged in serious work and were analysing the situation with a view to proposing "at the proper time" some elements for a solution.

/ Heads of

CONFIDENTIAL

RH

Heads of Government could review the report made by the Foreign Ministers, comment on it and instruct them to go on with their work. There was no need to take an initiative which involved proposing or suggesting something precise. The point was to demonstrate that work was continuing on the study which the Nine had begun.

The Prime Minister said that the Foreign and Commonwealth Secretary had been worried about the headline in the International Herald Tribune because it did not accurately reflect his views. Both he and the Prime Minister wanted things to continue very much along the lines described by President Giscard. It was important to prove to e.g. the Israelis that the Venice Summit Declaration was not dead. President Giscard, agreeing, said that it would create great disappointment in the moderate Arab countries if it appeared that the Nine were losing interest in the problems. But it was clear that we could not articulate formal proposals at present because of the need for the new American Administration to be given time to find its feet. The Heads of Government should therefore make plain their continued support for the Venice Declaration and say that they were working on the documents which had been prepared for them and were getting into the practical aspects of the issues. The Prime Minister and President Giscard agreed that they were wholly in agreement!

Quadripartite Summit

The Prime Minister said that she had been asked at the Press Conference in Bonn about the holding of a Guadeloupe Summit. She had replied that there were already rather a lot of high level international meetings which had been arranged for next year. She thought that Governor Reagan would require some time after becoming President to prepare himself for a Summit. President Giscard said that he had not formed a definitive view on the problem. It was too early to do so. But there would be a need to coordinate policy with the new President and to analyse together the world's problems as they would be "in the winter or early spring". He did not yet know whether it would be better to do this on a bilateral basis or to have a rather larger meeting. This would depend on the attitude of the new American Administration. A quadripartite meeting could be a useful solution if the international situation required "a quick and open discussion" between the allies or if the Americans themselves wanted it. If, on the other hand, circumstances permitted a slower process, they might be satisfied with bilateral talks. There would be no need to form a judgement on this until the end of January.

The Prime Minister and President Giscard agreed that if they were tackled on this question during their forthcoming visits to Rome, they would say that for the moment no proposals had been made and that they had, therefore, not formulated a position on the question.

/ Commission Portfolios

Commission Portfolios

The Prime Minister asked whether President Giscard had any particular views on the allocation of portfolios in the new European Commission. President Giscard said that he had not decided who France's nominees would be. But he was very keen to retain the development portfolio. France had close links with many developing countries in Africa who would resent any change. It was a portfolio to which his Government were deeply attached. France had held the portfolio since the first Commission had been formed. He knew that this could not go on for ever but he was anxious to retain the portfolio in the next Commission. The Prime Minister said that Mr. Richard was well qualified for the development portfolio. However, she wanted to know the views of President Giscard so that we could "adjust our views accordingly". She did not want to have a clash with the French Government on this issue. The British Government were particularly anxious to retain the budget portfolio. The two Governments should keep in touch, perhaps through M. Wahl.

New Zealand

The Prime Minister referred to the message which she had sent President Giscard earlier in the week about New Zealand butter. She had not herself gone into the details of the matter but it was something which mattered a very great deal to New Zealand and should not be too difficult for Europe. She hoped that the Foreign Ministers could sort the problem out at their next meeting. President Giscard said that he had received the Prime Minister's message and had instructed M. Francois-Poncet to review the question in a friendly way. There was a certain contradiction in the British position. On the one hand they criticised the stockpile of butter in the Community and on the other hand asked for greater imports. But France understood that New Zealand's interests were at stake and hoped that it would be possible to find a fair solution at the next meeting.

Luxembourg

Both the Prime Minister and President Giscard agreed that it would be useful if an opportunity could be found to have a private conversation during their stay in Luxembourg in 10 days time.

I am sending a copy of this letter to David Wright (Cabinet Office). I should be grateful if, as usual, it could be given a limited distribution.

Yours ever

Richard Alexander

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

SUBJECT

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No: T.227/80

T.227/80

PRIME MINISTER'S TELEPHONE CONVERSATION WITH PRESIDENT GISCARD
D'ESTAING ON FRIDAY 21 NOVEMBER 1980 AT 1545 HOURS

PM: Hello, Mr. President. How are you?

PG: I am very well, how are you?

PM: I am very well. We've had a very difficult and very full week but it's all been all right.

PG: Employment or ...

PM: A mixture of things. We completed our public expenditure review all right. Then we had the State Visit of the King of Nepal then we had the State Opening of Parliament yesterday.

PG: Oh yes. The Queen's Speech has been well received by the majority?

PM: Yes, it has. I hope we're not overburdening them with too much legislation. It looks short. But it will be longer than they think. And the talks at the beginning of the week, Chancellor Schmidt will have telephone you about. I enjoyed them very much and found them very valuable. But I was glad we had just had a talk before. I think your feelings were perhaps right. I think really the only difference, if I might call it that, is a difference of view on the scale of the threat East/West. I think it is a bigger threat than Chancellor Schmidt. But I don't want to say anything over the telephone because we are open line. On the economic matters, I think it is very gloomy indeed on the world recession. I think he thinks there's going to be a very very severe one indeed.

PG: Sometimes, you remember, sometimes he has a view that is rather, well pessimist. I suppose he has some arguments for it but it's my experience that his views are perhaps a little beyond the normal attitude.

PM: I have that impression too. He doesn't easily seem to come out of the depression and life does go on. And it will go on. And the recession will end. But he's very depressed about it,

/ because

because he thinks there are great big structural changes arising from really the re-distribution of income between the rest of the world and the OPEC countries. And one cannot deny that that re-distribution has taken place. We also had a talk about protectionism. He is very very robust on it. I felt that we ought to talk about it at Luxembourg because I am a little worried about the Japanese position.

PG: So are we.

PM: We have a lot of goods here and we can't get equal access to their markets.

PG: Absolutely.

PM: And I felt that / ^{they} have to pay for all their energy, they're paying for it really by exporting to us. I don't mind that if we can export to them. But I thought that we ought to perhaps talk about it at Luxembourg.

PG: Yes, I am certainly ready to support such talks, such a conversation.

PM: And Chancellor Schmidt does point out that we have to keep the Japanese in the Western world because they are friends, we will have to rely upon them quite a good deal in their part of the world. And that I wholly accept. But it's a question of getting something more that we can call fair than we've got at the moment.

PG: It is true, it is a fact also, that they have practically no defence expenditure.

PM: I know, they're lucky.

PG: And of course it changes some facts in the competition.

PM: Yes. We also talked about the Community and you will be aware, better than I am, that Chancellor Schmidt and Herr Genscher have just agreed their attitude in a document on the Common Agricultural Policy between the two parties of the coalition.

It's not, I think, published yet but I am sure you will have had a copy of it. And we all agreed on the 1 per cent VAT ceiling and we must stick to that. And try to find a mechanism for having fewer surpluses. I think that was pretty well all on the main things. The Middle East, I just wanted to ask you exactly what you think should happen after the Luxembourg Council. I think our view would be that we must somehow keep some movement going and there are 4 very good documents which I understand each of our countries has produced one. So that we can clear our thoughts on what we mean by certain phrases like self-determination and security. But I think we would be a little bit wary of taking any new initiative but nevertheless continue with the one we started in Venice. Would that accord with your feelings?

PG: Yes. This is also my view. We were surprised by Lord Carrington's statements to the New York Herald Tribune. I know it was not correctly published but anyway that's the general feeling. Because we think we must not give the impression that we are retreating from our position. We are engaged in serious work to analyse the situation and to propose at the proper time some element for a solution. And I think we must go on like this. That is to review the report made by the Foreign Secretaries, by the experts, have some comments on it to see how we react to some of the problems it raises. Then to instruct them to continue, to go on with their work. Not to take an initiative that is to propose or suggest at the moment something very precise. But to show that we are working on on the study we are engaged into.

PM: Lord Carrington also was very worried about that headline. Because it did not reflect his view. He feels very much that we must continue very much along the lines you've indicated. Because I think he's been very concerned that the Israelis have thought that the Venice Summit Declaration was dead and he's very anxious that we must prove that it isn't.

PG: Yes, and you will create a great disappointment in the moderate Arab countries if we look like taking no more interest in the problems. And so it's clear that we cannot articulate informal proposals now because of the time for the new American Administration to start its work. But we can say first that we keep on to our

M: Not before. But we keep a wholly open mind on it at the moment. I am going to Rome I think 2 or 3 days before you.

PG: Ah, yes. This week.

PM: Yes, I'm going on Sunday. Then I have to be back because we're making a statement, the Chancellor of the Exchequer's making a statement in Parliament on Monday. I just felt that I might be tackled about the quadripartite matter. And we'll just play it the way as best I can.

PG: Well I think the answer is that there is no for instance, for the moment there is no proposal to hold such a meeting, so there's no position to take about it. Now probably I will have some questions when I go to Rome and I will say the same.

PM: Just a word if I may about Commission portfolios. I'm not quite sure what the position is and I wondered if you had any particular views because when we came to Paris I know that you weren't quite certain whom you were appointing and you asked me about portfolios. And I wondered if you still have any particular views because they will soon be deciding.

PG: Yes, about the people we have not decided yet about the French representatives. But there is one portfolio we are very keen to keep, that is the portfolio of, I don't know what is the name, it's for cooperation. It's due to the fact that we still have and we will keep for a few years ahead a rather close relationship with the sub-African countries and for them to see it change will probably be resented like some distance we are taking from their interests. So it's a reason for which I meant to talk, that is really the portfolio to which we are deeply attached. The others could be discussed on a, in an open way. But I ask Wahl to tell your assistant, to avoid any conflict on this because we don't want to have a dispute.

PM: Yes, that's why I asked. I don't want to have a dispute either. As you know Mr. Richard has done a lot of work in that sphere and therefore I wanted to know what your views were so that we can adjust ours accordingly.

/ PG:

G: Yes. This we have discussed deeply and there is a very strong desire because it has been like this since the beginning. We know very well that it cannot last forever. But for the moment there is still an expressed desire by our partners so ...

PM: Yes, well we would very much like to keep the budget this year. We've had it just 4 years and Mr. Tugendhat's staying and we would, for similar reasons, very much like to keep the budget. But if Mr. Wahl keeps in touch, we keep in touch with Mr. Wahl then that will see that we don't clash. There's only one other thing may I mention, I had messages from Mr. Muldoon of New Zealand, very concerned, which is why I did send a message Mr. President to you earlier in the week about New Zealand butter which matters a very great deal to them. It's a small amount to Europe and I myself have not gone into the details. May I just say therefore that I hope our Foreign Ministers can sort it out at their next meeting. Hello, hello?

PG: Well, I'm sorry I don't hear you too well.

PM: Oh, I'm so sorry. I sent a message which I had received from Mr. Muldoon about New Zealand butter.

PG: Yes, I received it.

PM: Yes, he's very concerned. It means a lot to his economy and comparatively little to us and I just hope that our Foreign Ministers can sort out the matter at the next Council of Foreign Ministers. I myself have not gone into the detail; we would like to help a person whose been a very great friend of Europe.

PG: Yes, well I received your message and I also instructed Francois-Poncet to study, to review the question in a friendly attitude. I just will mention that there is some contradiction between British attitudes. One is to criticise the excess of stockpile of butter in the Community and the other is to ask for broader imports. But we understand that of course New Zealand interests are at stake in this question so I hope it will be possible to find a fair solution at the next meeting.

/ PM:

M: I hope so. Well I think those were all the points, Mr. President, that I had made a note to raise.

PG: And so you are going to Rome on Sunday? And Monday?

PM: Sunday and seeing Signor Forlani and having a dinner on Sunday and we shall carry on talks really quite late on Sunday night. Seeing the President early Monday morning and I hope the Pope and then I have to get back to Parliament for half past three. So it will be a short visit.

PG: busy for you We have our meeting on Monday and Tuesday the following week. We are invited by the Grand Duke of Luxembourg who is a very kind man, for lunch on Monday, so I intend to go to this lunch.

PM: I'm not quite certain whether we have been invited, I think we have been invited too, which invitation was certainly accepted. He's a charming man isn't he. A delightful family. And we very much look forward to that and we'll be able to have a talk in the margins of the meeting.

PG: I hope so.

PM: I very much look forward to that.

PG: We will ask of course Helmut to make a private report of the dinner, of his conversation with Reagan and I hope we will have the time and the possibility to have a private conversation.

PM: Yes. I was very glad he saw Governor Reagan, it will help enormously.

PG: Thank you for calling.

PM: Thank you, Mr. President. I look forward to seeing you in Luxembourg. Goodbye.



Foreign and Commonwealth Office

London SW1A 2AH

21 November 1980

Dear Michael,

Prime Minister's Telephone Conversation with
President Giscard

/ You asked for some brief notes of points which the Prime Minister might raise with President Giscard when they speak on the telephone this afternoon. These are attached.

Yours WEs

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
No 10 Downing Street
LONDON SW1

Registry
No.

DRAFT

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To:-

From

Telephone No. Ext.

Department

PRIVACY MARKING

.....In Confidence

COMMISSION PORTFOLIOS

Suggested Line for the Prime Minister to Take when
Talking to President Giscard this Afternoon

1. Our first priority is to retain the budget portfolio for Mr Tugendhat. We think that he has proved a good Commissioner and that he has acquired considerable knowledge and skill in this difficult area. It would be a mistake to move him.
2. Mr Richard has wide and varied experience which would enable him to fill a number of portfolios, including development: his experience as our Ambassador in New York makes him well fitted for this. *He has other qualifications, for example in the field of industry, and social affairs.*
3. Britain and France are the two Members of the Community with the strongest interest in the work of the Community in aid and economic development in the Third World. Bearing in mind that France has held this portfolio since the foundation of the Community, and having a suitable candidate, we are certainly interested in the possibility of *our holding the portfolio. There is a feeling that*
4. ~~Our reaction is therefore that we find it rather difficult to see the basis of an understanding about the retention of the portfolio by a French Commissioner: although we would be interested in considering the possibilities further.~~
5. Perhaps this is a subject which might be discussed again in the margins of the European Council meeting.

that it is time for a change since France
has held the Development portfolio
from the beginning.

4. I hear you may be thinking of
appointing a woman. Do I understand
that you would, on the whole, prefer to
appoint a new Commissioner?

5.

PS

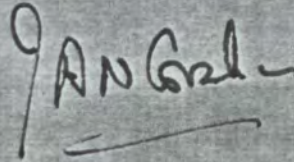
1. You asked me to put down a few points on the Middle East which the Prime Minister might use in her telephone conversation with President Giscard. Accordingly, I suggest the following:

- a. Officials have made progress in drafting a paper on elements which will need to be covered in any settlement between Israel and the Arabs, building on the principles set out in the Venice Declaration.
- b. The Declaration and the subsequent visits by Mr Thorn have aroused expectations and it is widely known that the Community has been working on papers (this was true ~~before~~ the Foreign and Commonwealth Secretary's interview with the Herald Tribune).
- c. On the other hand, the papers produced would not be suitable for publication: if published, they would attract criticism and objection from all the parties and the effect would not further attempts to reach a settlement.
- d. The new US Administration will be looking at its policies in this field, and while we can expect them to be much more pragmatic now that they are faced with the responsibilities of office, it may be some time before they are ready to take up firm positions. On the other hand, there is an eagerness in the Middle East among the moderate Arabs for progress and they are looking to the Community.
- e. How does President Giscard think we should play the hand at the Council meeting? For our part, we believe that the time is not right for any major public initiative, but that we can make a further constructive statement and back it up with contacts with all the parties designed to advance their thinking on the detailed issues that must be dealt with in any settlement. The paper produced by officials provides good background for such contacts.

/ f.

- f. We shall also need to be in contact with Mr Reagan's people in order to influence their thinking in the formative stages.
- g. The EC is now committed to a meeting of the Euro/Arab Dialogue at Ministerial level, subject to progress in the economic and political discussions. We should press hard to make the PLO, who are the demandeur in this, pay us the political price, eg by ~~showing a readiness to~~ subscribe to the Venice Declaration's principles.

2. We believe that there may be some difference of emphasis between President Giscard on the one hand, who appears to take the same view as we hold, that the time is not right for a major initiative by the European Community, and the Quai d'Orsay on the other, who appear to be arguing that if the Community is not ready to move, the French will make a move on their own. The above points are designed to smoke out this difference if it exists, and find out President Giscard's own views.



John Graham

21 November 1980

copy to

Mr J Moberly

NENAD

Mr Bullard

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

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PRIVACY MARKING

SUBJECT: NOTES FOR PRIME MINISTER'S TELEPHONE CONVERSATION WITH PRESIDENT GISCARD

.....In Confidence

CAVEAT.....

QUADRIPARTITE CONSULTATIONS

1. I have been thinking about the question of contacts with the new American Administration. Each of us will want to establish these bilaterally: Helmut Schmidt is already doing so. But as soon as Reagan is in office our hope will be to carry on with the Quadripartite machinery which has proved so valuable recently.

2. The problem is how to manage Quadripartite meetings at levels which cannot be kept secret, ie Foreign Ministers or Heads of Government. The Italians have been complaining and will no doubt do so again in Rome this weekend. I shall give them a robust reply. Obviously the Four must stand together on this, which means waiting for President Reagan to take office.

3. If Reagan is ready for a high-level Quadripartite meeting, so am I. But in view of his inexperience it might be best to wait a few months and perhaps fit in a meeting of the Four Foreign Ministers beforehand.

Mr Lever

*MBM ed
21/11*

Enclosures—flag(s).....

Euro Pol Council notes



L/W. - relative cooperation → Scale of Trade

Rec. - gloom. - acid.

Japanese. - Anti-protectionist. - Steel, Plants

Summit

1% VAT. → Surpluses

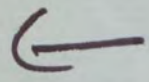
Bot. Industrial - Season problem.

Middle East

What does President Giscard think the European Council should say on the Middle East? For our part, we believe that the reconnaissance begun by M. Thorn must be continued: there is an eagerness in the Middle East among the moderate Arabs for progress and they are looking to the Community. But it will take some time for Mr Reagan and his people to take up firm positions. I doubt therefore whether the Council should be an occasion for taking any major new public initiative. But we should make a further constructive statement and follow it up with contacts with all the parties concerned.

Quadripartite Consultations

Does President Giscard have any thoughts on how to arrange contacts with the new US Administration? Any new ideas, for example, about an early Quadripartite Heads of Government meeting? For my part, I would be ready for such a meeting if Mr Reagan is. But in view of his inexperience he may be reluctant to commit himself in the immediate future. It might therefore be best to wait a few months and fit in a meeting of the four Foreign Ministers beforehand. I expect to be taxed by the Italians this weekend about Quadripartite consultations. I shall give them a robust reply.



African Countries

Commission Portfolios

Our first priority is to retain the Budget portfolio for Mr Tugendhat. Mr Richard has wide and varied experience which would qualify him for a number of portfolios, including development which he himself is keen to have. I understand that there is a possibility of M. Cheysson being replaced. Is it really necessary for France to retain this post? You have had it for 22 years, ever since the



foundation of the Community. We are the other Community country with the strongest interest in aid and relations with the Third World and, having a suitable candidate, we are obviously interested in the possibility of holding this portfolio.

(Depending on what Giscard says)

I will think about what you have said. Do you need to decide soon or can we have a word in Luxembourg? I would like to be helpful if I can.

France JS
cc CO
file
CS



10 DOWNING STREET

From the Private Secretary

14 November 1980

TELEPHONE CONVERSATION WITH PRESIDENT GISCARD

As you know, President Giscard d'Estaing rang the Prime Minister last night. We had been told earlier that his purpose in ringing would be to brief the Prime Minister about his talks on Monday with Chancellor Schmidt.

After an exchange of courtesies, the Prime Minister referred to her efforts to cut down public expenditure here. President Giscard said that he hoped it would be possible to maintain the level of military spending "at an appropriate level". Willingness to maintain military expenditure was an indication of the will of Western Governments to face up to the risks that lay ahead. France was making a substantial increase in its military budget. This was necessary because previous Administrations in France had not done enough. The need for an increase was well understood by French public opinion.

President Giscard said that he and Chancellor Schmidt had exchanged views on the new situation created by the election of Governor Reagan. Chancellor Schmidt would no doubt be giving the Prime Minister his views on Sunday. President Giscard wanted to tell the Prime Minister about his own reaction. The prospect of a strong America taking a more responsible attitude in international affairs was one which was welcomed by France. The West had suffered from the uncertainties and fluctuations in American attitudes. The previous Administration had not been unreliable but could hardly be said to have been very stable. The change in Administration was therefore basically good for the West.

On the other hand, there would be temptation for some to react against the exercise of leadership by the United States. What was needed was a strong partner rather than a leader. Europe should be prepared to express its own point of view and, on occasion, to take initiatives and decisions. The Europeans should be dedicated to improving cooperation and developing their influence. He expected that Chancellor Schmidt would take this line. He hoped that Britain's reaction would be similar, since it was desirable to have a joint attitude on these problems.

/ The Prime Minister

The Prime Minister asked how the President assessed Chancellor Schmidt's objectives in going to the United States next week. President Giscard said that Chancellor Schmidt had decided early in the summer to make the visit. He was not going to be received by Governor Reagan because Governor Reagan had decided that the United States could not have two Presidents at the same time. Chancellor Schmidt's position would therefore not be a very easy one. He had evidently failed to realise when he made his decision to go how awkward the position would be if there was a change in the Administration. As it was, he would try to sound out the intentions of the new Administration by talking with Governor Reagan's advisers. He knew some of them, e.g. George Schulz, very well.

The Prime Minister, agreeing that Chancellor Schmidt's intention was probably more to brief himself than to put forward ideas, said that she thought Chancellor Schmidt's views on East/West relations had always been slightly different from her own and would certainly be different from Governor Reagan's. President Giscard said that he shared this assessment and that it was a problem which deserved a longer conversation. He hoped that it would be possible to have a talk with the Prime Minister in Luxembourg. He would like to tell her what he thought of the German attitude towards East/West relations since this was "important for us".

President Giscard said a change was taking place in German/American relations which could not be ignored. There were explanations for this. But it was a fact that relations between the Federal Republic and the United States would not be as stable in the years to come as they had been five or ten years ago.

The Prime Minister said that events in the next four or five months were going to be very important. President Giscard agreed. He said that he was very conscious of the ties of culture and language between the United States and Great Britain. He knew that Britain would always have a particular attitude towards the United States. But he hoped the Prime Minister would agree that this was a time in which European ties should be developed. This should be not on a basis of antagonism towards the United States but in the realisation that stronger European cooperation was good for the equilibrium of the relationship. The Prime Minister agreed. She thought that it would be necessary to prove to the United States that the Europeans were playing a very full part in the defence of Europe and, consequently, of the free world. The worst thing would be to allow differences to develop between Europe and the United States. President Giscard agreed. He thought there was little risk of this, except perhaps on the question of the Middle East. Governor Reagan had taken a very pro-Israeli stance and might find the process of readjustment embarrassing. The Prime Minister commented on the temptations to which those participating in US Presidential Elections were exposed.

/The conversation

The conversation ended, as it had begun, with a discussion of domestic political issues. The Prime Minister offered to telephone President Giscard after her return from Bonn. President Giscard welcomed the idea.

I should be grateful if this letter could be given a very limited distribution.

I am sending a copy of this letter to David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

SUBJECT

at 10:15
Gp

Lg. *[Signature]*

PRIME MINISTER'S
T 222/80
PERSONAL MESSAGE

TRANSCRIPT OF A TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND PRESIDENT GISCARD ON THURSDAY 13 NOVEMBER: 1845 HRS

SERIAL NO. T 222/80

Prime Minister: Hello, good evening. Margaret Thatcher

President Giscard: Hello, how are you?

PM: I am well, and you?

PG: Oh, quite well. And how is the weather in London?

PM: Oh, not very good. Rather cold and wet.

PG: I hope it's not depressing.

PM: No, no. I think some of the politics are depressing with all the problems - but not the weather.

PG: Yes. You mean domestic problems?

PM: I think, well we're all suffering from world recession and it just seems one problem after another. And the fact that one's fellow countries are suffering doesn't make it any easier.

PG: And the public opinion of course gets stirred. Even if the public opinion understands that there are some fundamental elements, at the end she reacts in a bitter way.

PM: Quite right, they think that we only have to sit round a Cabinet table and take a few decisions and it will all be right again.

PG: It is exactly the same here.

PM: However, we're trying to cut down our public spending, and it's not an easy job.

PG: I think - I've no advice to give you on this - I think it's important to keep the military effort at an appropriate level because it's an indication of the will of the Western countries to face the risk of the days to come.

/ PM:

PM: Are you increasing your military budget?

PG: Oh, yes, substantially, above the NATO commitment.

PM: Above the 3 per cent?

PG: Yes, but I think we were behind. The former administrations didn't give enough importance to the maintenance of our military conventional forces though we had to increase it for national purposes but it's well accepted by the population and by the Parliament. We have no discussion of this. I'm calling you just to tell you I've received Helmut, last Monday. I know you are going to visit him on Sunday and it was to exchange our views on the new situation created by the American Election. He will tell you what his attitude is. I just want to tell you what mine is. First, we had no preference between the candidates in the American Election. We expressed no But the fact that there will be a rather strong America and a more responsible attitude in international affairs is something we welcome. We really suffered - it was before your election and also since - we suffered by the uncertainties and fluctuations of the American attitude. It was really not easy to face the problems of the moment with such an un - I would^{not}/say unreliable but certainly not a very stable administration and so basically I think it's good for the Western world to have a strong United States. On the other hand there will be the temptation to react the role of leader of the United States and I don't think that for the time to come we need a leader, I think we need a partner, and my preference is a strong partner, but we have jointly to express points of view and problems and sometimes take some initiatives and perhaps some decisions. So my reaction is first to be happy with a stronger United States but also to be dedicated to improve our co-operation between ^{the European} countries and develop our good influence. And this, probably Helmut will express the view that I hope that the British reaction will be similar because it would be better to have a joint attitude on this.

/PM

PM: Yes. Helmut is going over to see members of the new administration or the advisers. Do you know with what objective in mind Mr. President?

PG: Well, I suppose he decided to go long ago, because the decision was taken in June or May. He's going to accept some degree in an American university or institution. So this is the purpose of the trip. As you know, he will not be received by Reagan.

PM: No, I just heard that today.

PG: Yes, Reagan decided, and I think it's normal, because it's not possible to have two Presidents at the same time and so I think Helmut will be not in a very easy position to have a conversation with Carter and not with Reagan.- at the moment, something which is not very adequate. But probably when he made his decision he did not realise that if there was a change in the administration the situation would be difficult for him. He has no intention, no precise intention, except to sound the orientations of the new administration. As you know, he is a good friend of George Shultz. George Schultz was, during the whole summer an adviser, an important adviser, of Reagan and probably he will meet with him and one or two others but more to receive information than to present any suggestions.

PM: Yes. I have always thought that Helmut's views on the East/West question were a little bit different - they're certainly a little bit different from mine - because he's closer and they'll be rather different from the United States'.

PG: Yes, this deserves a longer conversation when I meet with you - if we have a moment in Luxembourg - I will tell you my opinions on this.

PM: Yes, I think it would be better to do so privately.

/PG:

PG: And there is a change in the German/American relationship. There is change, we can't ignore it. I understand why. It's not only something that we should worry about, there are some explanations. But it is a fact and the stability of the relations between Germany and the United States will not be a reality in the years to come as it was five or ten years ago.

PM: Well, it's very good of you to let me know how you see it because we are seeing Helmut - I think only for about four or five hours - because he's going off to the States. We're going over on Sunday and dining with him Sunday night and then early Monday morning but I do think what happens in the next four or five months is really rather important for us all.

PG: Yes, very important. What I hope, and of course we realise very well the Community of culture, language and some ties between the United States and Great Britain makes always that you have some specific feelings about the attitude concerning the United States but I hope you will support the idea that it's a time in which we must develop the inter-European relations without of course any antagonism towards the United States but having in mind that it's good for the whole equilibrium to have a stronger European cooperation.

PM: Yes, I think we shall have to prove to our American partners that we in Europe are playing a very full part in the defence of Europe and therefore the defence of the free world because I think the worst thing would be if we got any differences developing between Europe and the United States at the moment.

PG: Yes. There is no risk for that except on a very difficult issue which is the Middle East situation because as you know Reagan has taken a very pro-Israeli stance and such an extreme position that he will be in an embarrassing position to readjust.

PM: It is always the danger of the American elections that they are very, very susceptible to the several lobbies that they get. All right. Well that's very helpful and most kind.

PG: And I hope in Luxembourg that we can have some conversation - not to waste all our time in details in the Agenda - but to exchange some views and if we can spare a few moments I will tell you what I think of the attitude, of the German attitude, to the East/West relations because it's important for us.

PM: Yes, I would be very glad and I'll look forward to that.

PG: Well, I hope that the weight of politics will not - the burden - will not be too heavy

PM: No, no. Thursday is always a bad day. We have long Cabinet meetings in the morning - always every Thursday morning - and it was from 9.30 to 1 o'clock today. Then I go straight across to the House of Commons and I'm on for Question you see, every Thursday. So I come out of Cabinet, then a long briefing for Questions because I don't know what Questions I'm going to be asked - they can be on anything. And then after that I come back and then one feels one has to start the day's work. No, we will cope with our problems but I just have this impression that people don't realise either the cause of the world recession or how unexpectedly deep it is.

PG: Well, I suppose they realise, but they do not draw the practical conclusions.

PM: No, they don't. They always want the easy way - and Great Britain's gone the easy way for so long, but it turned out to be the difficult way in the end and she's not got to go that way. So I'm afraid I get a reputation of being very, very tough and very, very hard.

PG: But your counterpart is so surprising

PM: Yes. Well, he and I had a real fight this afternoon in the House of Commons so I felt much better after that.

PG: No, but it's, well, you know it's a little sad for Great Britain because we haven't the problems here.

PM: Yes, I know.

PG: You have irresponsible people proposing something which is against the nation's interest

PM: Oh, and really going to the root of the nation's interest. Yes, it isn't at all easy but, still

PG: Well, I'll expect to see you in Luxembourg

PM: Yes, if I may, may I ring you back and give you some information after I've been to Bonn? I'll tell you how it went.

PG: Yes, I'm here/^{all}the next week.

PM: All right, I'll look forward to that.

PG: Goodbye.

PM: Thank you very much. Goodbye.

France.



Foreign and Commonwealth Office

London SW1A 2AH

29 May 1980

Dear Michael

Message from M Barre

Thank you for your letter of 27 May about M Barre's message to the Prime Minister. I do not think that the Prime Minister need respond herself, but, if you agree, we will ask the Embassy in Paris to convey to M Barre's office the Prime Minister's thanks for his message and for his good wishes.

To send
J-L

(P Lever)
Private Secretary

Michael Alexander Esq
10 Downing Street
London

I told G. Walden to
handle through
Embassy.

NFA. MA 29/5

27 JUL 1961

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cc D/W
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JS

10 DOWNING STREET

From the Private Secretary

27 May 1980

I enclose a copy of a message to the Prime Minister from the Prime Minister of France. Subject to your views, I do not think that M. Barre's message calls for any further action.

I am sending a copy of this letter, and its enclosure, to Bill Burroughs (Department of Energy) and Ian Ellison (Department of Industry).

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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1222 Ext 2063

MARGARET THATCHER

LONDONSW1

MESSAGE ADRESSE A MADAME THATCHER PREMIER MINISTRE DE GRANDE
BRETAGNE PAR LE PREMIER MINISTRE DE LA REPUBLIQUE
FRANCAISE: MA VISITE SUR LA PLATEFORME DE FRIGG,
REMARQUABLE SUCCES DE LA COOPERATION ENTRE NOS PAYS, ME
DONNE L'AGREABLE OCCASION DE
VOUS ADRESSER MES VOEUX LES PLUS CORDIAUX POUR VOTRE

COL NIL

BRN003 20739 MARGARET THATCHER LONDON PAGE 2/27

PAYS, POUR LE PEUPLE BRITANNIQUE ET POUR VOUS MEME,
QUE JE PRIE D'ACCEPTER MES HOMMAGES RESPECTEUEUX
SIGNE RAYMOND BARRE QP FRIGG 26.5.80 ANNE KARINE MOSS -FIELD
SECRETARY

COL 26.5.80

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TO PRIORITY FCO

Read in full

TELEGRAM NUMBER 306 OF 18 MARCH 1980
INFO ROUTINE UKREP BRUSSELS AND BONN
INFO SAVING OTHER EC POSTS, UKDEL NATO, WASHINGTON

BRITAIN AND FRANCE.

WITH THE EUROPEAN COUNCIL MEETING ONLY TWO WEEKS AWAY AND WITH THE KEY ITEMS ON THE AGENDA BECOMING SUBJECTS OF BITTER ANGLO/FRENCH CONTROVERSY, IT MAY BE USEFUL IF I MAKE A GENERAL COMMENT ON WHERE FRANCE STANDS AT PRESENT.

2. PRESIDENT GISCARD SEEMS ASSURED OF RE-ELECTION IN TWELVE MONTHS TIME, TO A CONSIDERABLE EXTENT BECAUSE OF HIS TACTICAL AND THEATRICAL SKILLS. HIS REFORMISM IS NOW ALMOST ENTIRELY REDUCED TO MONSIEUR BARRE'S PROGRAMME FOR GIVING FRANCE MORE OF A MARKET ECONOMY TO STRENGTHEN IT FOR THE 80'S. GISCARD HAS MOVED IN A DISTINCTLY GAULLIST DIRECTION IN MOST OTHER MATTERS. HE STRIKES A STRONGLY NATIONALIST, INDEPENDENT NOTE. OUTSIDE FRANCE THIS OFTEN SEEMS TO BE NEAR TO NON-ALIGNMENT. IT IS IN FACT AN EFFORT TO CREATE A DOMINANT ROLE FOR FRANCE BY ALIGNING OTHERS WITH HER, PARTICULARLY THE FRG AND SMALLER MEMBERS OF THE COMMUNITY, BUT ALSO THOSE ELSEWHERE IN THE WORLD WHO HAVE AXES OF THEIR OWN TO GRIND, WHO ARE THEREFORE AFRAID OF THE BLACK AND WHITE SIMPLIFICATIONS OF SUPER-POWER CONFRONTATION AND WHO ARE DISAFFECTED BY US POLICIES.

3. THERE IS NO DOUBT THAT THIS NEO-GAULLIST GISCARDIAN LINE PAYS OFF IN FRANCE. IT DISARMS MONSIEUR CHIRAC AND THE RPR AND IT MAKES THE LEFT, WITH ITS INTERNAL QUARRELS, LOOK SHABBY AND IRRELEVANT. THE LATEST OFRES POLL PUBLISHED OVER THE WEEKEND IN THE FIGARO MAGAZINE SHOWS REMARKABLE PERCENTAGES OF SUPPORT FOR THE THINGS FOR WHICH PRESIDENT GISCARD IS STANDING. 68% THINK CLOSE FRANCO/GERMAN COOPERATION A GOOD THING. 49% APPROVE PRESIDENT GISCARD'S HANDLING OF FOREIGN POLICY. 42% ARE SATISFIED WITH THE FRENCH GOVERNMENT'S ATTITUDE TOWARDS THE SOVIET UNION POST-AFGHANISTAN. SUPPORT FOR FRANCE'S "INDEPENDENCE" GOES SO FAR THAT 36% (THE BIGGEST PERCENTAGE UNDER THIS HEADING) FAVOUR NEUTRALITY AND NON-PARTICIPATION IN MILITARY ALLIANCES. THE POLL WILL BE A CONSIDERABLE SOURCE OF SATISFACTION TO THE GOVERNMENT.

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4. TO NARROW THE FOCUS TO EUROPEAN QUESTIONS, THE FRANCO/GERMAN RAPPROCHEMENT HAS BECOME AN EVEN MORE IMPORTANT FEATURE OF PRESIDENT GISCARD'S POLICIES SINCE THE IRANIAN AND AFGHAN CRISES BROUGHT A SHARP RISE IN WORLD TENSION. THE HOLLOWNESS OF CLAIMS TO INDEPENDENCE AND THEREFORE OF DE GAULLE-TYPE HARPING ON THEM BEGINS TO SHOW UP WHEN THE SUPER-POWERS GIRD AGAINST EACH OTHER AND SECURITY CONSIDERATIONS COME TO THE FORE. IT IS NOT ACCIDENTAL THAT PRESIDENT GISCARD AND CHANCELLOR SCHMIDT HAVE NOW MET THREE TIMES SINCE THE NEW YEAR. THEY APPEAR TO BE DRAWN TOGETHER BY SHARED INTERESTS IN INTERNATIONAL MONETARY STABILITY, DETENTE AND RESISTANCE TO RADICAL BURDEN-SHIFTING IN THE COMMUNITY. ON THE OTHER HAND CHANCELLOR SCHMIDT IS DRAWN AWAY FROM FRANCE BY THE FRG'S SECURITY INTERESTS. PRESIDENT GISCARD AND THE FRENCH GOVERNMENT ARE INVETERATE EXCHANGERS OF VISITS WITH FOREIGN PRESIDENTS, PRIME MINISTERS, FOREIGN MINISTERS, ETC, ETC. THEY ARE AT PRESENT EXPLOITING THIS NETWORK FOR ALL THEY ARE WORTH TO GIVE THE BEST POSSIBLE APPEARANCE OF AN ALTERNATIVE (IE NON-US, NON-SOVIET) WAY BEING POSSIBLE IN THE WORLD. AS SEEN FROM PARIS, CHANCELLOR SCHMIDT STILL SEEMS TO BE FALLING FOR THIS.

5. ALTHOUGH PRESIDENT GISCARD AND MOST TOP FRENCHMEN ARE CONTEMPTUOUS OF OR SORROWFUL ABOUT BRITAIN'S ECONOMIC PERFORMANCE, BRITAIN IS SENSED HERE IN FRANCE TO BE AN OBSTACLE TO PRESIDENT GISCARD'S MANOEUVRES. A COMMUNITY (AND MORE PARTICULARLY A CAP) SHAPED TO ACCOMMODATE BRITAIN WOULD NOT SERVE FRANCE'S AND PRESIDENT GISCARD'S MATERIAL INTERESTS (THE PRESIDENT CANNOT AFFORD TO ALIENATE THE PEASANT FARMERS). A COMMUNITY SHAPED FULLY TO ACCOMMODATE BRITAIN WOULD HAVE TWO CENTRES GENERATING DIPLOMATIC ACTIVITY, PARIS AND LONDON. PARIS FEARS THAT LONDON MIGHT EVENTUALLY PREVAIL, WITH DEPRESSING RESULTS FOR FRANCE'S INDEPENDENT LINE. THE GISCARD/SCHMIDT LINK WOULD HAVE BECOME WEAKENED, FRANCE WOULD BEGIN TO LOOK ISOLATED AND GISCARD WOULD LOOK LIKE A FAILED DE GAULLE.

6. THE FRENCH ATTITUDE TO THE BRITISH BUDGET CASE HAS TO BE SEEN AGAINST THIS BACKGROUND. IN THE STRICT TERMS OF THE ISSUE ITSELF, FRANCE, WITH PROBLEMS OF ITS OWN IN MAINTAINING BUDGETARY AND ECONOMIC EQUILIBRIUM, IS DETERMINED TO KEEP ANY EXTRA CHARGE ON FRANCE TO A SEVERE MINIMUM AND IS DETERMINED NOT TO ALLOW ANY REVAMPING OF THE CAP EXCEPT SLOWLY, STEP BY STEP, AND WITH THE MOST EXACT CALCULATIONS OF FRENCH PROFIT AND LOSS. MORE BROADLY, FRANCE

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HAS

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HAS NO WISH TO MAKE IT EASY FOR BRITAIN TO START SETTING THE POLITICAL TONE IN THE COMMUNITY AND ABOVE ALL THE FOREIGN POLICY TONE. IT IS NOT SO MUCH THAT BRITAIN IS SUSPECTED OF BEING SIMPLY A TROJAN HORSE FOR THE UNITED STATES: IT IS MORE THAT BRITAIN IS SUSPECTED OF BEING CAPABLE OF LEADING THE NINE (AND EVENTUALLY THE TEN, ELEVEN AND TWELVE) IN A DIRECTION THAT WOULD SEEM GENUINELY EUROPEAN WHILE ALSO BEING ATLANTICIST, SO THAT FRANCE MIGHT BE THE ONE THAT WAS FACED WITH A NEED TO MODIFY ITS EXTERNAL POLICIES, WITH UNPREDICTABLE AND POSSIBLY FAR-REACHING REPERCUSSIONS ON THE FRENCH INTERNAL SCENE.

7. IT FOLLOWS FROM ALL THE ABOVE THAT THE ONLY BIG FACTOR CAPABLE OF MODERATING PRESIDENT GISCARD'S ATTITUDE IS THE ATTITUDE OF THE FRG. HAVING MYSELF HAD A FAIR AMOUNT OF EXPERIENCE OF THE FRG I KNOW THAT THE GERMANS CAN RARELY BE RELIED UPON TO STAND FIRM, PARTICULARLY IN MATTERS RELATING TO FRANCE. AS I SEE IT THE KEYS WHICH MIGHT LOOSEN THE EXAGGERATIONS OF THE FRANCO/GERMAN RELATIONSHIP ARE TO BE FOUND IN THE TOPICS LISTED IN THE FOURTH SENTENCE OF PARAGRAPH 4 ABOVE. IT SEEMS IMPORTANT TO LESSEN CHANCELLOR SCHMIDT'S NEED TO TURN TO PRESIDENT GISCARD FOR WHAT HE SEEKS AS REGARDS INTERNATIONAL MONETARY STABILITY, DETENTE AND DISTURBANCES IN THE COMMUNITY AND TO INCREASE HIS INCENTIVES ON THE SECURITY SIDE FOR NOT BEING TOO COMPLACENT TO FRANCE.

8. I AM AWARE OF THE DILEMMA FACING YOU WHEN I SAY FROM PARIS THAT THE KEY LIES IN BONN AND SIR OLIVER WRIGHT IN BONN SAYS THAT THE GERMANS CAN NEVER BE RELIED ON TO TURN IT AND THAT IN THE END THE SOLUTION MUST BE FOUND IN PARIS. THIS TELEGRAM DOES NOT ADDRESS ITSELF TO THE IMMEDIATE DETAILS OF HANDLING THE BUDGET PROBLEM, IT IS INTENDED ONLY TO SKETCH THE SCENE AS OBSERVED FROM PARIS AGAINST WHICH THE BUDGET PROBLEM HAS TO BE SET. ABOVE ALL, IT IS INTENDED TO INDICATE THAT BRITAIN DOES NOT NEED TO BE DISMAYED, ALTHOUGH IT MAY BE COLDLY ANGERED, BY THE HOSTILE TONES ADOPTED RECENTLY IN FRANCE, AND THAT A CAREFULLY ORCHESTRATED POLICY ON A EUROPE-WIDE AND WORLD SCALE COULD PROMISE GOOD PROSPECTS OF FRUSTRATING THE MORE DANGEROUSLY NEGATIVE ASPECTS OF GISCARD-CENTRED AND FRANCE CENTRED POLICIES.

FOO PLEASE PASS SAVING TO ALL.
HIGBERT

REPEATED AS REQUESTED

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M O'D B Alexander Esq
No 10 Downing Street

With the compliments of

R A Burns, PS/PUS
FOREIGN AND COMMONWEALTH OFFICE
LONDON, SW1A 2AH

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3. He claimed that the SS 20 had changed the situation completely because missiles fired by the SS 20 could arrive on their targets in Western Europe in 2½ minutes and the warheads were now so reduced in impact and so accurate that the Soviet Union had the capacity to take out 800 or so key military targets in Western Europe with relatively small side effects and no mass killing. In other words, the Soviet Union could, at a time of its own choosing, totally destroy the military capacity of Western Europe in 2½ minutes, and when that happened we would see that the United States would not react at all. I told M. Chirac that, with respect, I found his scenario totally lacking in conviction. This sort of worst-case scenario belonged to science fiction rather than to real politics. He immediately said of course that he did not think there was really going to be a war because he was sure that the Soviet Union did not intend to have one. Nevertheless, he was absolutely convinced that the facts and figures he had given were correct and that the US protection of Europe was totally unreal.

4. I said that I thought he was wrong about decoupling. There was of course always a potential danger of decoupling but it was not actual. It was not conceivable that events could happen in the way in which M. Chirac had suggested. After all, if the Soviet Union / could carry out a surgical operation on Western Europe of the type which he had described, a similar surgical operation could be carried out by the United States on the Soviet Union. And it would then be the Soviet Union which was left not knowing what to do next. But in any case it seemed to me that this was not at all the way which anything would happen in real life. There were US forces in Europe and the whole point of the deterrent was that the Soviet Union, unlike M. Chirac, would never know for sure that there would be no American retaliation. It was probably correct that the long range tactical nuclear weapons in Europe would never be fired, but this was the nature of the deterrent. The whole purpose of having them there was that there should be no firing. In any case, did not the French and British nuclear deterrents ensure that there would be no decoupling?

5. M. Chirac then took off on the French and British nuclear deterrents. To some extent the French deterrent might serve the purpose I had suggested, but the British deterrent could not do so because it was entirely dedicated to NATO and therefore under American control. I told M. Chirac, again with appropriate expressions of respect, that he seemed to be completely misinformed about the British deterrent. It was not a two-key system; it did not depend on American control; it was capable of independent national targetting or NATO integrated targetting.

/M. Chirac

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M. Chirac then said that he was prepared to accept for the moment the hypothesis of British independence; but even so, ^{the} British and French deterrents together could not do enough damage to the Soviet Union, and certainly not of the surgical sort which he had suggested, to be credible. He did not believe that in their present form they would be fired at the necessary time. It was necessary to have at least 7 submarines at sea armed with mirrored warheads for there to be enough striking power to take out the key strategic and industrial points of the Soviet Union and so effectively to deter. This was why he had suggested that France needed a nuclear submarine fleet of 15 boats. There was no way of solving this problem except for France to go it alone and have the capacity to have 7 boats permanently at sea in a position to strike. I said, again with a suitable expression of respect, that this did not sound realistic to me. I did not believe France could manage it and I did not believe France needed to manage it. There was no need to cut out the Americans in this way and there was no need to cut out the British. M. Chirac immediately said that one had to cut out the British because we were going for a US replacement of the Polaris submarines. I replied that I saw no reason why communication and perhaps eventually some degree of collaboration should be impossible unless strategic systems were identical. The fact was that a strike capacity was a strike capacity and the sensible thing would be for those possessing it to discuss together how they used it.

6. M. Chirac then said that perhaps it was conceivable that in due course some Anglo/French collaboration might be possible. But it would never be possible to bring Germany into it and this made any genuine European defence cooperation difficult to envisage. I questioned this and said that of course European defence cooperation lay far in the future. The Nine had not yet progressed very far even in political cooperation, but it was not impossible that progress could be made if everyone thought in terms of cooperation rather than autarchy.

7. M. Chirac then got going on political cooperation in Europe. He said that he of course was not really interested in Europe. He was not for it; he was also not against it. For him what counted was the nation. For him the essential element in the legacy of General de Gaulle was the complete independence of France (curiously exactly the same thing had been said to me at lunchtime by M. Gaston Palewski, who had added the piquant comment that he could not bring himself to read anything so left-wing as 'Le Monde' more than twice a week). In any case the European Community was in disarray. It had shown itself incapable of meeting world problems. M. Chirac then enumerated on his fingers all the disputes he could think of between Britain and the Community, saying how grave they were. I disagreed with him about the state of the Community. I said that I thought the

/Community was

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Community was in fact doing remarkably well in a period of grave international economic crisis. The disputed issues which M. Chirac had enumerated were of course serious ones involving substantial national interests. They were however soluble given a little effort on all sides. It was very much in the common interest that this should be solved. They were not the most important issues in international affairs. Unless they were solved it would be difficult for the European countries to be united on the important issues. M. Chirac then talked about the Community as a club and Britain not being prepared to accept the rules. I invited him to cite a single instance in which Britain was not obeying the provisions of the Treaty of Rome or the regulations deriving from it. He immediately took up the theme of Community preference and talked about New Zealand butter. I told him that his example was not well chosen as New Zealand's exports to the Community were entirely controlled by agreements reached between the Nine Community countries and fell within the letter of the law. M. Chirac then said that of course a mistake had been made in the past. Concessions should never have been made to the United Kingdom. At this point we got into a fairly tough discussion on the budget and I told him that France would never accept for herself the position in which Britain now found herself, that is to say having a transfer of resources from British pockets to continental ones 13 times higher than that accepted by France.

8. M. Chirac then said that I should not get him wrong. He very much admired Mrs Thatcher and thought her tough policies were entirely right. If he were Prime Minister of Britain he would do what Mrs Thatcher was doing, but he was a Frenchman and stood up for French national interests and saw no justification for France to give in to any British demands. Britain should accept some sort of associate status with the Community. I said that he was likely to be disappointed in that case, because the British Government had made it clear that, having accepted in full the obligations and rights defined in the Treaty of Rome, it had no intention of renouncing them. Britain was there to stay and was determined to remain a partner of France.

9. M. Chirac then condemned political cooperation as being virtually ineffective. He was not against it; he also saw no point in promoting it. I said that on the contrary the British view was that the Nine urgently needed to develop their political cooperation if they were ever to be effective in the world at large. In any case the Community was already highly effective on the economic and trade side, with the Commission very effectively maintaining the interests of the Nine in a network of economic and trade negotiations. What was necessary was the staged development of political cooperation in ways suitable to its own nature.

M. Chirac professed

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M. Chirac professed not to be against this as he thought this could perhaps be a framework in which the British and French nations could collaborate usefully; but he made it clear that he had no thought of doing anything to help it on its way.

10. By now there was someone else waiting to call on M. Chirac and he said that he would like to pursue the conversation another time. I found this no more convincing than anything else he said, and I was left with a very clear impression that Britain ought to be interested in President Giscard's re-election. M. Chirac's famous charm came through now and then, but he did not seem to be at all the sort of man with whom it would be possible to do constructive business in Europe.

19 February 1980

Reginald Hibbert

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27 FEB 1980

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Fr. Pons 8/12

SECRETARY OF STATE'S TALKS WITH MONSIEUR FRANCOIS-PONCET

/ Discussion was mostly informal, and tete-a-tete.
The attached accounts are therefore based mainly on
debriefing of the Secretary of State.

Given the informal and confidential nature of
these meetings, it is important to respect Monsieur
Francois-Poncet's confidence fully. These records should
therefore be handled with care, and should not be copied
to Embassies (other than to HM Ambassador, Paris) without
consulting Private Office.

J. J. H. Walden

(G G H Walden)

4 February 1980

cc:- PS)
PS/LPS)
PS/PUS)
PS/Sir D Maitland)
Sir A Acland) complete record
Lord Bridges) and to PS/No 10 ✓
Mr Bullard)
Mr Fergusson)
Mr Braithwaite)
WED)

Mr Hannay)
EID(E)) EEC Budget Problem
EID(I))

PS/Mr Hurd)
PS/Mr Ridley)
PS/Mr Blaker) Afghanistan/India/Iran
PS/Mr Luce)
Mr Cortazzi)
Mr Murray)
Mr J Moberly)
SAD, MED, EESD)

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 PS/Mr Ridley)
 PS/Mr Blaker)
 PS/Mr Luce) Middle East and Arab/Israel/EEC Gulf Dialogue
 Mr J Moberly)
 Mr Hannay)
 EID(E))
 EID(I))
 MED)
 NENAD)

PS/Mr Hurd)
 PS/Mr Ridley)
 PS/Mr Blaker)
 PS/PUS Luce)
 PS/Sir D Maitland) Olympic Games
 Lord Gordon Lennox)
 Mr Fergusson)
 CRD)
 WED)
 EESD)

PS/Mr Hurd)
 PS/Mr Ridley)
 PS/Mr Blaker)
 PS/Mr Luce) TNF/CSCE/EDC
 Mr P Moberly)
 Defence Dept)
 EESD)

PS/Mr Hurd)
 PS/Mr Ridley)
 PS/Mr Blaker)
 PS/Mr Luce) Africa
 Mr Day)
 Mr Aspin)
 CAfD)

PS/Mr Blaker)
 Mr Cortazzi) China/South East Asia
 Mr Murray)
 SEAD)
 FED)

Secretary of State's talks with
Monsieur Francois-Poncet at
La Celle du St Cloud on 2 February

Fora for follow-up to Afghanistan

1 M Francois-Poncet entirely agreed with Lord Carrington that the quadripartite forum was the most appropriate. He did not like the idea of a meeting of the 7 about which the French had only heard from the newspapers. The French preferred either 4 or 9; and if not 9, 3. The larger the forum, the more embarrassing it was for the French, who were sometimes obliged to stick out for an unpopular view. Lord Carrington suggested that a series of official level meetings of the 7, without Mr Jenkins, could be held before the June economic summit. Such meetings could cover strategy as well as economics. M Francois-Poncet said that he had not given thought to this idea, though it sounded sensible.

2 M Francois-Poncet agreed that political cooperation in the 9 should be more efficient and responsive to events. He did not however like the idea of the President or any member being able to summon a meeting. Such meetings would serve no purpose unless the French, Germans and ourselves agreed a joint line first.

Soviet motives in Afghanistan

3 M Francois-Poncet said that there were local reasons for Soviet action, but these were not compelling enough to explain the scale of Soviet intervention. If it had been merely a question of miscalculation, the Russians would surely not have compounded this by the exile of Sakharov. He saw a wider pattern of Soviet motives including:

- a) a real fear of the consequences of TNE modernisation (see para 5 below),

/ b)



- b) a determination to control their East European satellites' relationships with West Germany,
- c) a feeling that they had been too soft on China, who should be warned either to work for rapprochement, or to stop provoking the Soviet Union.

M François-Poncet feared that all this added up to a sinister shift of policy in the Kremlin, which was probably bound up with the struggle for the succession to Brezhnev.

4 Lord Carrington explained that a simpler explanation was that the Russians had indeed miscalculated the Western and Third World response to their invasion; that they had decided to dispose of the Sakharov problem before the Olympics and while they were getting a bad press anyway; and that the East Europeans had got their knuckles rapped about contacts with West Germany because they had not been forthcoming enough in supporting Soviet action. Lord Carrington also argued that the Russians were making the implementation of the TNF modernisation decision more probable by cutting East Europe's links with West Germany. This was difficult to square with real fear of TNF modernisation.

TNF

5 M François-Poncet, stressing that this was mainly well-informed speculation, said that the Soviet fear of TNF modernisation resulted from the reduction of their 30 minute warning of nuclear attack to 4 minutes. They had devised a new ABM to operate in the stratosphere and to neutralise American ICBMs. This was very advanced, but would not be ready for about 18 months. New intermediate missiles (Lord Carrington surmised that M François-Poncet meant Pershing Twos based in West Germany) would negate the advantages of this gadget, which could not work in 4 minutes.

/Soviet

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Soviet Attitudes

Middle East and Arab/Israel

6 M François-Poncet said that the main lesson of Afghanistan was the need for a new initiative to solve the Palestine problem. If this could not be launched by the 9, it should be promoted by the French, Germans and ourselves. We should not postpone such an initiative because the Americans might disapprove. It was wholly in the West's interests to move rapidly on this front. It would bring Iraq back into the Western fold; help over Iran; and outflank left-wing critics at home over the Palestine issue. Details of a possible new initiative were not discussed.

7 M François-Poncet was clearly worried about the YAR, and thought that "military action" ought to be taken with the PDRY.

M François-Poncet

Poncet also said that an American military presence in the Gulf area was vital, and should be encouraged.

M François-Poncet said that, in speaking to Chabon-Delmas, Brezhnev had not even pretended that the Soviet Union had been invited into Afghanistan, but had given the impression that the Soviet Union was a strong country and would do what it liked. He also reported that Mr Gromyko had told the Syrian Foreign Minister that Pakistan was split into two, and could split into four if the Pakistanis were not careful.

India

8 M François-Poncet shared our assessment that the Indians' pro-Soviet stance resulted from their fear of China, rather than any illusions about Soviet policies. Both he and Lord Carrington agreed that Europe had an important part to play in keeping the Indians non aligned. Mrs Gandhi had told President Giscard that she had a role to play in keeping the non-aligned non-aligned.

China/South East Asia

9 The French were puzzled by the apparent lack of priority the Chinese were giving to the modernisation of their defence, and were tempted to see some link between this and a possible future

/Sino-Soviet

Sino-Soviet rapprochement. The French had tried to sell a limited amount of military equipment to the Chinese, but had not encountered much interest.

10 M François-Poncet said that the Thais were as worried about pre-emptive strikes against Cambodian refugee camps as the Pakistanis were about Afghan camps.

Africa

11 M François-Poncet said that he foresaw a growing need for bold Western, and in particular French, intervention in Africa. He hoped that the French would not be criticised by the Anglo-Saxon press as they had been in the case of Zaire. (Lord Carrington stressed that we had not criticised the French over Zaire.) He had recently asked French missions in Africa for an assessment of Soviet or proxy presence in their countries, and had been alarmed at the results, particularly in Congo Brazzaville, where a figure of 10,000 had been given.

Secretary of State's talks with
Monsieur Francois-Poncet at
La Celle du St Cloud on 3 February

French credit agreement with the Soviet Union

1. M Francois-Poncet confirmed that there would be a new agreement; but that the rates would be above (sic) the consensus rate.

The Nine's reaction to Afghanistan

2. Lord Carrington went over the principles listed in Mr Fitzherbert's brief of 1 February, and the text was subsequently given to the French. M Francois-Poncet agreed that these principles would form the basis of discussion at the Political Cooperation Meeting on 5 February. He thought however they would have to be reordered, reformulated and refined. The three points enunciated by Mr Jenkins before the European Parliament had been badly expressed and were in the wrong order. It was important that the principles should constitute a European response, though one of them could indicate Europe's support for the American position.

CSCE/EDC

3. M Francois-Poncet was not sanguine about the prospects for Madrid and thought there was a possibility that the Russians might call off the meeting. There was nothing the West could do now and we should simply wait and see. The EDC was still worth pursuing especially if the Russians agreed that its scope could extend to the Urals. However, M Francois-Poncet thought that the project may have gone out of the window after Afghanistan though the French would go on trying.

EEC/Gulf dialogue

4. M Francois-Poncet said that a dialogue with the Gulf which did not include the Arab/Israeli problem would be absurd. This posed no problem for the French, but might for other members of the Community. Given the different positions

/in the Community

in the Community on Arab/Israel there could be some disarray.

*conclude
discussion
of this
in*

~~If the Nine were going to launch an initiative,~~ It would be better to ~~do~~ this in the Euro-Arab context. The Iraqis would have to be included in a Gulf dialogue and would make things difficult. If the Saudis insisted on excluding oil, the Gulf dialogue would have no point. M Francois-Poncet intended to ask Herr Genscher to clarify his ideas and undertook to let Lord Carrington know before Tuesday 5 what these were. In general, M Francois-Poncet thought that it was difficult to see how an EEC/Gulf dialogue could make much sense.

Iran

M Francois-Poncet knew Bani Sadr, and thought he was a sensible man. He was likely to be European-minded. This gave Europe a role to play and we should try to get alongside him.

SECRETARY OF STATE'S TALKS WITH MONSIEUR FRANCOIS-PONCET AT
CHATEAU DE LA CELLE DU ST CLOUD ON 3 FEBRUARY

The EEC Budget Problem

1. Lord Carrington deployed the British case on familiar lines, taking M Francois-Poncet through the six principles in his brief (though not mentioning figures) and emphasising the political difficulties the British Government faced. (He had the impression that the French were not fully briefed about the Cossiga visit to the UK.) M Francois-Poncet said that he himself was a relative dove on this question; the President took a tougher attitude. There was no question of settling the issue in March. There were obvious links with agricultural prices, the sheep meat question, and progress towards a fisheries agreement. Such links were not direct, but it would not be politically possible for President Giscard to return from the European Council with the budget problem solved, but the others outstanding. Moreover, Giscard was determined not to put himself in this position.

*Abraham's
position*

2. In M Francois-Poncet's view, the President, Chancellor Schmidt and Mrs Thatcher had all made a solution much more difficult by the total prohibition of anything over the 1% VAT ceiling. Most acceptable solutions would overshoot the budget within a year. The agricultural budget needed revising. But any question of reducing prices was however cloud cuckoo land. On sheep meat, he thought that the UK had been provocative in its dealings with the Commission. Moreover the problem was now more difficult to solve than last November, because the French press was now reacting to criticism of France in the British press. This gave the issue a new political dimension.

3. M Francois-Poncet thought that a settlement was possible, but on nothing like the scale the UK wanted. He mentioned vaguely a few millions more than 500 million MUAs. A little more money could be spent in Britain, but not much. It would

/also have

also have to be spent on "communautaire" projects (Lord Carrington's impression was that M Francois-Poncet meant eg oil exploration. No mention was made of the Channel Tunnel.) A genuflection towards the Community on energy, even if there were not much real content, would be politically important. But we should not delude ourselves: this alone would not solve the problem.

4. He had taken a tough line in his discussions with the Lord Privy Seal against his will, and against his nature, but it had been necessary to bring home to the British the real difficulties of the situation. Lord Carrington said that he hoped that the French were not saying that an agreement was impossible. We could not just sit and do nothing. There would be a row and we would have to decide what steps to take if others refused to compromise. We were not interested in "associate status". M Francois-Poncet said that we could find ourselves isolated and that other members "would make other arrangements without us". Lord Carrington said that the French presumably did not want this to happen. M Francois-Poncet said that it could happen despite French wishes.

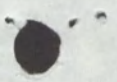
SECRETARY OF STATE'S TALKS WITH MONSIEUR FRANCOIS-PONCET AT
CHATEAU DE LA CELLE DU ST CLOUD ON 3 FEBRUARY

OLYMPIC GAMES

In a brief discussion of the French position, Monsieur Francois-Poncet conceded that the Games in Moscow would not be real Olympics without the Americans. He also said that it was inconceivable that the French would go if enough other countries did not turn up. Lord Carrington's impression was that the French would not attend Games which were limited to the Soviet Union's East European and other allies, and a sprinkling of the Third World; and that the French were prepared to shift their position if it seemed that matters would turn out in this way.

1950 FEB 4

1 2 3 4 5 6 7 8 9 10 11 12





PM/80/9

PRIME MINISTER

Prime Minister
 Obviously a v. useful talk. I attach
 a fuller record of the conversations in case
 you wish to check particular points

f.s. P. 4/2

Anglo-French Relations

1. Over the weekend I held the second in a series of private informal conversations with the French Foreign Minister, M Francois-Poncet, at the French equivalent of Dorneywood near Paris. The timing - on the eve of the latest and largest Franco-German Summit - was fortuitous, but useful.
2. My aim was to engage my French colleague in frank discussions on the whole range of political and Community problems, at a time when our relationship is becoming strained both because of the budget problem and because of differing responses to the Afghanistan crisis. This was beginning to give rise to criticism in the press and elsewhere that we were disregarding the European dimension and subordinating ourselves to the whims of American policy-makers in a pre-election period. The results of my visit were satisfactory on the political side. In fact, I found that our views were very close on essentials. The French are clearly interested in co-ordinating policy with us, as well as with the Germans. On the Community budget (on which I am minuting separately) progress was slight, though I hope that a better political understanding between us on world events will pay some dividends in future discussion of our budget problem.
3. I was struck by the realism and toughness underlying some of the more irritating French postures on Afghanistan. They see events there not as a Soviet miscalculation; but as a sinister shift of policy resulting from a struggle over the Brezhnev succession. They want the Russians out of Afghanistan, and are alert to the dangers of a weak response. They are critical however of American handling of the issue, and of her /allies.



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6. My main conclusions are that the French have no illusions about the heightening of the Soviet threat in the wake of Afghanistan; that the Franco/German axis in Europe is strong but not exclusive; that their actions in the Gulf, Africa and the Indian sub-continent (despite the Giscard/Mrs Gandhi communique) are complementary to our own, rather than in competition; and that by intensifying our political exchanges with both them and the Germans we can both enhance our European credentials, improve the chances of a satisfactory outcome over the budget, and minimise the danger of a rift between the Nine and the Americans in the testing period after Afghanistan. The real difficulty for the French, now as in the past, is their reluctance to be seen to be following an American lead. This will always present us with problems in the handling of these big international issues. But my talks with Francois-Poncet confirmed me in the view that, with reasonable deftness, this problem is manageable.

7. I am copying this minute to other members of OD and Sir R Armstrong.

(CARRINGTON)

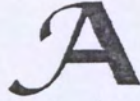
Foreign and Commonwealth Office

4 February 1980

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4 FEB 1980



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LONDRES

L'AMBASSADEUR

W.E.D.

11th December, 1979

Lord Carrington is free in principle. Is there any reason against accepting - I imagine not.

My dear Secretary of State 11/12

Will you please find enclosed a letter from M. Valéry Giscard d'Estaing, President of the French Republic, which I have just received through the Diplomatic bag.

Sincerely yours

Jean Langon

The Rt. Hon. Lord Carrington,
P.C., K.C.M.G., M.C.
Secretary of State for Foreign & Commonwealth Affairs,
Downing Street,
London, SW1A 2AL.

W.E.D.
J.C.P.S.
P.S./C.P.S.
P.S./P.U.S.

Lord Bridges
Mr Bullard
Mr Ferguson

Mr Alexander (No 10) 11/12



Lg. Pmt

LE PRÉSIDENT DE LA RÉPUBLIQUE

Paris, le - 7 DEC. 1979

M. Alexander

*A bow-meal
régime, do you think?*

PLW

Mr Whitmore

Thank you pleasure!

Pmt

Mon Cher Ministre,

Comme je vous l'ai indiqué à DUBLIN, je serais très heureux si vous me faisiez le plaisir de venir participer à une battue de sangliers, le samedi 12 janvier prochain, à Chambord.

X //

Si cette date et cet animal vous convenaient, je vous attendrais, la veille au soir, pour dîner.

Mon aide de camp est à votre disposition pour préciser l'organisation de votre venue.

Veillez croire, mon Cher Ministre, à l'expression de ma très cordiale considération,

et à celle de mon ardent souvenir.

Yves de La Brière

Son Excellence
Lord CARRINGTON
Secrétaire d'Etat au Foreign Office

Original on ←

France: July 79

CONFIDENTIAL

France: Anglo-French relations

RECORD OF A MEETING, IN PLENARY SESSION, BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF FRANCE, PRESIDENT GISCARD D'ESTAING, AT 10 DOWNING STREET ON 20 NOVEMBER 1979 AT 0945

Present:

Prime Minister	President Giscard d'Estaing
Foreign and Commonwealth Secretary	Monsieur Francois-Poncet
Chancellor of the Exchequer	Monsieur Monory
Secretary of State for Industry	Monsieur Giraud
Secretary of State for Energy	HE, Monsieur Jean Sauvagnargues and other officials
Sir Robert Armstrong	
Sir Michael Palliser	
Sir Jack Rampton	
Sir Reginald Hibbert	
Sir Kenneth Couzens	
Mr. Michael Franklin	
Mr. C.W. Whitmore	
Mr. Bernard Ingham	
Mr. M.O'D.B. Alexander	

* * * * *

Industry

The Prime Minister asked the Secretary of State for Industry to report on his discussions with M. Giraud. The Secretary of State for Industry said that he would like to begin by mentioning a point of concern which M. Giraud had mentioned to him. M. Giraud was worried about the links between British Leyland and Honda. The Secretary of State had reassured him that British Leyland would be producing a British car not a Japanese one.

/The Secretary of

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The Secretary of State for Industry then listed the areas where he and his French colleague had identified mutual interests. These included:-

- (a) co-operation in the production of titanium. Both countries were going to need additional supplies in the years ahead. Britain needed it for aero-engines, the French for their nuclear power stations. There was no question of either country subsidising the production of the metal. It was a question of supplying it on the right terms. There could be a common interest in constructing one or two plants. The product of the existing UK manufacturing capability did not altogether meet French requirements. But the production process could not be changed because the certification of Rolls Royce engines using the product was based on it and Rolls Royce could not wait while a new process was developed. It might be that a new plant would be built in this country using the present technology;
- (b) the need to reduce the level of subsidies to "mobile industries" i.e. multinational companies which have a choice of country in which to locate their investments;
- (c) concern about the level of US subsidies to their oil industry given the effect that this was having on the cost of various synthetic fibres;
- (d) the need to identify more precisely the threat from Japanese subsidies generally;
- (e) the possibility of co-operation in computer software and in the space industry;
- (f) French willingness to look at regulations limiting their UK exports of trucks to France.

M. Giraud said that he and the Secretary of State for Industry had also discussed the dumping of Italian woollen textiles and the Standards Code which had emerged from the recent Multilateral Trade Negotiations. The latter was particularly important if the Community was to keep control of unfair competition from Japan and the United

States. Both Ministers had agreed that there was a role for national action in dealing with this problem. The position of the Community as a whole was being discussed in the Foreign Affairs Council. The Prime Minister asked about Commission Davignon's investigation into the effect of US oil subsidies on the synthetic fibre industry. M. Giraud said the Community was progressing too slowly. This was an example of an area where national action could be important.

Energy

The Secretary of State said that he and M. Giraud had discussed the present disturbing situation on the world oil market and the precarious nature of the supply/demand balance. There had been some difference of approach to the problems of the spot market but no divergence of view on the extreme seriousness of the situation. Both Ministers had agreed to keep in touch about the proposals which the United States would shortly be bringing to the IEA for strengthening the constraints on oil imports and for improving monitoring of the situation. (France is not a member of the IEA.)

The Secretary of State for Energy said that he and M. Giraud had identified common interests in the future development of civil nuclear power. Both countries intended to expand their nuclear power capacity. The UK would be reactivating the Westinghouse PWR licence. He and M. Giraud had agreed that there was a possibility of future construction of PWR reactors being conducted on a trilateral support basis. There might be component manufacturing and licencing arrangements embracing both Westinghouse and the French industry. He would be considering how to proceed with Westinghouse in the light of M. Giraud's remarks.

There had also been a discussion about the possibility of co-operation in the breeder reactor field in the years ahead. Finally he and M. Giraud had discussed the possibility of transporting gas from the Statfjord field through ^{the} British gas gathering system and onwards to France. He would be happy to

/look

Original on: —
France: July 79

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France: Anglo-French
relations

NOTE OF THE DISCUSSION AT THE PRIME MINISTER'S LUNCH FOR PRESIDENT
GISCARD D'ESTAING ON 19 NOVEMBER AT 10 DOWNING STREET

Present:

Prime Minister	President Giscard d'Estaing
Foreign and Commonwealth Secretary	Monsieur Francois-Poncet
Lord President of the Council	Monsieur Giraud
Secretary of State for Industry	HE, Monsieur Jean Sauvagnargues
Sir Reginald Hibbert	Monsieur Patrick LeClerc
Mr. C.A. Whitmore	

* * * * *

United States

Following a discussion on the prospects of the various United States Presidential candidates, in the course of which there was general agreement that Senator Kennedy was unlikely to be successful, President Giscard remarked that it would be a pity for the western world if the re-election of President Carter meant that we were deprived of what he called the United States presence. The West did not need American leadership but it did need the steadying influence of the United States. The prospects for the global balance of power in the next few years were not good. Although the Soviet Union would continue to be militarily strong they were not in a sound ideological and economic position. Their system was not a good one for the future. If the West now adopted a strong policy, it would be "on the winning side" but the present erratic United States approach was worrying. It was impossible for the West to be politically effective without an American contribution. The United Kingdom was acting boldly in Southern Africa and France was doing the same in Central Africa, but they were doing so separately.

Monsieur Francois-Poncet added that what happened in Iran might well affect President Carter's chances of re-election. It was possible that things there would knock him out of the race.

Britain and the international scene

President Giscard said that he was glad to see Mrs. Thatcher confirming the position and influence of the United Kingdom in world affairs. He welcomed the British contribution to international

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/ politics.

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- 2 -

politics. There was no French jalousie: Britain's ambitions were well received and were appreciated by France. He felt that the British Government's approach was different from that of Mr. Callaghan's Government. Within the Community the Federal Republic, the United Kingdom and France should concert their policies. At present France and Germany had regular talks to discuss their problems. Their exchanges were frank and neither country tried to gain an advantage at the expense of the other. Their aim was to develop joint political attitudes. France would be delighted to have the same kind of relationship with the United Kingdom.

It was, however, difficult for France to understand Britain's economic problems, and he thought that this lack of understanding was shared by other members of the Nine. The difficulties of the Italians and the Belgians were well appreciated but Britain had oil, excellent institutions, and good scientists and technologists and it was hard to understand why she should be in greater economic difficulties than some other countries. France had had an inferiority complex for more than 100 years towards the United Kingdom: she had regarded Britain's industry, banking systems and even her universities as better than France's. But she had got rid of this feeling in the 1960s.

The Prime Minister said that there was no single, simple explanation for Britain's economic problems, though our difficulties in the field of industrial relations had much to do with them. The important point, however, was our determination to overcome our difficulties.

21 November 1979

SECRET



10 DOWNING STREET

file L/10
cc Mr Franklin
CO
Hau

From the Private Secretary

18 October 1979

The Prime Minister has seen the Lord President's minute to her of 15 October about his meetings with President Giscard and M. Deniau. She has taken note of the contents.

M. O'D. B. ALEXANDER

Jim Buckley, Esq.,
Office of the Lord President.

John



Prime Minister

The Prime Minister

And

When I was over in Paris about ten days ago, I had a chance meeting with President Giscard who chose to tell me that he attached much importance to developing over a period of time a closer relationship than now existed between the French and British Governments.

I told him that I was sure you shared this view but the hard fact was that there were a number of important sources of friction at the present time which first had to be got out of the way.

Last week I saw Jean François Deniau, who is the French Minister of Trade and very close personally to President Giscard. He took up the same theme and I asked him why the President was speaking in these terms and apparently attached such importance to it. He said that it was for a number of reasons to do with balance in the Community but most importantly - and this seemed to me to make sense - that it was not electorally good news for the French Government to be so close as they obviously are to the Germans without the counter balance that can only come from a better and more intimate relationship with us.

I spoke as you would have wished to Deniau about the budget and insisted that this was a problem that had to be resolved and that both a long term and effective solution needed to be found. I don't think he was in any doubt at the end of our talk.

Deniau went on to say something which President Giscard had not himself mentioned, that the thinking in the Elysée was that the better relations which the President is seeking could only be achieved by having talks over a broad front about the many aspects of our relationship. I replied that that was all fine and large but that there was not time for anything like this between now and the European Council and that it was essentially for us to look for satisfaction over the budget at that meeting.

/I also

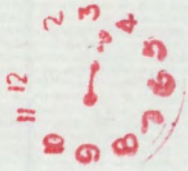
I also reminded Deniau that it was he himself who was the author of the phrase which we had accepted in the 1971 Negotiations to the effect that if the financial arrangements proved to be evidently unfair on any member state then it would be essential for the institutions of the Community to find a remedy. The moment of truth had now come.

I expect that you will find President Giscard enlarging upon all this when he comes to visit you next month.

S.

SOAMES
15th October 1979

16 OCT 1954



CONFIDENTIAL

