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PART 3

CONFIDENTIAL F

PM's VISITS TO FRANCE

ANGLO / FRENCH SUMMIT

PARIS 4/5 NOVEMBER 1982

+ PARIS 23 JAN. 1984

+ PARIS 4 MAY 1984.

FRANCE.

PART 1 MAY 1984

PART 3 SEPTEMBER 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
15.10.82		4.5.84					
21.10.82		X					
25.10.82							
2.11.82							
8.11.82							
11.11.82							
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20.1.84							
23.1.84							
6.4.84							
21.4.84							

① LEADING PERSONALITIES
IN FRANCE

② BRIEFING FOR NOVEMBER 1982
PARIS SUMMIT

③ BRIEFING FOR JANUARY 1984
TALKS WITH PRES. MITTERAND

ARE FILED IN SEPARATE BOX

● PART 3 ends:-

DB to H-E. Mr. Ede Margerie

PART 4 begins:-

Paris tel 530 2.5.84



10 DOWNING STREET

From the Private Secretary

18 April 1984

I am writing in the Prime Minister's absence in Portugal to thank you for your letter of 18 April with which you enclosed a letter from the President of the French Republic.

I will place the President's letter before the Prime Minister immediately upon her return.

David Barclay

His Excellency Monsieur Emmanuel de Margerie.

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AMBASSADE DE FRANCE
LONDRES

L'AMBASSADEUR

18th April, 1984

Dear Prime Minister,

I have just received through the diplomatic bag the enclosed letter addressed to you by Monsieur François Mitterrand, President of the French Republic.

I enclose it herewith.

Yours sincerely
François Mitterrand

I am so happy you can come and see the President
on May 4th.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
LONDON S.W.1



Susan. ^{told} ^{wrote}

Arrange nothing
now.

W $\frac{17.}{4}$

10 DOWNING STREET

John ✓

Visit to Paris, 4 May.

David Bowday would like to know about briefing meetings before the trip.

Do you need a full Cabinet, or Williamson/Hannay-type teach-in?

Susan.

LE PRÉSIDENT DE LA RÉPUBLIQUE

Paris, le 12 Avril 1984

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T59^A/84

a MATHER
OP3

de Madame le Premier Ministre,

Sir John Fretwell m'a fait parvenir l'ouvrage sur votre Résidence des Chequers que vous avez bien voulu me dédicacer, en souvenir de nos conversations du 5 mars 1984, ce dont je vous remercie.

En quittant ce manoir chargé d'une histoire aujourd'hui presque millénaire, j'avais le sentiment d'avoir passé quelques heures dans une véritable maison de famille, celle des Premiers Ministres de votre pays, qui s'y sont succédés, au fil du temps, y imprimant chacun leur marque sans en altérer pourtant l'unité. Je vois en cela, pour nous-mêmes, premiers responsables de ces deux vieilles nations, aux traits si mêlés, un exemple digne d'attention.

Je vous prie d'agréer, Madame le Premier Ministre, l'expression de ma haute considération *et de mes*
fidèles sentiments

François Mitterrand
François MITTERRAND

Madame Margaret THATCHER
Premier Ministre de
GRANDE BRETAGNE

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10 DOWNING STREET

From the Principal Private Secretary

6 April, 1984.

Bilateral Meeting between the Prime Minister and
President Mitterrand

This is to record the developments this morning over the suggestion of a bilateral meeting between the Prime Minister and President Mitterrand.

As you will know, Monsieur Cheysson telephoned the Foreign Secretary during the meeting on Hong Kong, and the Foreign Secretary came out of the meeting to speak to him. M. Cheysson said that the Press appeared to be under a misunderstanding about the prospects of a meeting between the President and the Prime Minister. In reply to a question from the Foreign Secretary, M. Cheysson said that he agreed that there was no question of a meeting taking place on Monday. Such a meeting would be difficult to fit into the arrangements of the President and the Prime Minister on that day, and he agreed with the Foreign Secretary's view that it would not be profitable to arrange such a meeting while the Foreign Ministers were meeting in Brussels. But he thought that it should be made clear on both sides that there was the prospect of an early meeting between the President and the Prime Minister.

I then spoke to Pierre Morel who confirmed that, as recorded in John Coles' letter of yesterday, this was indeed the line on which the Elysee were briefing the Press. I said that we were following the same line. I added that the French suggestion of an alternative on Monday, 16 April, was difficult for the Prime Minister since she was going to Portugal the next day, and had a number of engagements on that Monday. I asked Morel whether the French Government would like to consider alternative dates after Easter.

M. Morel subsequently telephoned back and said that the French Government would be glad to consider alternative dates, and asked what dates the Prime Minister might be able to manage. I said that we would consider this, but that it might be better not to settle a date until we could see what business the President and the Prime Minister would have to discuss. Since the Foreign Affairs Council was clearly going to be a very important meeting, it would be easier to judge this following that meeting. In the meantime, it was sufficient to be able to take the line with the Press that the Prime Minister and the President were hoping to meet in the next few weeks, and dates were being discussed. Morel agreed that "substance should determine timing", and said that, unless he contacted me again, we should assume

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/ that

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that we would discuss the timing of a meeting between the President and the Prime Minister again next week following the Foreign Affairs Council.

I am sending copies of this letter to Sir Robert Armstrong, David Peretz (HM Treasury), and, in view of the fact that the Secretary of State for Energy will be meeting the President on Monday, Michael Reidy (Department of Energy).

E. E. R. BUTLER

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

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✓ FRANCE : Visitt of ⁸
Pres. Mitterrand
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10 DOWNING STREET

From the Private Secretary

23 January 1984

Mr Brian,

VISIT OF THE PRIME MINISTER TO PARIS

The Prime Minister visited Paris today for talks and lunch with President Mitterrand. I enclose a copy of the record.

We shall be taking action separately about the plan for President Mitterrand to visit London before the end of February - and shall also be arranging a time for M. Dumas to call on the Prime Minister.

I am copying this letter and enclosure to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), Robert Lawson (MAFF) and Richard Hatfield.

The record should be closely protected and not further distributed except where this is operationally essential. Since the Elysee attach great importance to the confidentiality of talks at this level, no reference to the contents of the talks should be made in conversation with French representatives.

Your ever

John Major

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF FRANCE AT 1315 HOURS ON MONDAY 23 JANUARY 1984
AT THE CHATEAU DE MARLY

Present:

Prime Minister
Mr. Coles

President Mitterrand
M. Attali

* * * * *

President Mitterrand opened the discussion by referring to the recent incident involving British lorry drivers in France. The Prime Minister said that she was very grateful for the firm action which had been taken. The British media had portrayed the British lorry drivers as hostages. President Mitterrand said that it had been a deplorable incident. The French farmers behaved rather frequently in this way. Spanish lorries taking vegetables and fruit to Germany via France were sometimes stopped and burnt. Last week 150 farmers had burnt a prefecture building in Brittany during the night. This kind of person would not move with the times. The Prime Minister commented that the farmers expected a guaranteed market regardless of circumstances. President Mitterrand agreed - the farmers sought both protection and competition and they could not have both. The Prime Minister said that British farmers were now assuming that there would be changes in the CAP. They were expecting lower prices and guaranteed thresholds. She had to point out to them that those who worked in industry did not receive the same benefits as those in the agricultural sector.

President Mitterrand said that the next two months would be busy. If the European Community did not settle its differences in March, it would face a more difficult task in June. And if it did not settle them then, it would find it hard to reach a solution in the next few years. He wanted to safeguard the Common Market but it was difficult to get agreement in a community of ten. One obstacle was the habits adopted since the Luxembourg compromise had been negotiated. The Member States used their right of veto on matters of detail. This made things very difficult. He recalled

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that the Polish Diet had had to agree everything unanimously - and the Poland of that day did not survive. So the way ahead was difficult. But it should be possible to reconcile the positions. He suggested that the discussion should begin with the Lebanon and East/West relations and then return to Community issues.

The Prime Minister said that her chief worry about Lebanon was that as a result of a fresh terrorist incident pressure might build up in the United States which would lead to the withdrawal of American troops. This would leave other contributors in a very difficult position especially as we had taken the view that the MNF would continue to have a role so long as President Gemayel was seeking reconciliation and had a chance of succeeding. On 20 January she had discussed the situation with Mr. Rumsfeld. She had confirmed our support for the MNF, pointed out that if it simply withdrew the consequences for internal stability in the Lebanon could be grave but that it could not stay indefinitely. So it was vital to move the reconciliation process forward. However, this process seemed to be stuck because Syria was taking the view that it would not permit reconciliation unless the 17 May agreement was abrogated. She felt that there should be a contingency plan for United Nations troops to replace the MNF but that required a request from President Gemayel and he saw more advantage in the MNF than in a UN force. The critical question was how to deal with Syria which could remain powerful simply by doing nothing.

President Mitterrand observed that if the impression were created that the MNF was likely to depart, all Syria had to do was wait. If it were convinced that the MNF would leave by, say, the end of the year, then it would not negotiate. If Western troops left Lebanon in present circumstances, the West would have failed dramatically. So we should aim to leave only on precise conditions (and should avoid implying in public that we would leave). The conditions were - the creation of a national coalition Government and the replacement of the MNF by a United Nations force. In addition, it was necessary to continue to train and arm the Lebanese army. Indeed, this was the principal task remaining but

it did not require the presence of a large number of troops. After recalling the original mandate of the MNF, the President explained that France had helped with the exchange of prisoners and had also helped to secure the departure of the Palestinians from Northern Lebanon. These were useful steps but they were marginal - France had not entered the Lebanon for such purposes. Now there was no precise task except to help President Gemayel assemble an adequate army. But that did not need 1,500 French soldiers in Beirut - 200 would be enough.

Syria would not move until President Gemayel denounced the 17 May agreement. Working through Jumblatt, Asad could stop any coalition Government coming into power. Therefore, so long as there was the Lebanese/Israeli agreement, there would be no agreement in the Lebanon. Mr. Shultz continued to think that the 17 May agreement was a masterpiece - the French thought it was foolish.

The Prime Minister said that the Americans believed that Israel was in considerable difficulty and would have to withdraw its troops from the coastal area (they would not move from the Syrian border). But was Syria using the 17 May agreement merely as a tactic or could it be persuaded to change its position and allow Jumblatt to negotiate with Gemayel? She understood that the Lebanese Government was concerned at the passage of arms and men from the Shouf into Southern Beirut and feared that this would lead to fresh trouble in the city. If there was another bad incident, for example against the US ships off the Lebanese coast, and if American public opinion demanded the departure of US troops during the US election campaign, France and the UK who took a similar view on the Lebanon might be isolated. Both M. Cheysson and Sir Geoffrey Howe were exploring the conditions for replacing the MNF with UN troops. Our own force was patrolling regularly and guarded the ceasefire talks. It was not behind barricades. But it was isolated and conspicuous. She accepted the President's analysis of the situation but believed that there must be a contingency plan in case Western public opinion changed rapidly. We needed to arrange MNF withdrawal in a specified time. If the circumstances which she

envisaged arose, the four would need to seek UN involvement - and it must be understood that in such circumstances President Gemayel would make the necessary request to the UN Secretary-General. We needed also to think about the situation which would arise if President Gemayel resigned.

President Mitterrand said that he had told President Gemayel that he must have no illusion that the MNF could keep him in power. It could help him but it would not be sufficient for this purpose. Perhaps part of Beirut could be neutralised under a United Nations presence while Britain and France helped to train the Lebanese army. Gemayel had 35,000 men. If he had 60,000 this would be a significant force. France was prepared to continue to train the Lebanese army whatever the diplomatic outcome.

The French had spoken to Gromyko about a UN force. The Russian position appeared to be more open than they had imagined. The Soviet Union did not want Syria to drag them too far in the Lebanese situation. But Moscow would obviously draw any benefit it could from the situation and would not accept any agreement until it obtained some concession from the United States. At present everything was blocked. Eighty-three French lives had been lost and French public opinion was uncertain. This would not change his resolve to avoid a hasty departure. He agreed that negotiations between the four MNF contributors were absolutely indispensable.

The Prime Minister said that it all came back to the question of how to influence Asad. He enjoyed enormous power in the present impasse. Would he, or the United States, or Israel show flexibility on the 17 May agreement? President Mitterrand repeated that it was very dangerous for the United States to give the impression that the MNF might depart - for Syria would then just wait. If the MNF simply left the Lebanon, Syria would have gained a political victory. But there was a certain lack of trust between Syria and the Soviet Union. Another possible new element was Asad's concern about the religious revolution inspired by Iran. Tunisia, Morocco and Algeria were also worried about Islamic fundamentalism. This worry could be a very positive element. Asad did not want a war, either a world or a local war, but he

wanted to win without moving. He may have been behind some of the earlier assassinations but the present wave of assassination was causing him concern. If we could get away from the 17 May agreement, the door could be unlocked. It was not certain that Israel wanted to maintain the agreement. Their real interest lay in the formation in the Lebanon of a coalition Government and a lasting truce.

The Prime Minister said that Mr. Shultz was not as wedded to the 17 May agreement as we had once thought. He felt it should be set aside, though not abrogated, and he would not allow his parentage of the agreement to dominate his thinking. She had understood from Mr. Shultz that the United States had put pressure on Israel both to facilitate the return of the Jordanian Parliament and not to obstruct the departure of Palestinians from Tripoli. This showed that the United States could put pressure on Israel when it impeded progress.

President Mitterrand said that we should set our sights strictly on the replacement of the MNF by a UN force and should put pressure on President Gemayel to request this. Gemayel was a close personal friend but his Government was not representative. France could not stay in the Lebanon just to protect the Maronites, who were themselves divided. France was not the enemy of the Arabs but the latter criticised it for keeping Gemayel in place. He knew Jumblatt well - he was unpredictable and a lesser man than his father. The latter had been assassinated by the Syrians and Jumblatt now felt this could happen to him.

The Prime Minister raised the wider Arab/Israel problem. It was difficult to judge the consequences of the recall of the Jordanian Parliament. Would this provide an alternative voice for the Palestinians? Or would Arafat still insist on keeping the PLO label? Hussein seemed to have given himself a new freedom of movement. He could negotiate with the United States either with Arafat or without him. We constantly told the United States that they must ensure the future of Jordan and, where necessary in that connection, must restrain Israel. There was little movement on the fundamental Arab/Israeli problem.

President Mitterrand said that in general, things were going badly in that respect. Israel was profiting, almost cynically, from Arab divisions. This could be a shrewd policy for five years but not for ten. The Prime Minister said that she was encouraged by the signs of a new moderate grouping among the Arabs. If Egypt were to come to lead this group, this would be a very positive development. President Mitterrand agreed. Who were the real extremists? Qadhafi certainly. Asad only for tactical reasons. Not Chadli - he was not a moderate but he was moving in that direction. The extremists were losing ground. But within many Arab countries there was domestic disintegration because of the fundamentalist movement. We must count on Egypt. Egypt and Iraq were the two strongest military powers in the Middle East. Iraq had other preoccupations. So Egypt must re-enter the scene. The Prime Minister commented that there was unlikely to be much movement on the Arab/Israel problem during a U.S. election year.

President Mitterrand said that a UN force should be brought into the Lebanon within three months. French troops would stay in the Lebanon as long as necessary but the aim should be to secure a UN force within three months. The closer we got to the US election date, the more paralysed Washington would be. The Prime Minister noted President Mitterrand's aim but commented that it would require agreement among the four contributors to bring pressure to bear on Gemayel. There would then be the problem of the Soviet attitude in the UN Security Council but she wondered whether the Russians would in fact veto a suitable resolution. President Mitterrand commented that he did not believe that the Russians had made up their mind to veto a UN force. They were getting worried about the situation.

/ The Prime Minister

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The Prime Minister asked what view the President took of the present situation in the Soviet Union. The Russians seemed to be in difficulties. Their tactic over INF deployment had failed and they had as yet developed no new tactic. Andropov was said to be in charge, but there was uncertainty over his position. She doubted whether the Soviet Union wanted a new destabilising factor in the Middle East now. President Mitterrand said that there were signs that Andropov would re-appear publicly shortly. He believed Andropov was in good shape intellectually but not physically. Meanwhile, we needed to watch the Soviet military. The Prime Minister commented that Andropov and Ustinov had appeared to work very closely to secure Andropov's succession to Brezhnev. President Mitterrand commented that it was his impression that Ustinov was now protecting Andropov's authority. In the Soviet Union, if you had the army and the police on your side, you were in no difficulty.

The Prime Minister said that there were recent reports that internal Soviet propaganda was creating a new fear of war in the Soviet people. There was apparently a good deal of television propaganda about the danger of war with the Soviet Union, and even some of the dissidents were worried. She had raised this matter with Mr. Shultz who thought that this propangada was now counter-productive in that the regime, having awakened the peoples fears, was having to backtrack. She believed that both France and Britain had simultaneously come to the conclusion that we must talk to the Soviet leadership. The purpose was not to change the Soviet system, which was too rigid, but to prevent errors owing to miscalculation. She would like younger members of the Politburo to visit the West. Was the President thinking of visiting Moscow? President Mitterrand replied that if Mr. Adropov invited him during 1984, he thought it would be a good idea to accept. He had no doubt that in present circumstances Adropov would seek to talk with the United

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Kingdom and France. Germany was of little interest to him; It could produce promises and smiles, but had no freedom of movement vis-a-vis the United States. By contrast, France and Britain had nuclear weapons, and they had prevented the inclusion of their deterrent in the INF negotiations. The Russians had to talk to someone. There were a few signs of Soviet willingness to engage in a dialogue. Mr. Arkhipov would visit Paris next week, and he would himself receive him. The Russians were behaving in a friendly way in various Franco/Soviet Committees. If the same phenomenon was not yet apparent in Britain, it soon would be. The Prime Minister commented that the signs of uncertainty which one saw in the Soviet Union must be worrying for the leadership. She believed that they would try to separate Europe and the United States. This would not succeed. But it was possible that the Russians would derive different impressions from talking to the United States and talking to the Europeans. The Americans tended to inject thoughts about the human rights situation in the Soviet Union and the possibility of changing the system. We would all like to see such changes, but we were likely to make more progress with the dialogue if we made it plain that we would defend our own society, but recognised that we would have to live with the Soviet system. President Mitterrand agreed. For France, the question of any other approach did not arise. France and the United Kingdom knew where Moscow was. The Russians were not sure that the Americans did.

The Prime Minister said that there was a tactical question - Were we more likely to obtain agreement on disarmament if we first tried to pursue a more general understanding? Or would such agreement emerge if we concentrated on work in the various fora and attempted to get the Russians back to the Conference table? President Mitterrand said that Moscow was watching the United States elections carefully. It calculated the President Reagan would want to please his electorate

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by talking of peace. So there would be no useful dialogue for some time. The Prime Minister said that she had welcomed President Reagan's speech. In making it, he had taken certain risks with his right wing (President Mitterrand interjected that they had no one other than Reagan to vote for). She believed that President Reagan genuinely wanted dialogue. She recalled that he had written in his own hand to Brezhnev. President Mitterrand commented that President Reagan and Brezhnev could have gotten together - they were the same type of man. But Andropov was different. The President said that he had talked to Brezhnev in 1975 for 75 minutes. He had got the impression then that Brezhnev was already very ill - he had several times asked his advisers in the President's hearing whether his illness was evident.

The Prime Minister asked how President Mitterrand viewed the Soviet internal situation. President Mitterrand said that the Russians did not want war. The economy was in a bad way. The army was of low standard. Russian memories of the last war were strong. The Soviet Union did not profit from war - but at present it did not profit from peace either. So he was convinced the Russians would look for an opening, at the best price available. They would get a better price in October/November when the United States election campaign would be coming to an end. So, the situation would be frozen till then. The Prime Minister commented that the Russians could benefit enormously from real peace. Their need for economic development was pressing. Since they had educated a whole society, the leadership would soon be faced with questions about the performance of the economy. But would they be able to depart from Communism sufficiently to allow people the necessary economic incentives? She doubted whether they could move away from the present rigid system. The next

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20 years in the Soviet Union would be fascinating.

President Mitterrand said that the French analysis was much the same. He told his friends that by the end of the century the Soviet empire would disintegrate. The Russian people had developed tastes for Western art and for consumer products, and could not be prevented by force from seeking these things. Tensions would develop and would make themselves felt in other Communist countries. He agreed with the Prime Minister that Andropov was unlikely to make the necessary changes towards a freer society. Yet such changes were inevitable. Even the Soviet Army would have to open out. But when Eastern Europe began to disintegrate, the world security situation would be very worrying, for the Soviet armed forces would try to save the situation.

The Prime Minister enquired about the President's acquaintance with Hungary. President Mitterrand said that he had visited Hungary and had met Kadar four times. Hungary was a very interesting experience - within limits. There were no political prisoners in the country, but there appeared to be internal tensions at present. The Hungarian people had, perhaps, profited too much from the relative freedom of the Hungarian economy, and the regime was having to counter this. Kadar had explained to him that Hungary had always been ruled by an imperial power. The Russian army in Hungary was stronger than the Hungarian army. So, Kadar continued, he could not, like Ceaucescu, have an independent foreign policy. He made up for this with a freer domestic policy. Kadar did not forget that he had been imprisoned by his Communist comrades. Andropov had a very high opinion of Kadar. The latter and the Bulgarian leader were the two East Europeans with most influence in Moscow. The Prime Minister asked whether Kadar could influence Andropov towards a better East/West relationship. President Mitterrand said that he could, particularly because he wished to see such a development.

/ President Mitterrand

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President Mitterrand then asked what was to be done about the European Community. The Prime Minister said that she believed that agreement could be reached provided people recognised that we could not carry on as in the past. She had looked again at the Treaty of Rome. The British objectives required no amendment to the Treaty. The latter referred to "the rational development of agricultural production" and the need to ensure that supplies reached consumers at reasonable prices. The Treaty also referred to the objective of reducing the differences existing between the various regions. It had never foreseen the enormous agricultural surpluses that now existed.

With regard to the budget, the original arrangement for a Community of six no longer worked. The Community had departed from it in 1970. A Community of twelve could not carry on with open-ended agricultural prices nor with the existing budgetary arrangements. If everybody realised that, we could arrive at an arrangement which would suit a Community of twelve. But if we tried to carry on as before, acute differences would arise.

President Mitterrand said that the Prime Minister was the first EC leader whom he had met since he had taken over the Presidency. On 2 February, he would meet Chancellor Kohl and in the following week he would go to the Netherlands. So the Prime Minister was the first - she was not the most difficult though he sometimes thought she perhaps was. But he could reach an understanding with her quickly. It was not necessary to have a complicated negotiation. The problem of budgetary burdens could be solved if we used three means. First, there should be a better budgetary arrangement. We should accept that the EC budget would not increase more quickly than national budgets. That would help Britain and he could accept that approach. So we should decide on a certain rate of growth which would be clearly smaller than the current rate. When national budgets were increasing at a relatively slow rate it was not reasonable that the EC budget should increase by 20 per cent a year.

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Secondly, if Britain, Germany and France could reach an agreement on the control of non-obligatory expenditure, overall expenditure could be further reduced. The third way of reducing the burden was through refunds.

By adopting the first two of the three approaches he had mentioned, we could arrive at reasonable contributions and the British problem would be much smaller. He did not wish to see this issue in terms of the Prime Minister getting a refund of two-thirds or him preventing her getting it. He believed that the basis for calculating refunds over the last few years had been unsatisfactory - and had been worked out by a very able British official in the Commission.

There were other questions. There was enlargement, which would cost money. There was the problem of MCAs but that was not a difficulty between France and Britain; and there was the difficulty about milk. But it would be good to agree as quickly as possible on a means of reducing contributions by combining the three approaches he had mentioned.

The Prime Minister had formed the impression at Athens that he had gone back on the proposals of M. Delors. This was not in fact the case. He was quite prepared to work with Britain in the direction of those proposals. One should not take exaggerated steps but between the last increase of 6 per cent in the French budget and the 20 per cent increase in the Community budget, it should be possible to find a solution.

The Prime Minister said that her approach was more fundamental. She agreed that there must be a strict overall financial guideline. This must relate to all parts of the budget whether obligatory or non-obligatory. And it was vital to incorporate it in the budgetary procedures. A political aspiration was not enough. But even if that was done, there would be a difficulty each year in agreeing upon the guideline. France and Britain might wish to contain expenditure but others would wish to increase it. So there would still be a fight each year. She repeated that it was essential that the guideline be contained in the budgetary procedures.

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As to the financing of EC expenditure, her interest lay in how much Britain transferred to the Community and how much it received - these two factors determined our net contribution. The present system derived from the own resources decision of 1970. That system was not inherent in the Treaty and it had given rise to great inequities in the distribution of the burden. Most member states were seeking a change to the 1 per cent VAT provision contained in the own resources decision. If there was no change, the problem of inequity would remain. It was that problem which had led to ad hoc negotiations. Any change in the own resources decision would have to be approved by national Parliaments. Our position was that if there was to be an increase in the VAT contribution, then as part of the system there must be a more equitable formula. President Mitterrand commented that that was the key. Continuing, the Prime Minister said that we must move from an ad hoc system to a formula which was part and parcel of the new system, which distributed the expenditure burden more fairly, and was determined by ability to pay according to relative GDP. We hoped that our GDP would increase but so long as it was smaller than that of other states we should pay less than they.

Her approach, therefore, was more fundamental than that of President Mitterrand. The old 1970 system was an ad hoc one. Under the new system Germany would still pay much more than anyone else. But it was prepared to do so and should do so. Germany simply sought a limit for its contribution. The United Kingdom and France would come next. It would be possible so to arrange things that in the first year of the new system both countries would pay about the same - perhaps some 500 to 600 ecu's. The price for increasing VAT was an equitable sharing of the burden. Ad hoc-ery would be abandoned and would be replaced by a true system.

There would have to be changes to the CAP if agricultural expenditure was to be constrained. We would need guaranteed thresholds and we could not have a multiplicity of exemptions to the rules - as Ireland, Italy and Greece had sought with regard to milk at Athens.

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She knew that the President was interested in an oil and fats tax. We should continue to contest this and in doing so would be conforming with the Treaty. The President felt that Europe should limit imports of corn gluten. We would be prepared to talk very seriously to the United States about the possibility of limiting imports to their past levels. If we went any further, we should be in trouble with the GATT.

So, her requirements were a strict financial guideline embodied in the budgetary procedures and affecting both obligatory and non-obligatory expenditure, and a new budgetary system to be contained in a new own resources decision.

She had regarded the Athens Council as a necessary forum for getting this message across. She did not know whether it had yet been understood. Chancellor Kohl thought as she did in certain respects and Mr. Lubbers had similar views. Mr. Schluter had also been realistic on some agricultural matters. With regard to MCAs, she did not want any change to be the occasion for substantial increases in prices. So a change must take place over an agreed period of time.

President Mitterrand said that he was prepared to examine, as at Athens, the problem of budgetary limits. The agricultural budget was only part of that problem. There had been excesses which must be controlled. The Prime Minister wanted the new system to be contained in the financing procedures. The Prime Minister said that it should be incorporated in the budgetary procedures, not necessarily in the Treaty.

Continuing, President Mitterrand said that he understood that, with regard to budget refunds, the Prime Minister wished the key to be redefined. His mind was not closed to that. But he did not want France to become the victim of these arrangements. He was not opposed to a new system for a certain number of years. Nor was he opposed to a system which differed from that of 1970. But there were certain matters which could create difficult

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internal problems for France. If milk production was reduced in one year to 97m tonnes, this would imply a 1½m tonne reduction for France. This would create great difficulty and thus the target should be reached over several financial years. There might be surpluses for another two or three years. They could not be removed at once. It would also be necessary to consider the reference year - he indicated that he favoured 1981. The question of surpluses could be looked at but changes would have to be paid for. One idea, coming from the Commission not from France, had been that of an oil and fats tax. He did not insist on that device if money could be found from an alternative source. There would be merit in tackling the corn gluten problem - it was not reasonable that European pigs should be fed pretty well exclusively by these American products.

On the handling of the negotiations, he believed that we should start, not with a blank page, but with what had been agreed at Athens. He would send his new Minister to London to determine what elements in the Athens package should be maintained. The Prime Minister observed that nothing had been agreed at Athens. President Mitterrand recognised that there had been no formal agreement. But surely progress had been made on some points. Agreement was not far away at Athens. The Prime Minister said that compared with Stuttgart, there had been little progress - and some of the Stuttgart arrangements had been overturned. President Mitterrand said that he did not altogether agree. There had been a certain misunderstanding on the UK budget problem (he implied that this had been due to confusion between the general problem of EC expenditure and the question of refunds). The Prime Minister said that there had been disagreement on milk, where everyone wanted derogations, on MCAs, on the question of a strict financial guideline and on the budgetary burden. President Mitterrand said that he had no wish to quarrel about these matters. He had wanted to save time for he felt that the Community had been close to agreement at Athens. The Prime Minister said that it was the fundamental questions that had not been settled there. President Mitterrand

/ said that

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SECRET

- 16 -

said that he was not opposed to dealing with those matters first. Perhaps Mr. Papandreou should have followed this course. He himself considered that the European Community was badly managed. France had a greater interest than Britain in the agricultural arrangements but it wanted the Community to work. He would not ask for absurd concessions nor would he ask his partners to pay for them. The Prime Minister said that if we did not get to grips with the fundamentals, then the March Council would be a failure. She would see M. Dumas if he came to London. But she was clear on her conditions for changing the own resources system. She was clear on the need for strict financial guidelines and their incorporation in the budgetary procedures. She also had agricultural interests to protect. And we both had international trading obligations. The preamble of the Treaty referred to the aim of reducing barriers to world trade.

President Mitterrand said that the Irish must be brought to realise that they were mainly responsible for the milk surplus. This was not a fundamental matter but it was important. He was ready to reflect on the British position and consider the approach which the Prime Minister had outlined. He wanted things to be clear and sufficiently durable to avoid annual quarrels. In 1981 there had been too much concentration on the British problem. So he had begun his talk with the Prime Minister by outlining his approach to dealing with the financial burden in all fields. The aim was to be clear as to how much each contributed and that each contribution was fair. Discussion in terms of the British problem was to be avoided. The Prime Minister said that she was glad that the President would consider what she had said because it was a new and fundamental approach which Germany also supported. President Mitterrand said that he would reflect in those terms. He would see Chancellor Kohl and would send M. Dumas to London. The latter was a friend of the United Kingdom which was one reason why he had been chosen. The Prime Minister repeated that she would receive M. Dumas. It was important to try to get an understanding at the level of Heads of State and

/Government

SECRET

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- 17 -

Government before the next Council. President Mitterrand said that the conclusion he drew from the exchange was that he would examine the Prime Minister's proposals profoundly and in the next few days would send her a confidential reaction to them.

As the Prime Minister was leaving, President Mitterrand suggested that he should pay an informal, half-day, visit to London before the end of February to continue the discussion. The Prime Minister said that he would be welcome.

It was agreed that the press should be told no more than that the President and the Prime Minister had discussed Community questions, East/West relations and the Middle East.

The discussion ended at **3.20** p.m.

A. J. C.

23 January 1984

SECRET

Qz.03553

MR COLES

↑
COPIES

TOP COPY
on two for
budget

ALSO IN
BRIEFING
FOLDER

I sent to you yesterday a note of our objectives in the post-Stuttgart negotiations and their conformity with the Treaty of Rome. The French are also inclined to imply that our views on certain issues such as the cereal substitutes are contrary to Community preference and out of line with Treaty objectives. In case this should be mentioned, I attach an additional page about Community preference and the Treaty of Rome.

I am sending copies to Roger Bone (FCO) and Sir Robert Armstrong

D. F. Williamson

D F WILLIAMSON

20 January 1984

4. Agriculture: Community preference

Stuttgart declaration: one of the points listed among the agricultural questions which will be examined is "substitutes and Community preferences".

Treaty of Rome,
preamble and
article 110

The United Kingdom is not disputing that the Community's commercial and agricultural policies normally give a preference to Community goods (effect of tariffs or levies). This is not, however, an overriding requirement. We also have obligations relating to international trade. The preamble to the Treaty of Rome includes the objective -

"desiring to contribute, by means of a common commercial policy, to the progressive abolition of restrictions on international trade"

Article 110 states that -

"By establishing a customs union between themselves Member States aim to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers."

(" . . . contribuer, conformément à l'intérêt commun, au développement harmonieux du commerce mondial, à la suppression progressive des restrictions aux échanges internationaux . . .").

CONFIDENTIAL

Qz.03552

MR COLES

TOP COPY
on Euro for
Budget
COPY IN
BRIEFING
FOLDER

POST-STUTTGART NEGOTIATIONS

I attach, as you requested, a short summary of the United Kingdom objectives in a form which the Prime Minister may find useful for her papers for the lunch with President Mitterrand on 23 January.

I am sending copies to Roger Bone (FCO) and to Sir Robert Armstrong.

Df Williamson

D F WILLIAMSON

20 January 1984

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POST-STUTTGART NEGOTIATIONS: UNITED KINGDOM OBJECTIVES

Budget

1. The United Kingdom objective is reform of the Community's financial system to deal with the budget inequity (the so-called "budget imbalance"). The revised system should:

(i) be lasting, ie it must deal with the problem as long as it remains. This can be achieved by including the changes in the revised Own Resources Decision, which would in any event have to be revised if there were an increase in the 1% VAT ceiling;

(ii) set limits on member states' net contributions. The limits should be based on ability to pay and should be established as a percentage of a member state's gross domestic product;

(iii) correct the inequity by reducing a member state's VAT contribution in the following year ("on the revenue side"). (French agree);

(iv) should come into effect so that it can apply in respect of 1984 and later years. This means that we need the revised system to apply first to the Community's 1985 budget (when we would get our VAT contribution reduced in respect of 1984).

2. The United Kingdom's proposal to meet this objective is the safety net (estimated effect, if it had applied in 1982, in annex). The French do not like the fact that the United Kingdom's proposal sets a limit and gives relief relating to the whole of the net contribution (ie corrects the effect not only of our inadequate receipts from the Community budget but also of our disproportionate contribution to the Community of customs duties and levies as own resources). We must have a result which in fact gives relief equal to a substantial part of our net contribution but we seek to avoid a sterile argument about the concept of net contributions.

13.

Control of agricultural and other spending

3. The United Kingdom objective is more effective control of Community spending and, in particular, a strict financial guideline to hold the rate of growth of agricultural support expenditure markedly below the rate of growth of own resources.
4. There is a good measure of agreement on a strict financial guideline for agricultural spending but most member states want only a political commitment. We want to include it in the budgetary procedures of the Community (not necessarily by a Treaty amendment).
5. Late last year the French came forward with proposals (the Delors proposals) for a strict financial guideline for all spending with a sub-guideline for agricultural spending. We believe that this may yet provide the basis for an agreement, although we continue to insist that more than a political commitment is necessary.

Agriculture

4. The United Kingdom objective is to get some changes in the operation of the common agricultural policy which would put it on a much sounder basis for the long term. In particular, we believe that it is in the Community's interest to have a rigorous price policy; effective guarantee thresholds when production exceeds or threatens to exceed remunerative outlets; effective measures to restore a better balance in the milk market (if necessary, a non-discriminatory quota/super-levy system); a narrowing of the gap between Community support prices for cereals and those of our principal competitors; and restraint in expenditure on Mediterranean as well as Northern products. These questions are now being discussed again in the Agriculture Council.
5. The French see the main agricultural issues as milk; monetary compensatory amounts; imports of cereal substitutes (maize gluten feed); and the oils and fats tax (which Germany, Netherlands, Denmark and UK reject).

/6.

Other policies

6. The United Kingdom objective is to press ahead with the "completion of the common market" in goods and services, eg removal of administrative barriers to trade, liberalising of lorry quotas, early progress in liberalising structure of air fares, early adoption of a genuinely liberal non-life assurance directive.

7. Anglo/French relations on "other policies" are quite good. The French have a strong interest in encouraging more industrial cooperation between enterprises in the Community and in support for high technology sectors. We have been careful to avoid any commitments to higher expenditure and greater protectionism but are well disposed to improvement of the conditions in which individual enterprises will themselves decide that industrial collaboration within the Community would be in their interest.

Own resources

8. We are prepared to consider an increase in the 1% VAT ceiling, which in our view is a fundamental change in the Own Resources Decision requested by other member states, provided that there is a fairer sharing of the budgetary burden and effective control of agricultural and other spending.

Cabinet Office

20 January 1984

ANNEX

The following are the main figures if our safety net system had been applied to 1982 -

	million ecu		
	<u>UK</u>	<u>Germany</u>	<u>France</u>
Unadjusted net contribution	2036	2086	19
(for information) UK adjusted net contribution if we obtained two-thirds relief, as under ad hoc arrangements	679	-	-
Safety net limit on net contribution	437	2118	1385
Adjusted net contribution after application of safety net and payment of all reliefs on a VAT-based key	437	2118	692 *

* this figure could be lower (eg 500 million ecu) if a special key for financing the relief were used.

060



Foreign and Commonwealth Office

London SW1A 2AH

20 January, 1984

Not read.

A.F.C. 23/1

p.a.

Dear John,

Prime Minister's Visit to France

In view of the developments this week on Direct Broadcasting by Satellite (DBS) you might like to have with you in Paris the attached background.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street



VISIT OF PRIME MINISTER TO FRANCE : 23 JANUARY 1984

DIRECT BROADCASTING BY SATELLITE (DBS) : TECHNICAL STANDARD

Background note

1. On 19 January, following increasing domestic pressures for a decision, the Government announced that the C-MAC (Vision)/Packet Sound System, as recommended by the EBU (European Broadcasting Union), would be adopted as the UK technical standard for DBS.
2. We had previously been discussing, with the French and Germans, the possibility of jointly adopting C-MAC as the European standard. These trilateral discussions have however been undermined by a bilateral France-FRG decision (on 5 January) to use the PAL-SECAM standard for their experimental DBS Service. There should, therefore, be no French criticism of the UK announcement. The Home Secretary is, nevertheless, writing to his French and German opposite numbers about our announcement.
3. The French and Germans have indicated that they continue to wish to consider the EBU standard (C-MAC/Packet) for the long term European standard. The Germans have suggested a tripartite meeting in Bonn at the end of February which we have welcomed.

20 JAN 1984

12-234
1984
12-234





10 DOWNING STREET

Press Notice

VISIT BY THE PRIME MINISTER TO PARIS - 23 JANUARY

At the invitation of the President of the French Republic, M Mitterrand, the Prime Minister, the Rt Hon Margaret Thatcher, FRS, MP will go to Paris for lunch and talks with him on Monday, 23 January. She will leave London that morning and return in the afternoon.

20 January 1984

NOTES FOR EDITORS

1. It was agreed at their meeting in Athens last December that they would hold another meeting early in the French Presidency. The purpose of the visit is to discuss matters of common concern, particularly European Community questions, now that France has assumed the Presidency. Other issues such as East-West relations may also be discussed. We understand President Mitterrand proposes to hold a number of bilateral meetings with his European partners before the March European Council.
2. The last Anglo-French Summits were in London on 20/21 October 1983, and Paris on 4/5 November 1982. Outside the Summit framework the Prime Minister and President Mitterrand met in London on 17 May 1982, and they frequently meet in the margins of other events, the last occasion being in Athens during the EC Council (4-6 December 1983).

press. Paris
1/84

Ref. A084/227

MR COLES

A.S.C. 27
h.a.

FRANCE: PM
Visit
J.P. #163

The Prime Minister's Visit to Paris

I have now agreed with Monsieur Attali an official text for this afternoon's press announcement. It reads as follows:

"At the invitation of the President of the French Republic the Prime Minister will go to Paris for lunch and talks with him on Monday 23 January. She will leave London that morning and return in the afternoon".

2. In order that this should not look like a crisis meeting, the President hopes that in background briefing it will be made clear that the Prime Minister and he agreed at Athens that it would be useful for them to meet in this way: this visit is thus well foreseen.
3. The French now propose that the Prime Minister should arrive at Villacoublay at 12.15 pm French time. Monsieur Attali asked if the Prime Minister would expect to be met by a French Minister. I said that I was sure that she would not expect that. My understanding was that she would be met by the British Ambassador who would convey her to the venue for the lunch and then make himself scarce.
4. The lunch will almost certainly be at the Chateau de Marly: there is a remote chance that that will not be possible and in that case the lunch will be at the Chateau de Rambouillet. The French will expect the Prime Minister to be accompanied by you and Mr Lederer; the President will be accompanied by Monsieur Attali and his interpreter. Monsieur Attali queried the size of the accompanying party. I said that it was important for the Prime Minister to have a communications base, which would mean having one duty clerk and one assistant. He was content with that.
5. I have given the Foreign and Commonwealth Office the revised text of the announcement.

RIA

ROBERT ARMSTRONG

20 January 1984

20 January 1984

Visit of the Prime Minister to Paris

As I told you on the telephone this morning, I agree that the telegram which you propose to despatch to Athens, other EC posts and Stockholm may issue, subject to your inserting the revised text for today's press announcement which has been conveyed to you separately.

I am copying this letter to Richard Hatfield (Cabinet Office).

(JOHN COLES)

Peter Ricketts Esq
Foreign and Commonwealth Office.

CONFIDENTIAL

FRANCE
private



Foreign and Commonwealth Office

London SW1A 2AH

19 January 1984

Dear John,

Visit of the Prime Minister to Paris: 23 January 1984

The announcement of the Prime Minister's forthcoming visit to Paris is bound to give rise to a great deal of interest among our partners and to speculation about its purpose.

We realise that the Prime Minister wishes to minimise press and other comment on the visit, and therefore suggest that we should avoid giving any detailed briefing to our partners after the meeting. However, to say nothing at all to them would be to feed speculation. We therefore consider it desirable to send instructions to posts giving them a line to take if asked. I enclose a draft telegram which has been seen by Mr Rifkind, but not by Sir Geoffrey Howe who is in Stockholm.

Subject to your agreement, we would propose to send the telegram to coincide with the press announcement of the visit tomorrow.

I am copying this letter to Richard Hatfield (Cabinet Office).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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OUT TELEGRAM

	Classification and Caveats	Precedence/Deskby
	CONFIDENTIAL	IMMEDIATE

ZCZC
 GRS
 CLASS
 CAVEATS
 DESKBY
 FM FCO
 PRE/ADD
 TEL NO

1 ZCZC
 2 GRS
 3 CONFIDENTIAL
 4
 5
 6 FM FCO
 7 TO IMMEDIATE ATHENS
 8 TELEGRAM NUMBER
 9 AND TO IMMEDIATE OTHER EC POSTS, STOCKHOLM (FOR PRIVATE SECRETARY)
 10 VISIT BY THE PRIME MINISTER TO PARIS: 23 JANUARY
 11 1. The Prime Minister will be visiting Paris for lunch and
 12 talks with President Mitterrand on Monday 23 January. The
 13 following announcement will be made by No 10 at 1600Z on Friday
 14 20 January: BEGINS: The Prime Minister has accepted an
 15 invitation to visit Paris for talks with the President of France
 16 on 23 January. She will leave London ~~early~~ that morning and
 17 return in the afternoon. ENDS.
 18 LINE TO TAKE
 19 2. If asked about the meeting you should say that its purpose
 20 is to discuss matters of common concern, particularly European
 21 Community questions, now that France has assumed the Presidency.
 22 You should say that we understand that the French Government
 23 proposes to hold a number of bilateral contacts in the weeks
 24 before the March European Council. This particular meeting
 25 arose from a discussion which the Prime Minister and President

///
 //
 /

NNNN ends telegram	BLANK	Catchword Mitterrand
File number	Dept Private Office	Distribution
Drafted by (Block capitals) P F Ricketts		
Telephone number 233 4641		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

		Classification and Caveats	Page
	↓	CONFIDENTIAL	2

<<<< 1 <<<<

2 Mitterrand had during the Athens European Council. They agreed
 3 then that it would be useful to meet soon after the start of
 4 the French Presidency to discuss the principal issues in the
 5 negotiations.

6 3. If any of your contacts expresses concern that this meeting
 7 is an attempt to reach bilateral agreement behind the backs of
 8 other Member States, you should make clear our view that while
 9 there is clearly a place for bilateral contacts with our
 10 Community partners at this stage, we regard such contacts as
 11 complementary to and not a substitute for the normal process of
 12 discussion and decision in the appropriate Community
 13 institutions (see my telno 8 to Athens). We are anxious therefore
 14 that the negotiations should proceed without further delay in
 15 the Council with the objective of ensuring that Heads of
 16 Government can take decisions at the March European Council.

17 BACKGROUND

18 4. At their breakfast meeting in Athens on 6 December, the
 19 President and the Prime Minister agreed that the post-Stuttgart
 20 negotiations should not be allowed to turn into an Anglo-French
 21 bilateral row. They agreed that an early meeting would be
 22 useful. The Prime Minister's visit on 23 January follows
 23 directly from that conversation.

24 5. If the visit is to contribute effectively to the progress
 25 of the negotiations it will be desirable to avoid a great deal
 26 of public comment about it. We do not therefore propose to
 27 give any detailed briefing to our partners (who do not do so
 28 when they have similar bilateral meetings) after the meeting.
 29 We shall telegraph any on the record press briefing or
 30 statements to Parliament.

/// 31

// 32 HOWE

/ 33 NNNN

34

NNNN ends telegram	BLANK	Catchword
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"ATHENS PACKAGE"

Procedure

How will Presidency handle?

Do you need agreement in March?

Relevance of European elections?

Substance: General

We want agreement.

Committed to Community - want to end growing chaos (CAP) and lay sound basis for future development.

Like you, not attracted by supra-national approach.

Anglo/French differences not as great as others pretend.

Will give you frank account of my needs.

Control of Expenditure

Strict financial guideline - for all expenditure.

Incorporated in budgetary procedures.

Agricultural spending to grow markedly less rapidly than EC resources.

CAP

Recognise crucial for you.

Not trying to undermine CAP but to correct its defects.

Need:

rigorous price policy

effective guarantee thresholds

better balance in milk market

Opposed to Oils and Fats Tax (Germany, Denmark, Netherlands also). If important to you, could look again at cereal substitutes problem- .

Budget

Revised system must:-

be lasting

limit net contributions (% of GDP)

correct on revenue side (next year's VAT)

apply to 1984 and later.

System for 6 does not work for 10 (or 12).

Need systematic solution.

Under our safety net proposal, we shall still be substantial contributor.

Will increase France's net contribution - but can ensure you not put in unacceptable situation.

Own Resources

Other member states want to change 1970. decision. So do we (for different reasons). Cannot contemplate increase unless essential needs met - but then could.

/ New Policies

New Policies

Much common ground between us.

We have clear ideas for future development.

1983 Refund

Need implementation by March of Stuttgart agreement.

Won't help to link to overall negotiation.

1982 Refund

EC must meet obligation.. Taken up with Commission

MISCELLANEOUS

Economic Summit

How does he view?

No-passport excursions

Hope you will not stop.

1 million visitors will not go to Europe if have to get a passport. Spend £20 to £30 million in Channel ports.

A320 (defensive)

Considering launch aid urgently.

Hope to decide in early February.

Skynet (defensive)

Favoured Shuttle (as against Ariana) on financial, technical and practical grounds.

EAST/WEST RELATIONS

Reagan's speech.

Stockholm.

Visit to Hungary.

Will he visit Moscow?

Broaden E/W agenda.

Prospects for START, INF and MBFR.

MIDDLE EAST

Arab/Israel

What can be done in US election year?

Arafat/Hussein talks.

Encourage PLO to be constructive.

Importance of Jordan.

Lebanon

Regret recent attacks on French Embassy
and MNF contingent.

Early replacement of MNF by UN.

Assessment of Syrian position.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

19 January 1984

Dear John,

Visit of the Prime Minister to France: 23 January

I enclose the remainder of the briefing for the Prime Minister's talks with President Mitterrand next Monday. You have already had the Community briefs. The administrative details are being handled separately.

The main purpose of the visit is to discuss Community business but, as the Foreign Secretary said in his minute of 5 January, it might be useful if the Prime Minister were to lead in to Community topics with some discussion of the major issues on which there is a good deal of common ground between us and with which President Mitterrand is more at home. We have, therefore, prepared short briefs covering East/West policy, Arms Control and Disarmament and Middle Eastern issues. There is a short bilateral brief inviting the Prime Minister to make one or two points and providing her with defensive briefing on issues which the President might raise.

The Prime Minister is going to Paris at a difficult time for President Mitterrand and the French Government. The Government is grappling with the problems of trying to push through its policy for planned redundancies in overmanned industries in the face of shop floor resistance. The President himself has felt obliged, with the Presidency and following the failure at Athens, to take a closer personal interest in the development of Community negotiations as well as in the deteriorating social conditions in France. His preference for leaving the Prime Minister and Government to handle the details of policy has been responsible for occasional abrupt changes in the direction of French policy once the President's attention has been engaged.

Alone among the major Community countries both the Government and the Opposition in France seem determined to fight the June European Elections in terms of domestic politics. President Mitterrand therefore faces the difficulty of organising a successful French Presidency against mounting

/pressures

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pressures to protect French national interests and during a time of potential social unrest. His own political sense may make him increasingly cautious about relying on the advice of his Ministers. It is all the more important to influence him in person.

I have written to you separately today about President Mitterrand's interest in coming to the UK for the opening of JET at Culham, now arranged for 9 April.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AH

18 January 1984

New York

Visit of the Prime Minister to France: 23 January -
Brief on the European Community

I enclose the brief on the European Community for the Prime Minister's discussion with President Mitterrand.

The speaking note is longer than usual. We have done it in this form because we believe the Prime Minister will need to give President Mitterrand a rather full account of our thinking. It was clear from the Athens European Council that there is a lot of genuine (as well, perhaps, as some deliberate) misunderstanding of our position on his part, and we think it important to try to get across to him, not just the detail of our negotiating position, but our overall approach to the Community which underlies it.

I am copying this letter and enclosure to Richard Hatfield.

[Handwritten signature]

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY

EUROPEAN COMMUNITY: STEERING BRIEF

INTRODUCTION

1. The Prime Minister's visit to Paris for lunch with President Mitterrand on 23 January arises from her breakfast meeting with him at the European Council on 6 December. It was clear from that discussion, and from President Mitterrand's performance at the European Council, that there was a much wider gap between our position and his than had been apparent in the extensive discussions in the Special Councils in Brussels and in bilateral contacts. In particular, President Mitterrand was not prepared to contemplate a lasting mechanism for dealing with budget imbalances. Nor did he give any support to the ideas tabled by M. Delors for more effective control of overall expenditure although he did not disown them. Both the Prime Minister and President Mitterrand agreed at Athens that differences between us on Community issues should not be allowed to blow up as a major Anglo/French dispute and that they should have a meeting early in the French Presidency to try to establish a basis for the negotiations. President Mitterrand will be having a meeting with Chancellor Kohl in Bonn on 2 February. He plans a series of visits to other EC capitals.

French Attitudes

2. In his analysis of President Mitterrand's performance at the European Council Sir John Fretwell argued that, while the President was probably not well prepared on the detail of the issues under discussion, his unwillingness to negotiate was the result of his assessment at Athens that there was no real basis for a negotiation. While he might have been ready to move if a _____



real negotiation had got underway, and if he had judged that an outcome satisfactory to France was attainable, his political instincts told him that this was not on the cards. He therefore reverted to first principles as regards the negotiating issues of major concern to us, disregarding the work already done, including by his own Ministers and Officials.

3. President Mitterrand now faces a number of conflicting pressures. He will clearly wish the French Presidency to be a success and this implies presiding over agreement on the post-Stuttgart negotiations. At the same time, he will face strong domestic pressures, particularly as the European Parliament elections draw near. These are viewed in France, not least by the Government itself, as a referendum on M. Mitterrand's Administration. This means that President Mitterrand will continue to resist the kind of stringent control of agricultural spending which we have stressed. He will also continue to resist a longterm budget settlement at anything like an acceptable level to the UK. What is not clear is whether the French would be prepared to concede a satisfactory long-term budgetary arrangement at a price and, if so, what that price might be. The French would certainly seek concessions in the CAP package, eg some abatement of our stringent approach to price controls and guarantee thresholds and to the Community's external agricultural policy. While they seem prepared to move to a system for the overall control of Community expenditure, they are not prepared to accept a strict financial guideline for agricultural spending of the kind the UK has proposed, which would ensure a reduction in the rate of growth of agricultural spending.

French Tactics

4. The French have not yet made up their minds as to how to handle the negotiations though their initial comments suggest that they hope to conduct much of the negotiations on a bilateral basis, ie avoiding Special Councils such as were held before Athens. It is not yet clear to what extent they will make use of the Foreign Affairs Council (which meets on 23 January). However, at the one substantive Council so far under the French Presidency (Agriculture on 9/10 January) we were able to agree to the French suggestion that the bulk of CAP issues in the Post-Stuttgart negotiations should be discussed, and where possible decided, by Agriculture Ministers.
5. It is equally not yet clear to what extent the French Government are seriously aiming at decisions at the March European Council. Contrary to early indication after Athens they, are now expressing determination to make real progress by the end of March, but we do not know whether this is a genuine commitment or a tactical decision in the face of suggestions that the French Presidency were dragging their feet. On substance, there is also a division between those, including Cheysson and Delors, who appear to recognise that a successful negotiation can only be reached on the basis of a deal satisfactory to us and the Germans and others, including possibly the President himself, who still hope that Britain can be pressured by her nine partners into making substantial concessions. The tone of the French press, which suggested immediately after Athens that Britain's commitment to the Community was in doubt and that President Mitterrand would call Britain to account, has been much less combative in recent weeks. President Mitterrand's new Minister for European Affairs, M Roland Dumas, while sharing many of the

traditional French prejudices about Britain's attitudes, has expressed a strong desire to work closely with us.

UK Objectives

6. Against this background our objectives for the Prime Minister's meeting with President Mitterrand will be:

(i) To persuade the President that we are as deeply committed to the future development of the Community as any other Member, and that our approach to the negotiations is not one of standing in the way of the development of the Community but of seeking to establish a sound basis for that development.

(ii) To stress the importance of working for agreement at the March European Council, and ironing out as many differences as possible before the Council.

(iii) To demonstrate to the President that, while the Community's original financial arrangements were satisfactory for the six, they must now reflect the realities of the Community of ten, and indeed of an eventual Community of twelve. This issue cannot be dealt with by tinkering on the margin, eg by Britain buying more from her Community partners. It requires objective analysis and a systematic long-term solution.

(iv) To make clear to the President that we have no interest in undermining the CAP but that, in seeking overall control of Community expenditure, as well as new areas of Community activity, it is vital to ensure that the Community's resources are not increasingly taken up by agricultural expenditure.

(v) To make clear that the Community's problems can only be resolved on the basis of an agreement capable of endorsement

by national Parliaments, and

(vi) That such an agreement must involve resolution of the main issues confronting the Community, ie control of expenditure, particularly agricultural expenditure, and the problem of budget imbalances. These should be seen, not as particularly British problems, but as issues affecting the viability of the Community as a whole. It is right that, with other Member States seeking a major change in the Acquis Communautaire such a change should only take place on certain clear conditions.

(vii) To indicate our clear desire to promote the future development of the Community and in particular to work closely with the French on the development of New Policies including in the field of industrial collaboration.

(viii) To express appreciation of the support we have so far received over our 1983 refunds, but to leave the President in no doubt that the prospects for an overall agreement will be seriously jeopardised if this issue is dragged into the negotiations.

Briefing

6. The briefing takes the form of a speaking note and essential facts. Sir John Fretwell has advised that President Mitterrand is unlikely to go into detail at the meeting but rather to try to establish a basis of understanding and a framework for the negotiations. The speaking note reflects this advice but the essential facts contain detail on which the Prime Minister might draw as necessary.

VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY

EUROPEAN COMMUNITY:

POINTS TO MAKE

Need for an Early Agreement

1. Grateful to you for enabling this meeting to take place. We should be working hard to take decisions at the European Council in March. If we cannot do so, or cannot make really substantial progress, then the Community's difficulties will only increase. Apart from the obvious political repercussions, which would cast a pall over the European Parliamentary Election Campaign, there would be serious practical consequences for farmers and for governments as management of the CAP became more and more difficult. The Community as a whole would not be able to get on with the new policies which we all favour. The only people who would gain from seeing the Community in chaos would be the official opposition in all Member countries.

Procedure

2. A lot of urgent work needs to be done between now and the end of March. We welcomed the proposals made by M Rocard that the bulk of the agricultural issues should be dealt with in the Agricultural Council subject to the proviso that discussions of the overall control of expenditure will need to be handled in whatever forum is agreed for the negotiations on the central budget issues. There will also be a need for bilateral contacts. If France, Britain and Germany could see their way to solutions on the main issues that would help to unlock the negotiations. We need to work closely together on all this. Geoffrey Howe has invited Roland Dumas to visit London (8 February). I do not believe that our respective positions are as far apart as others may think. Hope we can resolve as many issues as possibly before the European Council rather than leaving them for the European Council itself.

Overall Approach to the Negotiations

3. UK's approach is often unrecognisable from the reports which appear both in our press and yours, and which tend to portray Community issues as some kind of private Anglo/French battle.

4. Britain's continuing commitment to the Community, which was resoundingly endorsed at the General Election, is based on our commitment to the Community as a major economical and political force in the world and as a viable and powerful instrument for democracy. We are as firmly committed as anyone to the ideals of the Treaty and have practical suggestions as to how the as yet unfulfilled aims of the Treaty can be met. We see the Community as a dynamic body. Like you we are not attracted by a supra national approach. Our approach is rather to focus on practical developments which are clearly in everyone's interest and in conformity with the Treaties, and to allow them to establish the future shape of the Community as a whole.

Nature of the Crisis

5. We all acknowledge that the Community is in crisis. But it is not a crisis which arises from the actions of any one Member State. It can only be resolved on the basis of an agreement among the Member States, capable of being endorsed by national Parliaments. The crisis has arisen because some Community policies have not worked as they were intended. The CAP, in particular, can be said to have over-fulfilled its original aims which did not include its growing absorption of budget resources at the cost of other Community policies or production of unmarketable surpluses. Nor do the Community financing arrangements provide a solid basis for the Community's future development in their present form.

6. Britain is not seeking to overthrow the basic tenets of the Community. We are not seeking a free trade area; nor are we insisting we get back every penny we put in. What we are seeking is a sound basis for the future development of the Community.



The Community has always had to adapt to reflect growing membership and changing circumstances. The present situation, with the Community on the verge of further enlargement and facing a financial crisis, demands new solutions.

Those who want an increase in Own Resources are themselves proposing a fundamental change in the Own Resources decision of 1970 and hence in the Acquis Communautaire. We are not saying that such an increase should never happen.

I said at Stuttgart in June that we would be prepared to consider an increase in Own Resources provided that we reached agreement on an effective control of the rate of increase of agricultural and other expenditure, and provided we secured a fair sharing of the budget burden.

DETAILED ASPECTS OF THE NEGOTIATIONS

Control of Expenditure

7. We both agree that the Community needs to control the growth of its expenditure. We share the approach outlined by the French Government in the run-up to Athens, namely that control of expenditure should cover all aspects and not just agriculture. Like you we are unhappy about the way the European Parliament is pushing all the time for higher spending.

8. As I indicated at Athens, we could accept an approach of the kind which France proposed. But it must be effective, not just a declaration of intent. This implies incorporating it as part of the Community's budgetary procedure. It also means we cannot avoid stringent steps to curb the growth of agricultural spending. Action is required to stop the growth of surpluses. I hope you will go along with our view that part of any agreement on Own Resources should include measures to ensure that agricultural spending should grow less rapidly than the Community's resources overall.

CAP

9. Recognise the crucial role which agriculture plays in France's economic and political life. Agriculture is of major significance economically and politically to us too. There is no doubt that all Community farmers, including British farmers, have benefitted from the CAP. But the CAP was intended to stabilise market conditions as well as create financial security for the farmer.

I recognise, and said so in the House of Commons, that France is prepared to take steps to cut down surpluses. We cannot avoid reducing our own surplus production. We need to take some account also of our trading relations with other countries. Concern for the overall balance of the Community's relationship with its trading partners is one of the reasons why I, Chancellor Kohl, and the Dutch and Danish Prime Ministers, opposed the Oils and Fats Tax when we discussed it at Athens.

You mentioned cereal substitutes to me at Athens as one of the key issues in the negotiations. We would be prepared to consider some arrangement negotiated with the Americans to curb the import of cereal substitutes as a counterpart to our closing the gap between Community and world grain prices. This is an issue which needs serious discussion with the Americans, and which will doubtless feature in your own forthcoming talks with President Reagan. We believe that it is essential to resolve the issue by agreement and to avoid retaliation which would quickly spread to the industrial sector, leaving us all worse off than before.

Budget Imbalances(a) Nature of the problem

10. This is a problem that affects Britain acutely, but it is not a purely British problem. It is a problem that the Community has acknowledged and which can only be resolved by action by the Community as a whole.

We were given a commitment when we first entered the Community and foresaw this problem that, should an unacceptable situation arise, action would be taken to deal with it. The Community has acknowledged that commitment in the budget refunds.

It was recognised at Stuttgart that the time had come for a lasting solution to the problem. We agreed in the Stuttgart declaration that the objective of the negotiations would be "to agree measures which, taken as a whole, will avoid the constantly recurrent problems between the Member States over the financial consequences of the Community's budget and its financing". The aim was to ensure equitable financial situations for all Member States.

We are not looking for a special deal for Britain, but a recognition that a financial structure that worked for the Community of six does not work for the Community of nine or ten, and will not do so for the enlarged Community of twelve. The problem requires a systematic solution.

We all recognise that the Community budget entails transfers of real resources across national frontiers. In our case, this imposes an unjust and unbearable burden with a large transfer of resources from one of the less prosperous Member States to richer Member States. So far in the negotiations everyone has been calculating how much it would cost them if the burden on us were reduced to a reasonable level. We need an objective assessment. It should also be borne in mind that, under our proposal, we should still be a substantial contributor to the budget, though less prosperous than most.

(b) Possible Solution

11. The Germans, as the wealthiest nation in the Community, are ready to make a larger overall contribution than at present. What they ask for in return is some kind of overall limit on their contribution.

I hope you can agree that what is now needed is a system which will ensure a fair sharing of financial burdens in relation to relative prosperity. This would put the Germans at a higher level than other Member States. It would reduce the existing burden on us, as one of the less prosperous Member States.

I recognise that a system of this kind would increase France's net contribution to the Community budget. We would be very willing to work with you to see that a system of the kind we have in mind would not put you in an unacceptable position.

We have consistently indicated our willingness to consider proposals other than our own provided that they genuinely measured the true burden, ie money which flows out from the UK to be spent in other Member States, and adequately corrected it. Ad hoc settlements of the kind that we have had in the past, are no longer satisfactory. They acknowledge that there is a problem, but do not take the next logical step which is to provide a mechanism which deals with the problem for as long as it lasts. They also create an annual haggle which distracts attention from other essential Community policies as well as creating difficulties with the European Parliament which are undesirable in themselves, and as we have seen over the 1984 budget, enable the Parliament to try to extend its powers at the expense of the Council. It was for this reason that we proposed a mechanism that should last for as long as the problem. In October last year, the French Government proposed that the mechanism which is agreed should be implemented on the revenue side of the budget. We welcomed this suggestion, from which it follows that the mechanism should form part of any new Own Resources system.

New Policies

12. We have clear ideas for the future development of the Community. These include proposals for completion of the internal market, in particular in goods and services such as



insurance, liberalisation of transport, including air transport, and development of a solid fuels policy.

Your officials and mine had useful discussions before Athens on how French ideas for industrial cooperation could also be taken forward. I am only sorry that this whole area was hardly discussed at Athens. While our approaches are not the same in every way there is a lot of common ground and your concept of industrial cooperation whether under a Community or bilateral umbrella is one that we are keen to develop.

There are a number of bilateral objectives where we already cooperate closely and others where cooperation can be developed. This cooperation helps to strengthen the cohesion of the Community as a whole. I therefore hope that you will continue to give a lead on this under your Chairmanship of the Community. The opportunities that exist for the Community only help to emphasise how vital it is that we do get to grips with these issues which are now holding up progress. I want to see the Community on a sound basis so that it can devote itself to the development of new policies.

1983 Refunds

13. We were grateful for the attitude which Member States took to the Parliament's action on the 1983 refunds, which reflected the general realisation that important issues of the relative powers of the Council and the Parliament were at stake. We are looking for early agreement on the Regulations for the 1983 refunds. We hope that a transfer to the line of money now in the reserve chapter of the budget can be made before the end of March or, if not, that it should be clear that only the Parliament, and not our partners, are standing in the way of implementation of the agreement. This is a politically sensitive issue in the United Kingdom. I have consistently argued, against those in the UK who wish to take drastic action on the budget, that the Community is not in default on its obligations on the 1983 refund. I hope we can continue to count on the support of our



partners for implementation of what was agreed at Stuttgart. It would make an overall settlement more, rather than less, difficult if this question were now linked to the outcome of the negotiations overall.

1982 Refunds

14. We also look to the Community to meet its remaining obligations on the outstanding element of our 1982 risk sharing refunds, which should have been paid to us in 1983. As you may know, we have taken this up formally with the Commission and look to them to propose remedial action.

Conclusion

15. Agreement can only be reached on the basis of a package which will need to cover the control of expenditure and a lasting solution for budget imbalances. Only in the light of agreement on that package can we take decisions about the future level of the Community's Own Resources. We now have less than 2 months to the next European Council, and it is vital that we keep in close touch if we are to iron out some of the major differences and be able to make substantive progress in March.

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND

ENLARGEMENT

POINTS TO MAKE

1. French can have been left in no doubt about Spanish and Portuguese concerns and the importance both countries attach to major progress during the French Presidency.

2. Hope it will prove possible to complete substantive part of the accession negotiations by the summer break. Will give full support to French Presidency efforts to achieve this.

BACKGROUND

3. Informal working date for Spanish and Portuguese accession of 1 January 1986 depends very much on progress under French Presidency. Unless the French made a major effort, the deadline is likely to slip again and create real political difficulties domestically for both applicant states.

4. French intentions are still opaque. During Prime Minister Gonzalez' visit to Paris on 20 December, the French and Spaniards appear to have agreed on the political context for bilateral work with the aim of reducing as far as possible the element of political controversy from difficult dossiers (ie mainly agriculture). There has been no subsequent feedback and President Mitterrand is still avoiding committing himself to specific deadlines. Meanwhile, the French are focussing work in the Community on less sensitive dossiers.

VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY
EUROPEAN COMMUNITY

ESSENTIAL FACTS

(a) CONTROL OF COMMUNITY EXPENDITURE

1. The Stuttgart European Council recognised in its conclusions the need for greater budgetary discipline. One of our own conditions for considering any increase in Own Resources is effective control of agriculture and other expenditure.

UK Proposal for a Strict Financial Guideline

2. At an early stage in the negotiations we therefore proposed a strict and legally binding financial guideline for agricultural expenditure which would hold the rate of growth of agricultural expenditure to a specified fraction of the rate of growth of Own Resources. Each year the Budget Council would set a permitted rate of increase which would not be greater than, but could be less than, the 'given fraction'. The Commission's proposals and the Council's decisions on CAP prices and the budget would have to be consistent with the guideline.

3. In our view the essential elements of an effective guideline are that:

- (i) the basic principle must be to hold the rate of growth of CAP guarantee expenditure "markedly below" or to a given fraction of the rate of growth of the Own Resources base;
- (ii) the guideline must be in a legally binding form;
- (iii) it must be precisely defined;
- (iv) there should be arrangements for "clawing back" any amount by which expenditure exceeds the guideline.

Commission Proposals

4. Most Member States are prepared to accept the ideas put forward by the Commission for a financial guideline to ensure that agricultural expenditure would grow at a rate less than that of Own Resources. According to the Commission's proposals if in the

Commission's view the Agriculture Ministers appeared likely to decide on price increases, whose costs would exceed that of the Commission's proposals, there would be a joint Council of Budget and Agriculture Ministers; the Commission and the Council would take all possible steps to keep expenditure within the budget during the year; supplementary budgets would be used only as a last resort, but voting would be by qualified majority, as at present; expenditure over the guideline would be clawed back over the following 2 years; and the Commission would bind itself formally to take account of the guideline. In our view, the main drawbacks of the Commission's proposed guideline are that it is not legally binding and could not therefore constitute an effective control on CAP expenditure; and that the basic principle of a rate of growth of agricultural expenditure merely 'below' (not markedly below) that of Own Resources is weaker than our own approach.

Dutch Amendments to Commission Proposals

5. The Dutch amendments to the Commission proposal, tabled at the 28 November Special Council which M Thorn has said he could accept, involve one important improvement: the Commission would undertake to draw up annual proposals for CAP prices which accorded with the guideline and the Council of Ministers could only agree on an amended proposal by unanimity. This provision would significantly strengthen the force of the guideline even if it was not embodied in a legally binding form.

French Proposals

6. At the 28 November Special Council, M Delors tabled French proposals for greater budgetary discipline on all expenditure. These were subsequently watered down in a second, shorter French paper tabled on 29 November. The second French paper envisages that at the start of the budget procedure the Finance Council would fix a 'reference framework' ie the maximum amount of resources to be used for the following budget year. The reference framework would be determined in consultation with the Parliament. Within this reference framework the Council would set itself two



guidelines, one for total expenditure and the other for agricultural expenditure, the latter cast in terms of a 3-year moving average.

7. We have welcomed the French proposals as a basis on which to build our own ideas. The amendments which the Prime Minister tabled at Athens were intended to establish:

- a) that Finance Ministers should work out in detail the general principles in the French proposals;
- b) that the resulting detailed arrangements should be embodied in a legal form as part of the Community's budgetary procedures;
- c) the "markedly below" formula;
- d) that there should be clawback of any expenditure above the guideline (as was envisaged in the earlier, longer version of the French ideas which Delors put forward at the Special Council on 28 November).

8. President Mitterrand's performance at Athens, however, casts doubt on whether he will support the Delors proposal. President Mitterrand not only failed to speak up for the proposal but at his breakfast meeting with the Prime Minister on 6 December appeared to know nothing about it. M Cheysson's intervention also suggested that the French are hesitating about pressing for a legally binding guideline. M Cheysson said that the French paper respected the role of the European Parliament and existing institutional arrangements and was in line with but 'upstream' from the Commission's proposal. He added that France opposed legally binding rules.

9. The revised Presidency text tabled at the Athens European Council on 5 December combines the Commission/Dutch proposals and the French proposal. It contains a number of useful points on which we could build but is still unsatisfactory in its present form, particularly in so far as it does not provide for changes in the legal basis of the budgetary procedures and does not include the "markedly below" formula.



10. The UK objective is to build on the progress made during the autumn by encouraging the French to keep their ideas on the table and not to shy away from the need for legally binding arrangements.

(b) CAP

French and British Positions on CAP up to Athens

1. France generates some 26% of CAP production, about double the British figure, and France has about five times more agricultural holdings than the UK. Farmers and farm workers represent 8.5% of the working population (many part-time), compared to 2.8% in the UK, and they carry disproportionate political weight. Over the years, however, high CAP prices have had the effect of bringing member states closer to self-sufficiency and limiting the outlets for French food exports within the Community. The French reaction to this is not to limit CAP production but to seek to reduce agricultural imports into the Community (enforcing "Community preference" by limiting New Zealand's access for example) and to pursue a vigorous "vocation exportatrice", supplying subsidised production to world markets.

2. France and UK's very different perspectives on the CAP have led to some sharp differences over the key agricultural issues in the Post-Stuttgart negotiation. Broadly:

STRICT FINANCIAL GUIDELINE

UK Position

A necessary condition for sustained control of agricultural spending (and, by implication, for UK consideration of new own resources)

French Position

Incompatible with the CAP which is based on individual market mechanisms. {Possibly acceptable, however, as part of a package of budgetary discipline over the whole budget (Delors paper etc)}.

PRICES/GUARANTEE THRESHOLDSUK Position

Price restraint, and the setting of limits on how much support can be unconditionally guaranteed for commodities for which economic outlets are limited, are crucial elements of CAP reform.

French Position

Could accept some price restraint (eg on cereals) and guarantee thresholds, but this is not the key to the future of the CAP. The CAP objective of increasing farming incomes is sacrosanct. [The CAP in fact talks only of ensuring a fair standard of living for farmers.]

EXTERNAL TRADEUK Position

EC is high cost producer and does not have a future as a major world supplier. Agricultural trade must not be allowed to jeopardise the EC's much more important industrial trade. Present policies are increasing tensions with major trading partners and (by reducing the value of local production) hindering development in many LDCs.

French Position

EC has a "vocation exportatrice" and France favours a vigorous Community export policy including long-term supply contracts. Any reduction in EC production must be matched by exercise of GATT rights in relevant sectors (eg cereals substitutes). No capitulation to US.

MILKUK Position

The milk sector accounts for about a third of CAP spending. Action is urgently needed to reduce the current level of surplus. We favour action on price in the first instance to discourage production, increase consumption and reduce the cost of disposing of the surplus.

We are examining the proposal for a super-levy. As a complementary policy it would be acceptable only on certain strict conditions, and provided that it applied to everyone on broadly the same terms. In any case, the super-levy is no substitute for action on price: it could only be effective if harnessed to a rigorous price policy.

There was pressure at Athens to increase the co-responsibility levy. This would be the wrong approach. Instead of limiting production, the effect of the levy is to raise revenue to finance surplus production.

French Position

Could accept super-levy provided it had sufficient flexibility to allow transfer of quotas on national basis with differential element to favour small and hill farms. French also favour a progressive co-responsibility levy on milk and a levy on intensive producers: (both would hit UK disproportionately). The UK butter subsidy should be abolished.

CEREALS

UK Position

Price restraint is the key, and we favour a systematic narrowing of the gap between EC and world prices.

As for substitutes, we are not convinced of the case for further EC restrictions on the import of cereals substitutes which could have damaging consequences for world trade. A lower price for cereals would help to reduce the demand for imports of substitutes.

French Position

Agree, broadly, on prices. But strongly believe that price restraint must be contingent on action to reduce cereal substitute imports.

OILS AND FATS TAXUK Position

We strongly oppose this proposed tax which would bear particularly hard on the poorest EC consumers. Whatever the legal niceties, overseas suppliers would see the tax as contrary to GATT bindings, and would be likely to seek compensation or to retaliate. The Commission were asked to make proposals for controlling CAP expenditure, not for raising new revenues.

French Position

Agree the proposal, which is a necessary complement to a more rigorous milk regime.

MCAsUK Position

This subject is of great importance to some Member States. It is not clear, even now, how the Commission's ideas for dismantling MCAs would apply to a floating currency like sterling. Our main concern is that the solution agreed should be neither inflationary nor weigh heavily on the Community budget.

French Position

It is essential to find a way of dismantling MCAs as soon as possible. FRG positive MCAs are intolerable to France. Could not accept proposed FRG solution which would create a DM zone. (M. Mitterrand has twice used the analogy of the Israeli shekel and the US dollar).

OTHER PRODUCTS (ie Mediterranean)UK Position

Economies must be found in the regimes for all products, including those not produced in the UK. There must be a balanced package.

French Position

{Substantial Mediterranean production in the South of France}. A balanced package, yes, but not too much zeal. The way to achieve outlets for fruit and vegetables, for example, is to increase protection against imports - not to cut EC prices, or discontinue aids.

RECENT DEVELOPMENTS

Future Work Programme

3. At the Agriculture Council on 9/10 January it was agreed that Farm Ministers would take over all work on the post-Stuttgart agricultural issues and 1984 price fixing. (Supported by high-level official group) M. Rocard (Presidency) maintained that only milk and MCAs would need to go to the European Council. Other decisions could be taken at the level of Agricultural Council, (and the Commission maintained that many of these were 'technically prepared' before Athens and ready for political decision). The linkage with a Financial Guideline was not clear, but it was agreed that this question should be pursued outside the Agriculture Council.

Market Management Measures

4. On 22 December 1983 the Commission announced decisions within its competence to achieve economies of 165 mecu, primarily by introducing a standard delay of 4 months for most intervention payments. UK, almost alone amongst Member States, has welcomed this move. France has echoed FRG complaints that the Commission should not have pre-empted decisions of the Agriculture Council.

1984/85 Price Fixing

5. The Commission 1984/85 price proposals agreed on 12 January contain only modest price changes. Zero increases are proposed for milk, wine and cereals. The weighted average price change in ECU terms is claimed to be 0.8%, and in national currency terms - 0.5%. For UK (assuming the proposed revaluation of 4% in the green pound is agreed), the proposals would give rise to a net price cut in sterling terms of 3.2%. For France, the proposals



represent a price increase of 3.2%.

6. In general, the proposals are less radical than we advocated (eg we would have like price cuts for milk and cereals). But we have no major complaints.

7. In addition to suggested price decisions, the Commission have maintained in full their reform proposals of July 1983 (Com 500) including such objectionable, or at least unwelcome, proposals as that for an oils and fats tax, action against cereals substitutes, a milk intensive levy, and elimination of the UK butter subsidy.

State of CAP finances

8. The CAP budget for 1984 is 16.5 becu. Current estimates are of claims of up to 19 becu this year. On 10 January Mr Dalsager warned the Agriculture Council that the Community would only have an average of 1207 mecu to spend in each full month this year compared with 1330 mecu in 1983. The money is likely to run out in the autumn unless either the Council agrees a CAP reform package or the Commission takes drastic action to suspend intervention buying for some commodities.

LINE TO TAKE ON "COMMUNITY PREFERENCE" AND FRENCH CHARGES THAT UK'S PROBLEMS ARE PRIMARILY SELF-INFLICTED BY OUR LEVEL OF AGRICULTURAL IMPORTS

(a) UK agricultural imports are no longer particularly high. Current estimates are that the UK share of agricultural levies in 1984, at 22%, will be exactly in line with the share of our contribution to the Community's own resources as a whole. About half of the UK's agricultural imports are now from the EC, compared with 31% in 1972.

(b) Concessions made by the whole of the EC to some former British colonial territories: (NZ butter, ACP sugar etc)

are equivalent to provisions in the original Treaties for all France's former colonial territories.

(c) The slogan of "Community preference" is all too often used in France to argue for protectionism to a degree which is not reconcilable with the EEC Treaty. The Treaty speaks of "progressive abolition of restrictions on international trade." The Community depends for its prosperity more than any of the other world economic powers on international trade, and its external trade policy must reflect this.

(d) The inequitably high level of the UK's net contribution to the Community budget does not derive from our patterns of trade, which have shifted dramatically towards Europe (more than 44.5% of British exports went to other Community countries in November 1983 compared with about 30% before accession). Rather, it derives from the massive two-thirds share of the budget taken up by agriculture, and Britain's relatively small agricultural sector (about half the level of France's production). Do the French want us to redress the balance by increasing our agricultural production?



(c) BUDGET IMBALANCES

French Position

1. In the pre-Athens negotiations, the French gave some support to the Danish proposal for a convergence fund which provided that Member States of below average prosperity whose share of Community expenditure was below their GDP share would receive compensation for part of the gap between their expenditure and GDP shares. The French suggested three specific amendments to the Danish proposal:

(a) Corrections should be made on the revenue side rather than on the expenditure side;

(b) reallocation of administration expenditure which would reduce the size of the Community's allocated budget and hence the apparent size of the UK's budgetary burden;

(c) financing by a special key so that financing reliefs would lean more heavily on the richer net recipients (Benelux and Denmark) and less heavily on France;

2. The French strongly opposed the Commission's proposal for modulated VAT whereby CAP expenditure above 33% of the total budget would be financed by a special key based on relative prosperity, agricultural production shares and shares of net operating surplus. They rejected the first German proposal tabled in November for combining the Danish proposal with the Commission's ideas for modulated VAT.

3. The French are also firmly opposed to the UK safety net proposal on the grounds that it would institutionalise the concept of 'net contributions'. Their objection to net contributions is rooted in the argument that comparison of national contributions to and receipts from the Community budget would raise the demand for *juste retour*. Before taking office, President Mitterrand himself was critical of his predecessor for acquiescing in the May



1980 Agreement whereby refunds to the UK were to be calculated on the basis of net contributions. The French particularly dislike the inclusion of levies and duties in the calculation of net contributions which they argue is contrary to the principles of Community preference in trade. They sometimes claim that the UK should solve the problem of its disproportionate contribution of Own Resources to the Community budget by importing more from its Community partners.

4. There were some signs of flexibility by the French during the pre-Athens negotiations, eg willingness to discuss proposals for a durable system; acceptance that compensation should be implemented on the revenue side of the budget; and M Morel's discussions with Mr Williamson in November which indicated that the French might accept a solution based on measurement of the VAT/expenditure shares gap. But at the Athens European Council President Mitterrand reverted to the French position before Stuttgart that he would only consider a short-term ad hoc arrangement, modest in size, to relieve the British burden. On the second day of the Athens European Council, President Mitterrand said that he could not accept any of the proposals on the table for correcting budget imbalances (presumably including even the Danish proposal which the French had previously supported); the most he would agree for the UK was a refund of 500 mecu per year for 3 years. He did not respond either to the new German proposal tabled at Athens for a solution based on the VAT/expenditure shares gap or to the Prime Minister's suggestion for working out a solution which would leave the UK making a net contribution broadly similar to that of France in the range of 400-500 mecus in the first year of operation of the new system.

5. Given the fundamentalist approach taken by President Mitterrand at Athens in advocating a temporary ad hoc arrangement and M Mauroy's belief (reported by M Thorn in his discussions with Sir G Howe on 6/7 January) that the UK would in the last resort be prepared to accept a digressive 5 year arrangement to correct their budgetary imbalance, the key UK objective is to convince



President Mitterrand that whatever solution is decided must be neither ad hoc nor arbitrary.

6. The essential elements for us in any package are:

(a) A Lasting Solution

The new system, like any increase in the 1% VAT ceiling, will have to be included in a revised Own Resources Decision agreed by the governments of all Member States and ratified by all ten Parliaments. The following arguments could be deployed:

(i) During our accession negotiations we were given an assurance that 'should unacceptable situations arise within the present Community or an enlarged Community, the very survival of the Community would demand that the institution find equitable solutions'. This assurance has been repeated several times over the last decade culminating in the Stuttgart Declaration which stated that 'the negotiation will aim at a more balanced and equitable situation in financial terms from the point of view of the interests of the different Member States and the Community as a whole' and 'will agree measures which, taken as a whole, will avoid the constantly recurrent problems between the Member States over the financial consequences of the Community's budget'. A temporary ad hoc arrangement would not meet this requirement.

(ii) Ad hoc arrangements are likely to result in annual wrangles with the European Parliament which not only take up valuable time but enable the Parliament to try to extend its powers at the expense of the Council. President Mitterrand is likely to be particularly susceptible to this argument since the French have recently taken a firm line over the 1984 budget in opposing any extension of the Parliament's budgetary powers.



(iii) The present budgetary arrangements were designed to work for a Community of Six. They do not work in a Community of Ten. A broad economic balance was intended by those who founded the Community. This has manifestly ceased to exist. The UK not only bears an inequitable budgetary burden but a large non-budgetary burden as well. Lack of economic balance has led to the paralysis of Community decision making. Member States are inclined to consider all new Community spending programmes in terms of their budgetary impact on themselves rather than on their merits.

(iv) This problem would become even worse in a Community of Twelve. Spain and Portugal would for some years have to be net recipients from the budget and the costs of their membership would have to be shared out among the existing Member States. It is therefore in French interests that lasting and equitable budgetary arrangements should apply after enlargement.

(b) Adequate Measurement of the Budgetary Burden

The UK argues for relief related to the whole net contribution to take account of the effect of our disproportionately high contribution of Own Resources as well as our low receipts from the Community budget. France is strongly opposed to the inclusion of customs duties and general agricultural levies in the calculation of contributions to the Community budget for theological reasons and partly from calculation of national financial advantages. Without going back on our position that that the gap between own resources share and expenditure share is the right way to measure the problem, we have said that we are prepared to look at different ways of dealing with the problem provided both sides of the gap are adequately covered.

7. There is no foundation in the argument that the UK could solve the problem of its disproportionate payments of levies and duties



by importing more from its Community partners. UK imports from the Community have increased from 32% in 1972 to 46% in 1983 but the size of our unadjusted net contribution has steadily grown over that time. The most important single cause of the British budget problem is the low level of our CAP receipts.

8. The Commission and some Member States, including France, have tried to reduce the size of the gap between expenditure and GDP shares by excluding or redistributing some items in the allocated budget. We cannot accept arbitrary and mistaken changes to the definition of allocated Community expenditure which the Commission has always used hitherto. We believe the existing practice of attributing the bulk of administrative expenditure to Belgium and Luxembourg fairly represents the costs and benefits involved.

(c) Adequate Correction of the Measured Burden

9. The UK Safety net proposal sets a maximum limit or threshold on a Member State's contribution related to ability to pay. The limit is expressed as a percentage of the Member State's GDP expressed as a function of relative prosperity. There is now a wide measure of agreement that compensation should be related to ability to pay. The Federal Republic and the Commission have also adopted the Safety Net 'threshold' formula. The UK could not accept a system under which the limit is expressed as a percentage of the measured burden (not of GDP) as in the Danish scheme since this would not guarantee adequate protection against increases in our uncorrected net contribution.

(d) Compensation should be implemented on the revenue side of the budget

10. We welcome the fact that the French themselves proposed that compensation should be implemented on the revenue side of the budget in their amendments to the Danish proposal which were tabled in October. If implementation is on the revenue side, it follows that the new arrangements will have to be included in a revised Own Resources Decision.



Financing of Compensation

11. One of the reasons why the negotiations have been so difficult is that other Member States have been calculating what it would cost them if the budgetary burden on the UK was reduced. We recognise that a system of financing reliefs in accordance with normal VAT shares would leave France with a large net contribution. It is possible to produce a different result by making the financing of relief related to a special key. In our Safety Net proposal we deliberately left open this possibility. It is also why the Prime Minister suggested at Athens that in working out the details of a system of the kind we proposed, we should aim for an outcome whereby France and the UK would have approximately equivalent net contributions (400-500 mecu) in the first year of the system.

(d) NEW POLICIES

1. In the course of the negotiations leading up to the Athens European Council a number of Member States, including France and the UK, tabled papers setting out ideas on the future development of the Community. Our own contribution, while stressing the need for cost effectiveness and for action to be taken within the framework of the finance available, sought to demonstrate that much could be done which would be of immediate and tangible benefit to the Community and its inhabitants in ways which cost little. We concentrated our fire on policies which are considered genuinely "communautaire", on which specific Commission proposals are already on the table, and above all on which early decisions would be in the UK interest.

2. Our priorities are:

Internal Market

- Removal of barriers to intra Community trade in goods and services (ie renewed impetus to the Community's standards harmonisation programme; early and genuine liberalisation of non-life insurance services in line with Treaty requirements).

- Adoption before 1 July 1984 of a single administrative document to simplify customs formalities.

Transport

-Free lorry movement by (a) increasing the EC road haulage permit quota and (b) deciding during the French Presidency on a timetable for the abolition of all road haulage quotas.

-Early liberalisation of air transport services: French Presidency to arrange a special Transport Council to discuss air transport policy and report back to the March European Council.

Environment

-A firm deadline (no later than 1990) for the introduction of unleaded petrol.

Energy

-A solid fuels policy to promote the economic production and use of coal.

3. The French do not share our enthusiasm for the completion of the internal market or for the liberalisation of transport services (on which Mr Ridley is seeking an early meeting with his French opposite number, M. Fiterman). So far, they have scheduled no Internal Market Councils for their Presidency in contrast to the Germans, (who held four). The French represent a major obstacle to freedom of insurance services - of particular importance to Lloyds - and face legal proceedings brought by the Commission.

4. French ideas on new policies have stimulated much interest. They argue that Europe faces a historic challenge in the new technologies; that the Community will fail if it cannot mobilise its resources to compete with its rivals in the US and Japan; and that the price of failure will be increasing technological dependence. To meet this challenge the French advocate a number of measures designed to enhance the Community's research effort and to create a better environment for co-operation between European enterprises. There is much in this analysis with which we agree and we can support many of their ideas for action (eg more priority for R&D, work on standards, competition policy geared to industrial development). We and other Member States have made it clear that we cannot go along with some specific ideas (eg temporary tariff protection for industries of the future; tighter definitions of EC origin rules for Community products; Community rules for inward investment). The French for their part have been at pains to state that their intention is not to erect a protectionist wall around Europe and have indicated that they are prepared to be flexible over points of difficulty for other Member States. But they will be looking very hard for concrete examples of inter-European co-operation over large scale projects and high technology, whether in a strictly Community framework or on a bilateral or multilateral basis. The Airbus A



320 is one such project (see brief no 6). The Channel Fixed Link is potentially one such bilateral project. The report of the Anglo-French Banking Group is likely to be submitted to the two Governments at the end of January. It will receive careful study: we are ready to consider any proposals provided they meet our stated requirement that any link should be financed privately (NB the French may be willing to provide some public financial support).

5. As part of their concern on this front the French Presidency have made clear that they intend to make employment and social policy consequences of their technology developments a priority of their work programme. As well as the Social Affairs Council, they are planning three informal Ministers' meetings, in order to pursue specific proposals (recommendation on working time, resolution on local employment initiatives {ie small firms}, noise directive, Vredeling directive on employee participation, women's employment problems, social effects of new technology, among others); as well as to relaunch a general Community social affairs initiative based on their (unsuccessful) 1981 proposals for a "European social zone".

The UK does not, as a matter of tradition and principle, favour proposals for binding Community legislation in the field of social affairs; we take the view that such matters are more appropriate for action by the social partners without Government interference. However, we are prepared to consider non binding recommendations so long as these do not compromise the established UK line.



(e) STRUCTURAL FUNDS

4. The Stuttgart European Council stressed the need for control of expenditure in areas other than agriculture and called for the development of policies within the bounds of financial feasibility. In response to this, the Commission produced proposals on ways to increase the cost effectiveness of the structural funds (ERDF, Social Fund and the FEOGA Guidance section) by avoiding duplication of effort and expenditure principally through better co-ordination between the various funds and more concentration of the funds resources, in the sense of concentration on areas of need and higher rates of intervention.

5. Agreement on almost all points was reached before the Athens Summit. The only outstanding issues were whether there should be commitments to a substantial increase in the size of funds and to the introduction of Integrated Mediterranean Programmes (see below).

6. In the meantime, negotiations on a new ERDF Regulation which had become bogged down, mainly over the question of full quota shares, resumed at the end of 1983. Discussions are continuing but early agreement is unlikely. Although nominally part of the structural funds review, the Social Fund has not featured in the current discussion: all Member States and the Commission have been content to proceed on the basis of the Regulation agreed earlier in 1983. Discussions of new proposals for the FEOGA Guidance Section have just begun but are at a very preliminary stage.

Integrated Mediterranean Programmes

7. The Commission's proposal for MPs would involve expenditure of some 6½ billion ecu of Community money over 6 years, starting in 1985, on backward rural areas of Italy (45% of the funds), Greece (38%) and France (17%). The money would go primarily to agricultural structural programmes as well as to infrastructure projects, industrial development and job creation.



8. The proposals started life as a pay-off to the Italians in the abortive 30 May 1980 mandate negotiations. They now tend to be seen, rather, as a pay-off to the Greeks in the context of the Greek Memorandum.

9. The northern Member States are united in opposing these proposals, though Britain is most outspoken in its criticism. The Commission is pushing them hard through Natali, the Italian Commissioner for Mediterranean Policy and Enlargement, who is their chief architect. The French, though they stand to benefit, are ambivalent because of costs of national matching funds which would be required, and because of the implications of enlargement.

10. The Commission's proposals are currently bogged down in a Working Group established to discuss them. The Greeks and Italians were unsuccessful in their aim for a commitment to IMPs at Athens and, because of the extent of disagreement between Member States both about the details of the proposals and, in Britain's case, the very principle of IMPs as a vehicle for additional expenditure outside the existing Structural Funds, decisions are not likely to be taken for some time. There is no sign yet that the French intend to push IMPs hard during their Presidency.



Measurement of the Budgetary Burden

9. The main French objection to a safety net solution based on net contributions is rooted in their objection to the inclusion of levies and duties in the calculation of national contributions. They therefore argue that;

(a) only the expenditure gap should be taken into account and

(b) the UK should solve the problem of excessive contributions by importing more from its Community partners.

(iv) It is not true to suggest that the UK could solve its budgetary problem by importing more from its Community partners. UK imports from the Community have increased from 32% in 1972 to 46% in 1983 but the size of our unadjusted net contribution has steadily grown over that time. The most important cause of the British budget problems is our low level of CAP receipts not the problems of levies and duties.

(v) We cannot accept arbitrary and mistaken changes to the definition of allocated Community expenditure which the Commission has always used hitherto. We believe the existing practice of attributing the bulk of administration expenditure to Belgium and Luxembourg fairly represents the costs and benefits involved.

Financing of Compensation

11. Financial reliefs in accordance with normal VAT shares would leave France with a large net contribution. Applied to 1982 the Safety Net would give corrected net contributions of 2107 mecu for Germany, 763 mecu for France and 440 mecu for the UK. It is for this reason that we referred in our Safety Net proposal to the possibility of a special financing key and that the Prime Minister proposed at Athens in working in detail on a system of the kind we proposed, we should aim for an outcome whereby France and the UK would have approximately equivalent net contributions (400-500) mecu.

VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY

NON-COMMUNITY TOPICS: STEERING BRIEF

1. There are short briefs on the following subjects:
 - 1 East/West Relations
 - 2 Arms Control and Disarmament
 - 3 Arab/Israel
 - 4 Lebanon
 - 5 Iran/Iraq
 - 6 Bilateral and other issues

2. Rumours have begun to circulate again about a possible visit by President Mitterrand to Moscow. With the CDE just opened in Stockholm, the Prime Minister could seek the President's views on likely developments in East/West relations during a year when the US Presidential Election will increasingly dominate American policy. She may wish to take stock of recent developments both within the Soviet Union and outside, including President Reagan's speech of 16 January and bilateral meetings with Gromyko in Stockholm.

3. On arms control and disarmament issues the Prime Minister may wish to take stock following the deployment of NATO's first INF missiles and the hiatus in the Geneva and Vienna talks. She might consider with President Mitterrand how best the West could breathe new life into the arms control process and handle the continuing public debate.

4. On the Middle East, it would be interesting to know President Mitterrand's thinking on developments in Lebanon and their effect on the MNF in Beirut. He may also have views on how the Arab/Israel dispute is likely to develop with Yasser Arafat's departure from Lebanon. France's relations with Iraq, her difficulties with Iran and her apparaent lack of interest in contingency planning for the Gulf could also be covered.

5. The Prime Minister may wish to say something about how she proposes to handle the London Economic Summit. It would be helpful

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if she would draw the President's attention to the bad public effect that the termination by the French of the No Passport Excursions agreement would have.

6. President Mitterrand has strongly condemned in the Council of Ministers the action of French farmers in holding two British lorry drivers hostage recently, and the Prefet of the Department concerned has been dismissed. It is clear that the President is determined to uphold law and order.

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VISIT OF PRIME MINISTER TO FRANCE: 23 JANUARY

BRIEF NO 1: EAST/WEST RELATIONS

1. Soviet efforts in 1983 to split Alliance over INF have failed. But they will keep trying.

2. Russians defensive about withdrawal from Arms Control talks. In such circumstances, instinct tends to be attack (viz Gromyko's CDE speech).

3. Need to keep nerve. Must not give currency to Soviet premise that East/West relations in state of crisis induced by US. NATO declaration of 9 December set right tone.

4. Main requirement remains close Alliance coordination and consistent pursuit of policy: must encourage US to maintain line of Reagan 16 January speech.

5. Need to increase range of East/West contacts and encourage sensible dialogue. Mitterrand's plans to visit Soviet Union? Other Franco/Soviet contacts?

6. Hope to encourage broadening of East/West agenda, discussion of regional issues, common interests. Equally, must not shy off awkward subjects like human rights.

7. But important to be realistic about chances of short-term success. Change comes slowly in Soviet Union.

ESSENTIAL FACTS

8. French have been more active than other members of

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Alliance in stepping up bilateral contacts. Franco-Soviet Joint Commission (20-22 November) coincided with major French oil and gas exhibition. Foreign Trade Minister, Mme Cresson, met Prime Minister Tikhonov and Gromyko. Transport Minister Fiterman (Communist) made visit in December. Soviet First Deputy Prime Minister Arkhipov will visit Paris shortly. Renewed rumours that Mitterrand may be contemplating visit to Moscow.

9. French continue to play an independent (and occasionally maverick) hand in Alliance consultations. Though they have been consistently critical of the Russians eg over INF, they have maintained a range of contacts not least with commercial advantages in mind.

10. Gromyko took strong anti-US line in CDE speech (18 January), apparently spurning overtures and moderate tone in Reagan's 16 January speech. But length and range of Gromyko/Shultz discussion on 18 January indicates Russians may be interested in tentative resumption of dialogue in private, while continuing to take unyielding position in public.

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PRESIDENT'S BACKUP COPY:

ADDRESS ON U.S.-SOVIET RELATIONS

Soviet Dept

PS (3)
PS / [unclear]
PS / [unclear]
PS / [unclear]
S-3 [unclear]
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WAD
Defense Dept
Vesp Dept
Planning

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DURING THESE FIRST DAYS OF 1984, I WOULD LIKE TO SHARE WITH YOU -- AND THE PEOPLE OF THE WORLD -- MY THOUGHTS ON A SUBJECT OF GREAT IMPORTANCE TO THE CAUSE OF PEACE -- RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION.

TOMORROW, THE UNITED STATES WILL JOIN THE SOVIET UNION AND 33 OTHER NATIONS AT A EUROPEAN DISARMAMENT CONFERENCE IN STOCKHOLM. THE CONFERENCE WILL SEARCH FOR PRACTICAL AND MEANINGFUL WAYS TO INCREASE EUROPEAN SECURITY AND PRESERVE PEACE. WE WILL BE IN STOCKHOLM WITH THE HEARTFELT WISHES OF OUR PEOPLE FOR GENUINE PROGRESS.

WE LIVE IN A TIME OF CHALLENGES TO PEACE, BUT ALSO OF OPPORTUNITIES FOR PEACE. THROUGH TIMES OF DIFFICULTY AND FRUSTRATION, AMERICA'S HIGHEST ASPIRATION HAS NEVER WAVERED: WE HAVE AND WILL CONTINUE TO STRUGGLE FOR A LASTING PEACE THAT ENHANCES DIGNITY FOR MEN AND WOMEN EVERYWHERE. I BELIEVE 1984 FINDS THE UNITED STATES IN ITS STRONGEST POSITION IN YEARS TO ESTABLISH A CONSTRUCTIVE AND REALISTIC WORKING RELATIONSHIP WITH THE SOVIET UNION.

WE HAVE COME A LONG WAY SINCE THE DECADE OF THE SEVENTIES -- YEARS WHEN THE UNITED STATES SEEMED FILLED WITH SELF-DOUBT AND NEGLECTED ITS DEFENSES, WHILE THE SOVIET UNION INCREASED ITS MILITARY MIGHT AND SOUGHT TO EXPAND ITS INFLUENCE BY ARMED FORCE AND THREATS.

OVER THE LAST 10 YEARS, THE SOVIETS DEVOTED TWICE AS MUCH OF THEIR GROSS NATIONAL PRODUCT TO MILITARY EXPENDITURES AS THE UNITED STATES, PRODUCED SIX TIMES AS MANY I.C.B.M.'s, FOUR TIMES AS MANY TANKS, AND TWICE AS MANY COMBAT AIRCRAFT, AND THEY BEGAN DEPLOYING THE SS-20 INTERMEDIATE-RANGE MISSILE AT A TIME WHEN THE UNITED STATES HAD NO COMPARABLE WEAPON.

HISTORY TEACHES THAT WARS BEGIN WHEN GOVERNMENTS BELIEVE THE PRICE OF AGGRESSION IS CHEAP. TO KEEP THE PEACE, WE AND OUR ALLIES MUST BE STRONG ENOUGH TO CONVINCED ANY POTENTIAL AGGRESSOR THAT WAR COULD BRING NO BENEFIT, ONLY DISASTER. SO WHEN WE NEGLECTED OUR DEFENSES, THE RISKS OF SERIOUS CONFRONTATION GREW.

THREE YEARS AGO WE EMBRACED A MANDATE FROM THE AMERICAN PEOPLE TO CHANGE COURSE, AND WE HAVE. WITH THE SUPPORT OF THE AMERICAN PEOPLE AND THE CONGRESS, WE HALTED AMERICA'S DECLINE. OUR ECONOMY IS NOW IN THE MIDST OF THE BEST RECOVERY SINCE THE SIXTIES. OUR DEFENSES ARE BEING REBUILT. OUR ALLIANCES ARE SOLID AND OUR COMMITMENT TO DEFEND OUR VALUES HAS NEVER BEEN MORE CLEAR.

AMERICA'S RECOVERY MAY HAVE TAKEN SOVIET LEADERS BY SURPRISE. THEY MAY HAVE COUNTED ON US TO KEEP WEAKENING OURSELVES. THEY HAVE BEEN SAYING FOR YEARS THAT OUR DEMISE WAS INEVITABLE. THEY SAID IT SO OFTEN THEY PROBABLY STARTED BELIEVING IT. IF SO, I THINK THEY CAN SEE NOW THEY WERE WRONG.

THIS MAY BE THE REASON WE'VE BEEN HEARING SUCH STRIDENT RHETORIC FROM THE KREMLIN RECENTLY. THESE HARSH WORDS HAVE LED SOME TO SPEAK OF HEIGHTENED UNCERTAINTY AND AN INCREASED DANGER OF CONFLICT. THIS IS UNDERSTANDABLE, BUT PROFOUNDLY MISTAKEN. LOOK BEYOND THE WORDS, AND ONE FACT STANDS OUT: AMERICA'S DETERRENCE IS MORE CREDIBLE AND IT IS MAKING THE WORLD A SAFER PLACE; SAFER BECAUSE NOW THERE IS LESS DANGER THAT THE SOVIET LEADERSHIP WILL UNDERESTIMATE OUR STRENGTH OR QUESTION OUR RESOLVE.

YES, WE ARE SAFER NOW. BUT TO SAY THAT OUR RESTORED DETERRENCE HAS MADE THE WORLD SAFER IS NOT TO SAY THAT IT IS SAFE ENOUGH. WE ARE WITNESSING TRAGIC CONFLICTS IN MANY PARTS OF THE WORLD. NUCLEAR ARSENALS ARE FAR TOO HIGH. AND OUR WORKING RELATIONSHIP WITH THE SOVIET UNION IS NOT WHAT IT MUST BE. THESE ARE CONDITIONS WHICH MUST BE ADDRESSED AND IMPROVED.

DETERRENCE IS ESSENTIAL TO PRESERVE PEACE AND PROTECT OUR WAY OF LIFE, BUT DETERRENCE IS NOT THE BEGINNING AND END OF OUR POLICY TOWARD THE SOVIET UNION. WE MUST AND WILL ENGAGE THE SOVIETS IN A DIALOGUE AS SERIOUS AND CONSTRUCTIVE AS POSSIBLE, A DIALOGUE THAT WILL SERVE TO PROMOTE PEACE IN THE TROUBLED REGIONS OF THE WORLD, REDUCE THE LEVEL OF ARMS, AND BUILD A CONSTRUCTIVE WORKING RELATIONSHIP.

NEITHER WE NOR THE SOVIET UNION CAN WISH AWAY THE DIFFERENCES BETWEEN OUR TWO SOCIETIES AND OUR PHILOSOPHIES. BUT WE SHOULD ALWAYS REMEMBER THAT WE DO HAVE COMMON INTERESTS. AND THE FOREMOST AMONG THEM IS TO AVOID WAR AND REDUCE THE LEVEL OF ARMS.

THERE IS NO RATIONAL ALTERNATIVE BUT TO STEER A COURSE WHICH I WOULD CALL CREDIBLE DETERRENCE AND PEACEFUL COMPETITION; AND IF WE DO SO, WE MIGHT FIND AREAS IN WHICH WE COULD ENGAGE IN CONSTRUCTIVE COOPERATION.

OUR STRENGTH AND VISION OF PROGRESS PROVIDE THE BASIS FOR DEMONSTRATING, WITH EQUAL CONVICTION, OUR COMMITMENT TO STAY SECURE AND TO FIND PEACEFUL SOLUTIONS TO PROBLEMS THROUGH NEGOTIATIONS. THAT IS WHY 1984 IS A YEAR OF OPPORTUNITIES FOR PEACE.

BUT IF THE UNITED STATES AND THE SOVIET UNION ARE TO RISE TO THE CHALLENGES FACING US AND SEIZE THE OPPORTUNITIES FOR PEACE, WE MUST DO MORE TO FIND AREAS OF MUTUAL INTEREST AND THEN BUILD ON THEM. I PROPOSE THAT OUR GOVERNMENTS MAKE A MAJOR EFFORT TO SEE IF WE CAN MAKE PROGRESS IN THREE BROAD PROBLEM AREAS.

FIRST, WE NEED TO FIND WAYS TO REDUCE -- AND EVENTUALLY TO ELIMINATE -- THE THREAT AND USE OF FORCE IN SOLVING INTERNATIONAL DISPUTES.

THE WORLD HAS WITNESSED MORE THAN 100 MAJOR CONFLICTS SINCE THE END OF WORLD WAR II ALONE. TODAY, THERE ARE ARMED CONFLICTS IN THE MIDDLE EAST, AFGHANISTAN, SOUTHEAST ASIA, CENTRAL AMERICA, AND AFRICA. IN OTHER REGIONS, INDEPENDENT NATIONS ARE CONFRONTED BY HEAVILY ARMED NEIGHBORS SEEKING TO DOMINATE BY THREATENING ATTACK OR SUBVERSION.

MOST OF THESE CONFLICTS HAVE THEIR ORIGINS IN LOCAL PROBLEMS, BUT MANY HAVE BEEN EXPLOITED BY THE SOVIET UNION AND ITS SURROGATES -- AND, OF COURSE, AFGHANISTAN HAS SUFFERED AN OUTRIGHT SOVIET INVASION.

FUELING REGIONAL CONFLICTS AND EXPORTING VIOLENCE ONLY EXACERBATE LOCAL TENSIONS, INCREASE SUFFERING, AND MAKE SOLUTIONS TO REAL SOCIAL AND ECONOMIC PROBLEMS MORE DIFFICULT. FURTHER, SUCH ACTIVITY CARRIES WITH IT THE RISK OF LARGER CONFRONTATIONS.

WOULD IT NOT BE BETTER AND SAFER IF WE COULD WORK TOGETHER TO ASSIST PEOPLE IN AREAS OF CONFLICT IN FINDING PEACEFUL SOLUTIONS TO THEIR PROBLEMS? THAT SHOULD BE OUR MUTUAL GOAL. BUT WE MUST RECOGNIZE THAT THE GAP IN AMERICAN AND SOVIET PERCEPTIONS AND POLICY IS SO GREAT THAT OUR IMMEDIATE OBJECTIVE MUST BE MORE MODEST. AS A FIRST STEP, OUR GOVERNMENTS SHOULD JOINTLY EXAMINE CONCRETE ACTIONS WE BOTH CAN TAKE TO REDUCE THE RISK OF U.S.-SOVIET CONFRONTATION IN THESE AREAS. AND IF WE SUCCEED, WE SHOULD BE ABLE TO MOVE BEYOND THIS IMMEDIATE OBJECTIVE.

OUR SECOND TASK SHOULD BE TO FIND WAYS TO REDUCE THE VAST STOCKPILES OF ARMAMENTS IN THE WORLD.

IT IS TRAGIC TO SEE THE WORLD'S DEVELOPING NATIONS SPENDING MORE THAN \$150 BILLION A YEAR ON ARMED FORCES -- SOME 20 PERCENT OF THEIR NATIONAL BUDGETS. WE MUST FIND WAYS TO REVERSE THE VICIOUS CYCLE OF THREAT AND RESPONSE WHICH DRIVES ARMS RACES EVERYWHERE IT OCCURS.

WITH REGARD TO NUCLEAR WEAPONS, THE SIMPLE TRUTH IS, AMERICA'S TOTAL NUCLEAR STOCKPILE HAS DECLINED. TODAY, WE HAVE FAR FEWER NUCLEAR WEAPONS THAN WE HAD 20 YEARS AGO. AND IN TERMS OF ITS TOTAL DESTRUCTIVE POWER, OUR NUCLEAR STOCKPILE IS AT THE LOWEST LEVEL IN 25 YEARS.

JUST 3 MONTHS AGO, WE AND OUR ALLIES AGREED TO WITHDRAW
400 NUCLEAR WEAPONS FROM WESTERN EUROPE. THIS COMES AFTER THE
REMOVAL OF A THOUSAND NUCLEAR WEAPONS FROM EUROPE 3 YEARS AGO,
EVEN IF ALL OUR PLANNED INTERMEDIATE-RANGE MISSILES HAVE TO BE
DEPLOYED IN EUROPE OVER THE NEXT 5 YEARS -- AND WE HOPE THIS WILL
NOT BE NECESSARY -- WE WILL HAVE ELIMINATED FIVE EXISTING NUCLEAR
WEAPONS FOR EACH NEW WEAPON DEPLOYED.

BUT THIS IS NOT ENOUGH. WE MUST ACCELERATE OUR EFFORTS TO
REACH AGREEMENTS THAT WILL GREATLY REDUCE NUCLEAR ARSENALS,
PROVIDE GREATER STABILITY, AND BUILD CONFIDENCE.

OUR THIRD TASK IS TO ESTABLISH A BETTER WORKING RELATIONSHIP
WITH EACH OTHER, ONE MARKED BY GREATER COOPERATION AND
UNDERSTANDING.

COOPERATION AND UNDERSTANDING ARE BUILT ON DEEDS, NOT WORDS.
COMPLYING WITH AGREEMENTS HELPS; VIOLATING THEM HURTS.
RESPECTING THE RIGHTS OF INDIVIDUAL CITIZENS BOLSTERS THE
RELATIONSHIP; DENYING THESE RIGHTS HARMS IT. EXPANDING CONTACTS
ACROSS BORDERS AND PERMITTING A FREE INTERCHANGE OF INFORMATION
AND IDEAS INCREASE CONFIDENCE; SEALING OFF ONE'S PEOPLE FROM THE
REST OF THE WORLD REDUCES IT. PEACEFUL TRADE HELPS, WHILE
ORGANIZED THEFT OF INDUSTRIAL SECRETS CERTAINLY HURTS.

COOPERATION AND UNDERSTANDING ARE ESPECIALLY IMPORTANT TO
ARMS CONTROL. IN RECENT YEARS, WE HAVE HAD SERIOUS CONCERNS
ABOUT SOVIET COMPLIANCE WITH AGREEMENTS AND TREATIES. COMPLIANCE
IS IMPORTANT BECAUSE WE SEEK TRULY EFFECTIVE ARMS CONTROL.
HOWEVER, THERE HAS BEEN MOUNTING EVIDENCE THAT PROVISIONS OF
AGREEMENTS HAVE BEEN VIOLATED AND THAT ADVANTAGE HAS BEEN TAKEN
OF AMBIGUITIES IN OUR AGREEMENTS.

IN RESPONSE TO A CONGRESSIONAL REQUEST, A REPORT ON THIS WILL BE SUBMITTED IN THE NEXT FEW DAYS. IT IS CLEAR THAT WE CANNOT SIMPLY ASSUME THAT AGREEMENTS NEGOTIATED WILL BE FULFILLED. WE MUST TAKE THE SOVIET COMPLIANCE RECORD INTO ACCOUNT, BOTH IN THE DEVELOPMENT OF OUR DEFENSE PROGRAM AND IN OUR APPROACH TO ARMS CONTROL. IN OUR DISCUSSIONS WITH THE SOVIET UNION, WE WILL WORK TO REMOVE THE OBSTACLES WHICH THREATEN TO UNDERMINE EXISTING AGREEMENTS AND THE BROADER ARMS CONTROL PROCESS.

THE EXAMPLES I HAVE CITED ILLUSTRATE WHY OUR RELATIONSHIP WITH THE SOVIET UNION IS NOT WHAT IT SHOULD BE. WE HAVE A LONG WAY TO GO, BUT WE ARE DETERMINED TO TRY AND TRY AGAIN. WE MAY HAVE TO START IN SMALL WAYS, BUT START WE MUST.

IN WORKING ON THESE TASKS, OUR APPROACH IS BASED ON THREE GUIDING PRINCIPLES: REALISM, STRENGTH, AND DIALOGUE.

REALISM MEANS WE MUST START WITH A CLEAR-EYED UNDERSTANDING OF THE WORLD WE LIVE IN. WE MUST RECOGNIZE THAT WE ARE IN A LONG-TERM COMPETITION WITH A GOVERNMENT THAT DOES NOT SHARE OUR NOTIONS OF INDIVIDUAL LIBERTIES AT HOME AND PEACEFUL CHANGE ABROAD. WE MUST BE FRANK IN ACKNOWLEDGING OUR DIFFERENCES AND UNAFRAID TO PROMOTE OUR VALUES.

STRENGTH IS ESSENTIAL TO NEGOTIATE SUCCESSFULLY AND PROTECT OUR INTERESTS. IF WE ARE WEAK, WE CAN DO NEITHER. STRENGTH IS MORE THAN MILITARY POWER. ECONOMIC STRENGTH IS CRUCIAL AND AMERICA'S ECONOMY IS LEADING THE WORLD INTO RECOVERY. EQUALLY IMPORTANT IS OUR STRENGTH OF SPIRIT, AND UNITY AMONG OUR PEOPLE AT HOME AND WITH OUR ALLIES ABROAD. WE ARE STRONGER IN ALL THESE AREAS THAN WE WERE 3 YEARS AGO.

OUR STRENGTH IS NECESSARY TO DETER WAR AND TO FACILITATE NEGOTIATED SOLUTIONS. SOVIET LEADERS KNOW IT MAKES SENSE TO COMPROMISE ONLY IF THEY CAN GET SOMETHING IN RETURN. AMERICA CAN NOW OFFER SOMETHING IN RETURN.

STRENGTH AND DIALOGUE GO HAND-IN-HAND. WE ARE DETERMINED TO DEAL WITH OUR DIFFERENCES PEACEFULLY, THROUGH NEGOTIATIONS. WE ARE PREPARED TO DISCUSS THE PROBLEMS THAT DIVIDE US, AND TO WORK FOR PRACTICAL, FAIR SOLUTIONS ON THE BASIS OF MUTUAL COMPROMISE. WE WILL NEVER RETREAT FROM NEGOTIATIONS.

I HAVE OPENLY EXPRESSED MY VIEW OF THE SOVIET SYSTEM. I DON'T KNOW WHY THIS SHOULD COME AS A SURPRISE TO SOVIET LEADERS, WHO HAVE NEVER SHIED FROM EXPRESSING THEIR VIEW OF OUR SYSTEM. BUT THIS DOES NOT MEAN WE CAN'T DEAL WITH EACH OTHER. WE DON'T REFUSE TO TALK WHEN THE SOVIETS CALL US "IMPERIALIST AGGRESSORS" AND WORSE, OR BECAUSE THEY CLING TO THE FANTASY OF A COMMUNIST TRIUMPH OVER DEMOCRACY. THE FACT THAT NEITHER OF US LIKES THE OTHER'S SYSTEM IS NO REASON TO REFUSE TO TALK. LIVING IN THIS NUCLEAR AGE MAKES IT IMPERATIVE THAT WE DO TALK.

OUR COMMITMENT TO DIALOGUE IS FIRM AND UNSHAKABLE. BUT WE INSIST THAT OUR NEGOTIATIONS DEAL WITH REAL PROBLEMS, NOT ATMOSPHERICS.

IN OUR APPROACH TO NEGOTIATIONS, REDUCING THE RISK OF WAR -- AND ESPECIALLY NUCLEAR WAR -- IS PRIORITY NUMBER ONE. A NUCLEAR CONFLICT COULD WELL BE MANKIND'S LAST. THAT IS WHY I PROPOSED, OVER 2 YEARS AGO, THE "ZERO OPTION" FOR INTERMEDIATE-RANGE MISSILES. OUR AIM WAS AND CONTINUES TO BE TO ELIMINATE AN ENTIRE CLASS OF NUCLEAR ARMS.

INDEED, I SUPPORT A ZERO OPTION FOR ALL NUCLEAR ARMS. AS I HAVE SAID BEFORE, MY DREAM IS TO SEE THE DAY WHEN NUCLEAR WEAPONS WILL BE BANISHED FROM THE FACE OF THE EARTH.

LAST MONTH, THE SOVIET DEFENSE MINISTER STATED THAT HIS COUNTRY WOULD DO EVERYTHING TO AVERT THE THREAT OF WAR. THESE ARE ENCOURAGING WORDS. BUT NOW IS THE TIME TO MOVE FROM WORDS TO DEEDS.

THE OPPORTUNITY FOR PROGRESS IN ARMS CONTROL EXISTS; THE SOVIET LEADERS SHOULD TAKE ADVANTAGE OF IT. WE HAVE PROPOSED A SET OF INITIATIVES THAT WOULD REDUCE SUBSTANTIALLY NUCLEAR ARSENALS AND REDUCE THE RISK OF NUCLEAR CONFRONTATION.

THE WORLD REGRETS -- CERTAINLY WE DO -- THAT THE SOVIET UNION BROKE OFF NEGOTIATIONS ON INTERMEDIATE-RANGE NUCLEAR FORCES, AND HAS NOT SET A DATE FOR THE RESUMPTION OF THE TALKS ON STRATEGIC ARMS AND ON CONVENTIONAL FORCES IN EUROPE. OUR NEGOTIATORS ARE READY TO RETURN TO THE NEGOTIATING TABLE TO WORK TOWARD AGREEMENTS IN I.N.F., START, AND M.B.F.R. WE WILL NEGOTIATE IN GOOD FAITH. WHENEVER THE SOVIET UNION IS READY TO DO LIKEWISE, WE WILL MEET THEM HALFWAY.

WE SEEK TO REDUCE NUCLEAR ARSENALS, AND TO REDUCE THE CHANCES FOR DANGEROUS MISUNDERSTANDING AND MISCALCULATION. SO WE HAVE PUT FORWARD PROPOSALS FOR WHAT WE CALL "CONFIDENCE-BUILDING MEASURES." THEY COVER A WIDE RANGE OF ACTIVITIES. IN THE GENEVA NEGOTIATIONS, WE HAVE PROPOSED TO EXCHANGE ADVANCE NOTIFICATIONS OF MISSILE TESTS AND MAJOR MILITARY EXERCISES. FOLLOWING UP ON CONGRESSIONAL SUGGESTIONS, WE ALSO PROPOSED A NUMBER OF WAYS TO IMPROVE DIRECT CHANNELS OF COMMUNICATION. LAST WEEK, WE HAD PRODUCTIVE DISCUSSIONS WITH THE SOVIETS HERE IN WASHINGTON ON IMPROVING COMMUNICATIONS, INCLUDING THE "HOTLINE."

THESE BILATERAL PROPOSALS WILL BE BROADENED AT THE CONFERENCE IN STOCKHOLM. WE ARE WORKING WITH OUR ALLIES TO DEVELOP PRACTICAL, MEANINGFUL WAYS TO REDUCE THE UNCERTAINTY AND POTENTIAL FOR MISINTERPRETATION SURROUNDING MILITARY ACTIVITIES, AND TO DIMINISH THE RISK OF SURPRISE ATTACK.

ARMS CONTROL HAS LONG BEEN THE MOST VISIBLE AREA OF U.S.-SOVIET DIALOGUE. BUT A DURABLE PEACE ALSO REQUIRES BOTH OF US TO DEFUSE TENSIONS AND REGIONAL CONFLICTS.

TAKE THE MIDDLE EAST AS AN EXAMPLE. EVERYONE'S INTERESTS WOULD BE SERVED BY STABILITY IN THE REGION, AND OUR EFFORTS ARE DIRECTED TOWARD THAT GOAL. THE SOVIETS COULD HELP REDUCE TENSIONS THERE INSTEAD OF INTRODUCING SOPHISTICATED WEAPONS INTO THE AREA. THIS WOULD CERTAINLY HELP US TO DEAL MORE POSITIVELY WITH OTHER ASPECTS OF OUR RELATIONSHIP.

ANOTHER MAJOR PROBLEM IN OUR RELATIONSHIP WITH THE SOVIET UNION IS HUMAN RIGHTS. SOVIET PRACTICES IN THIS AREA, AS MUCH AS ANY OTHER ISSUE, HAVE CREATED THE MISTRUST AND ILL WILL THAT HANGS OVER OUR RELATIONSHIP.

MORAL CONSIDERATIONS ALONE COMPEL US TO EXPRESS OUR DEEP CONCERN OVER PRISONERS OF CONSCIENCE IN THE SOVIET UNION AND OVER THE VIRTUAL HALT IN THE EMIGRATION OF JEWS, ARMENIANS, AND OTHERS WHO WISH TO JOIN THEIR FAMILIES ABROAD.

OUR REQUEST IS SIMPLE AND STRAIGHTFORWARD: THAT THE SOVIET UNION LIVE UP TO THE OBLIGATIONS IT HAS FREELY ASSUMED UNDER INTERNATIONAL COVENANTS -- IN PARTICULAR, ITS COMMITMENTS UNDER THE HELSINKI ACCORDS. EXPERIENCE HAS SHOWN THAT GREATER RESPECT FOR HUMAN RIGHTS CAN CONTRIBUTE TO PROGRESS IN OTHER AREAS OF THE SOVIET-AMERICAN RELATIONSHIP.

CONFLICTS OF INTEREST BETWEEN THE UNITED STATES AND THE SOVIET UNION ARE REAL. BUT WE CAN AND MUST KEEP THE PEACE BETWEEN OUR TWO NATIONS AND MAKE IT A BETTER AND MORE PEACEFUL WORLD FOR ALL MANKIND.

OUR POLICY TOWARD THE SOVIET UNION, A POLICY OF CREDIBLE DETERRENCE, PEACEFUL COMPETITION, AND CONSTRUCTIVE COOPERATION, WILL SERVE OUR TWO NATIONS AND PEOPLE EVERYWHERE. IT IS A POLICY NOT JUST FOR THIS YEAR, BUT FOR THE LONG TERM. IT IS A CHALLENGE FOR AMERICANS. IT IS ALSO A CHALLENGE FOR THE SOVIETS. IF THEY CANNOT MEET US HALFWAY, WE WILL BE PREPARED TO PROTECT OUR INTERESTS, AND THOSE OF OUR FRIENDS AND ALLIES. BUT WE WANT MORE THAN DETERRENCE; WE SEEK GENUINE COOPERATION; WE SEEK PROGRESS FOR PEACE.

COOPERATION BEGINS WITH COMMUNICATION. WE SEEK SUCH COMMUNICATION. AS I HAVE SAID, WE WILL STAY AT THE NEGOTIATING TABLES IN GENEVA AND VIENNA. FURTHERMORE, SECRETARY SHULTZ WILL BE MEETING THIS WEEK WITH SOVIET FOREIGN MINISTER GROMYKO IN STOCKHOLM. THIS MEETING SHOULD BE FOLLOWED BY OTHERS, SO THAT HIGH-LEVEL CONSULTATIONS BECOME A REGULAR AND NORMAL COMPONENT OF U.S.-SOVIET RELATIONS.

OUR CHALLENGE IS PEACEFUL. IT WILL BRING OUT THE BEST IN US. IT ALSO CALLS FOR THE BEST FROM THE SOVIET UNION.

WE DO NOT THREATEN THE SOVIET UNION. FREEDOM POSES NO THREAT, IT IS THE LANGUAGE OF PROGRESS. WE PROVED THIS 35 YEARS AGO WHEN WE HAD A MONOPOLY OF NUCLEAR WEAPONS, AND COULD HAVE TRIED TO DOMINATE THE WORLD. BUT WE DIDN'T. INSTEAD WE USED OUR POWER TO WRITE A NEW CHAPTER IN THE HISTORY OF MANKIND.

WE HELPED REBUILD WAR-RAVAGED ECONOMIES IN EUROPE AND THE FAR EAST, INCLUDING THOSE OF NATIONS WHO HAD BEEN OUR ENEMIES. INDEED, THOSE FORMER ENEMIES ARE NOW NUMBERED AMONG OUR STAUNCHEST FRIENDS.

WE CAN'T PREDICT HOW THE SOVIET LEADERS WILL RESPOND TO OUR CHALLENGE. BUT THE PEOPLE OF OUR TWO COUNTRIES SHARE WITH ALL MANKIND THE DREAM OF ELIMINATING THE RISK OF NUCLEAR WAR. IT IS NOT AN IMPOSSIBLE DREAM, BECAUSE ELIMINATING THESE RISKS IS SO CLEARLY A VITAL INTEREST FOR ALL OF US. OUR TWO COUNTRIES HAVE NEVER FOUGHT EACH OTHER; THERE IS NO REASON WE EVER SHOULD. INDEED, WE FOUGHT COMMON ENEMIES IN WORLD WAR II. TODAY OUR COMMON ENEMIES ARE POVERTY, DISEASE AND, ABOVE ALL, WAR.

MORE THAN 20 YEARS AGO, PRESIDENT KENNEDY DEFINED AN APPROACH THAT IS AS VALID TODAY AS WHEN HE ANNOUNCED IT: "SO, LET US NOT BE BLIND TO OUR DIFFERENCES," HE SAID, "BUT LET US ALSO DIRECT ATTENTION TO OUR COMMON INTERESTS AND TO THE MEANS BY WHICH THOSE DIFFERENCES CAN BE RESOLVED."

WELL, THOSE DIFFERENCES ARE DIFFERENCES IN GOVERNMENTAL STRUCTURE AND PHILOSOPHY. THE COMMON INTERESTS HAVE TO DO WITH THE THINGS OF EVERYDAY LIFE FOR PEOPLE EVERYWHERE.

SUPPOSE, FOR A MOMENT, IVAN AND ANYA FOUND THEMSELVES IN A WAITING ROOM, OR SHARING A SHELTER FROM THE RAIN WITH JIM AND SALLY, AND THERE WAS NO LANGUAGE BARRIER TO KEEP THEM FROM GETTING ACQUAINTED. WOULD THEY DEBATE THE DIFFERENCES BETWEEN THEIR RESPECTIVE GOVERNMENTS? OR, WOULD THEY FIND THEMSELVES COMPARING NOTES ABOUT THEIR CHILDREN, AND WHAT EACH OTHER DID FOR A LIVING?

BEFORE THEY PARTED COMPANY THEY WOULD PROBABLY HAVE TOUCHED ON AMBITIONS, HOBBIES, WHAT THEY WANTED FOR THEIR CHILDREN AND THE PROBLEMS OF MAKING ENDS MEET. AND AS THEY WENT THEIR SEPARATE WAYS, ANYA WOULD BE SAYING TO IVAN, "WASN'T SHE NICE, SHE ALSO TEACHES MUSIC." JIM WOULD BE TELLING SALLY WHAT IVAN DID OR DIDN'T LIKE ABOUT HIS BOSS. THEY MIGHT EVEN HAVE DECIDED THAT THEY WERE ALL GOING TO GET TOGETHER FOR DINNER SOME EVENING SOON.

ABOVE ALL, THEY WOULD HAVE PROVEN THAT PEOPLE DON'T MAKE WARS. PEOPLE WANT TO RAISE THEIR CHILDREN IN A WORLD WITHOUT FEAR, AND WITHOUT WAR. THEY WANT TO HAVE SOME OF THE GOOD THINGS OVER AND ABOVE BARE SUBSISTENCE THAT MAKE LIFE WORTH LIVING. THEY WANT TO WORK AT SOME CRAFT, TRADE, OR PROFESSION THAT GIVES THEM SATISFACTION AND A SENSE OF WORTH. THEIR COMMON INTERESTS CROSS ALL BORDERS.

IF THE SOVIET GOVERNMENT WANTS PEACE, THEN THERE WILL BE PEACE. TOGETHER WE CAN STRENGTHEN PEACE, REDUCE THE LEVEL OF ARMS, AND KNOW IN DOING SO WE HAVE HELPED FULFILL THE HOPES AND DREAMS OF THOSE WE REPRESENT AND INDEED OF PEOPLE EVERYWHERE. LET US BEGIN NOW.

#

SUBJECT

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T10/84.....

US Declassified

THE WHITE HOUSE

WASHINGTON

CC Master

OPS

January 14, 1984

Dear Margaret:

When you and I met at the end of September, we had a useful talk on how to deal with the Soviet Union over the longer term. I greatly value the advice and counsel you shared with me. At that time, the Korean Air Lines tragedy was very much on our minds. With Moscow's unfortunate decision to suspend the major arms control negotiations, East-West relations have entered an even more difficult period.

Against this background, I have decided that it is important to present to the American people and to governments and publics throughout the world a comprehensive statement of my approach to the key element in East-West relations -- the U.S.-Soviet relationship. I will do this in a major address from the East Room at the White House on Monday, January 16.

My address will reaffirm our willingness to pursue a constructive and realistic dialogue with the Soviet Union aimed at building a more positive and stable long-term relationship. I will call upon the Soviets to make a comparable and substantive response. While I will not be announcing any specific new initiatives, I will be setting forth a framework for future U.S.-Soviet relations.

Given our close relationship and the special significance that I attach to this statement of U.S. policy, I want to share the text with you beforehand. I hope you will agree that it meets our common objectives of setting a positive tone both for the opening of the CDE meeting in Stockholm and for George Shultz's bilateral

meeting with Soviet Foreign Minister Gromyko. I am particularly pleased that George will have an opportunity to give you a personal preview before his meetings in Stockholm.

With warm regards,

Ron

The Right Honorable
Margaret Thatcher, M.P.
Prime Minister
London



10 DOWNING STREET

THE PRIME MINISTER

19 January 1984

US Declassified

Dear Ron,

Thank you for your letter of 14 January and the advance copy of your speech on US/Soviet relations which George Shultz gave me on 15 January.

If I may say so, I thought you struck exactly the right note and at the right time. As we enter 1984, and against the background of public disquiet at the Soviet interruption of the arms control talks in Geneva and Vienna, it was good to put on record your willingness to establish a constructive and realistic working relationship with the Soviet Union.

As you say, this is a long-term policy. We cannot expect rapid changes. The Soviet system is too rigid for that, as their initial public response to your speech has demonstrated. But I am sure that it is right to try: and that the best way is to engage the Soviet Union in a dialogue on a broad range of questions - bilateral and regional, political and economic. Against this background it may be easier to make progress on arms control issues.

My views on the arms control problem are very much in line with yours. I warmly welcome your aim to reduce nuclear arsenals and to create greater stability and confidence. It would obviously be wrong to make concessions just to get the

/Russians

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Russians back to the negotiating table. But they have problems of their own, both of substance and of presentation. Thanks to your own imaginative proposals, and to the unity we have been able to maintain within the Alliance, the initiative rests with the West. We now have an opportunity to consider whether we can find fresh ways forward on nuclear arms reductions. I am glad that the various consultative groupings within the Alliance are beginning to discuss this possibility. We must not only convince our own peoples of our dedication to the pursuit of real reductions but also seek that greater stability of which you spoke.

I hope that your speech will mark the beginning of a new phase of relations with the Soviet Union. That depends on them more than us. But in the Alliance we can all seek to build on the lead you have taken.

I look forward to hearing the outcome of George Shultz's meeting with Gromyko on 18 January. Geoffrey Howe will be meeting Gromyko on 19 January. I shall let you have my impressions of my visit to Hungary from 2 to 4 February.

Yours sincerely
Ronald Reagan

The President of the United States of America.

VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY

BRIEF NO 2: ARMS CONTROL AND DISARMAMENT

POINTS TO MAKE

INF/START/MBFR

1. START, INF and MBFR in limbo. But still need for continued Western consultation on arms control. Important not to lose impetus created by successful co-ordination in 1983. Public interest in contribution of arms control to management of East/West relations will remain high.
2. Nuclear arms control remain priority. But other areas may deserve fresh approach, eg arms control for anti-satellite systems (ASATs).
3. Soviet compliance with existing arms control and President Reagan's 'Star Wars' initiative require careful handling. Potential for intra-Alliance friction. UK and France share special interest in effect of this initiative on national deterrents.

CDE

4. Welcome full turnout of Foreign Ministers at Stockholm. Could help East/West relations. Must guard against raising public expectations of CDE too high. Hope for substantive negotiations soon.

WARSAW PACT PROPOSAL ON CHEMICAL WEAPONS IN EUROPE

5. Proposal is badly flawed (inadequate verification and geographical imprecision). Regional ban no substitute for comprehensive, worldwide ban the West is seeking at Committee on Disarmament (CD).
6. Need for low-key Western response; suggest to Russians they pursue proposal at the CD. Negotiation at CDE would deny us the Neutral and Non-Aligned support we enjoy at the CD.



NON-PROLIFERATION TREATY (NPT)

7. Non-Proliferation a vital part of both countries' defence policy.

8. Fundamentally both apply similar non-proliferation policies. If France were to accede to NPT we would be seen to be acting together. French accession would also give NPT regime an important boost before the 1985 Review Conference.

VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY

BRIEF NO 3: ARAB/ISRAEL

Points to Make

1. Stagnation in Arab/Israel peace process undermines moderate Arabs who deserve our support. Sir G Howe's Egyptian and Saudi hosts saw results of Reagan's meeting with Shamir last November as an alarming US shift towards Israel. King Hussein said the same to me on December 16. We should press Americans to reassure Arabs; perhaps by a revival of Reagan plan and particularly its call for a freeze on Israeli settlements in the Occupied Territories.
2. Arafat/Mubarak talks, recall of Jordanian Parliament, prospect of resumed Arafat/Hussein talks: indicate possible new life in the peace process. Saudis and Egyptians told Sir G Howe they were keen that West seize opportunity to steer PLO into new constructive phase. Encourage them to work with Hussein, make commitment to negotiation and recognise Israel's right to exist in explicit terms.
3. (If raised) Franco/Egyptian Initiative. French ideas on a new presentation of this initiative during France's EC Presidency and Egypt's term on security council? Need to take care to avoid US veto which would only embitter atmosphere.

Essential Facts

4. French attitudes. The French play an active (but often mysterious) part in Arab/Israel matters, and not only in a Community context. The French and the Egyptians have been considering a revival of their joint initiative of July 1982 (a Security Council resolution to reaffirm 242 and add a reference to Palestinian self-determination) as a means of strengthening Arafat's position. Both realise however that if it came to a vote in its present form,

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the US would probably veto it. The question was not taken very far during the visit of Egyptian Deputy Foreign Minister, Dr Boutros-Ghali to Paris on 6 January. Boutros-Ghali gave Mitterrand a letter from Mubarak asking the French as EC Presidency to do everything possible to help the peace process along. Last December the French played a mediating role in the exchange of 4,300 Palestinian prisoners held by Israel in Lebanon for 6 Israelis held by the PLO. They also provided protection for the ships evacuating Arafat and his supporters from Northern Lebanon at the end of last year.

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VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY

BRIEF NO 4 : LEBANON

LEBANON

Points to Make

1. Sorry to hear of recent attacks on French Embassy staff and MNF contingent in Beirut.
2. Glad we share objectives of early replacement of MNF by UN force. Important to stay closely in touch.
3. Prospects for security/national reconciliation look bleak, without some incentives to Syrians to cooperate. Have pressed Americans to be flexible on 17 May agreement.

Essential Facts

Recent Developments

Military Situation

4. After quiet period tempo of exchanges increased from weekend of 14/15 January. US warships returned Druze shell-fire into the Shouf on 15 January. 13-hour artillery duel between Druze and Christian militias on 16 January. In Southern Lebanon attacks on Israeli troops continue, with occasional Israeli retaliation: most recently with ''surgical'' airstrike on extremist Shia/Iranian bases near Baalbek on 6 January. Implementation of Security plan still held up by Druze haggling.

MNF

5. Reductions in Italian (2200 to 1500) and French (1750 to 1250, balance returning to UNIFIL) contingents taking place this month. Attacks on French and US contingents continue: one US Marine killed and two wounded on 8 January in hit and run rocket-propelled grenade (RPG) attack on US helicopter deep inside LAF controlled West Beirut. One French paratrooper killed, one wounded in similar attack on French position on 9 January. No casualties in further attacks (including one on French Embassy), on 10 and 11 January.



Recent attacks on French Embassy staff have left a driver very seriously wounded and the wife of the Cultural Attaché slightly hurt.

UN Forces

6. French are actively pursuing expansion of UNIFIL's mandate, to replace MNF in Beirut. Positive Soviet reaction (Gromyko/Cheysson meeting in Stockholm). French to discuss further with Syrians.

VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY

BRIEF NO. 5: IRAN/IRAQ

POINTS TO MAKE

1. UK keen to see an early end to the conflict. Immediate aim to prevent escalation of attacks on economic targets. Support any diplomatic efforts (especially Secretary-General mediations) which may help end the war.
2. Do French have indications of Iraqi intentions on military front? Can they persuade them to accept a second Mission of Enquiry into civilian casualties, in return for Iranians receiving the Secretary-General's representative?
3. Iranian reaction to any attack on their oil exporting capability unpredictable. Iranians more cautious recently, presumably as they fear provoking Western intervention.

Contingency Planning

4. Understand you do not consider detailed contingency planning necessary at the moment. But still useful to discuss reactions to a crisis, and harmonise our response to any escalation.
5. If the conflict spreads, first recourse must be to diplomatic action. But some form of eventual Western military action cannot be ruled out.

Arms Sales to Iran (Defensive)

6. We remain strictly neutral and have not supplied lethal items to either side. (If asked) The Kharg is a naval auxiliary: it has no relevance to the present conflict, and the Iranians have assured us that it will not be used to support operations against Iraq.

ESSENTIAL FACTS

French Views

7. France is a firm supporter of Iraq, with more than \$4 billion of export credit at risk and a major arms market. The French supported SCR 540, partly perhaps so that Iranian rejection would provide a justification for the supply of Super Etendard. France

/resisted



resisted attempts, including by the UK, to achieve a more balanced resolution.

8. France's relations with Iran have deteriorated with her increasingly firm support for Iraq. France has expelled Iranian diplomats and closed the Iranian Cultural Centre. The French believe that recent terrorist attacks, including the Cultural Centre in Tripoli and in France on 31 December in which four died, have Iranian involvement.

Contingency Planning

9. Consultations with the Americans have been close and frequent. The French remain very reluctant to engage in tripartite contingency planning or bilateral discussions; they do not consider the danger of escalation in the war to be as great as we do, and say their unwillingness to enter into contingency planning is based on a preference to prevent escalation rather than risk conveying the impression that we are expecting it.

Arms Sales to Iran

10. There have been a number of French-inspired stories that the UK is supplying arms to Iran. This is untrue, though we may soon reach agreement with Iran on a package under which some blocked tank spares (but no ammunition or gun-related items) and two unarmed naval support ships may be released. A third support ship, the Kharg, which was completed in 1980, but detained here because of the US hostage issue, is now being taken over by the Iranians, though it is unlikely to leave for several months.

VISIT OF THE PRIME MINISTER TO FRANCE: 23 JANUARY

BRIEF NO 6: BILATERAL AND OTHER ISSUES

GENERAL

1. The Elysée have been told of the Prime Minister's preference for 29-30 November as the dates for the next Anglo-French Summit, and that she would be prepared to spend the evening of 30 November and part of 1 December at the Franco-British Council Conference in Toulouse or Marseilles if, as intended, the Summit and Conference coincide. The Prime Minister will also be seeing the President, other than at European Councils, in April (possibly) when he hopes to attend the Royal opening of the Joint European Torus (JET) at Culham; in June at the London Economic Summit; and on 23-26 October during his State Visit.

LONDON ECONOMIC SUMMIT

2. President Mitterrand will be sensitive about the outcome of the Summit, which will take place just before the European Elections. He may be anxious for some reassurance that it will not cast him in a bad light. The Prime Minister may wish to say that she is looking forward to a workmanlike, informal Summit in a relaxed atmosphere. We expect the main issues will be the prospects for a sustained recovery; standstill and rollback of protectionism; reviewing the Williamsburg commitment on improving the functioning of the international monetary system and the problems of the developing countries. (President Mitterrand has advocated an international monetary conference. He likes to play a part in developing country issues.) The Summit will aim for a wide-ranging discussion with no set agenda. It will not be an occasion for winners and losers. It is conceivable that President Mitterrand will revert to his ideas for inviting the Australians or the Indians. The Prime Minister will wish to discourage him.

NO PASSPORT EXCURSIONS

3. Faced with the political requirement to be seen to be dealing with the problem of illegal immigration, the French have all but decided to end the present arrangements whereby 1.25 million excursion cards are issued each year to day and short-stay visitors to France. The cards are issued by the transport companies on the basis of a personal declaration. The French wish to change the arrangement so that cards are issued by a British Government authority which guarantees both the identity and nationality of the traveller (in effect a passport). Official level talks have not changed French thinking but M. Cheysson has reluctantly agreed to a visit by Mr Whitney. The Prime Minister could reinforce this approach by drawing the President's attention to the problem, stressing the social and economic consequences of termination. She could regret the consequences of effectively barring France to an estimated 1 million visitors who would not go there if they had to get a passport; query the French view that the current system is a significant source of illegal immigration; and point to the £20-30 million spent each year by British visitors to the Channel ports. The ferry operators believe they would lose substantial business which is very sensitive to any increase in the cost or difficulty of getting to France.

A320 (DEFENSIVE)

4. We are giving careful and urgent consideration to British Aerospace's request for Launch Aid for the A320 project, and expect to reach a decision in early February. M. Fiterman (Transport) has been pressing for an early decision as President Mitterrand will be aware. DTI have recommended that British Aerospace be offered up to £200 million Launch Aid, rather than the £440 million requested. Officials will be reporting to Ministers for a meeting of E(A) on 2 February.

CHOICE OF LAUNCHER FOR SKYNET (DEFENSIVE)

5. In December HMG decided to use the US Shuttle, rather than the (largely French) Ariane rocket, to launch two Skynet military

communications satellites in 1985 and 1986. Financial, technical and operational factors strongly favoured Shuttle. The Prime Minister wrote explaining the decision to M. Mauroy saying that Skynet satellites would be made compatible with both Shuttle and Ariane. Ariane would be selected provided there were no unreasonable disadvantages regarding cost, reliability or mission compatibility. She also suggested setting up a joint group of UK/French officials. Mr Heseltine also wrote to M. Hernu (Defence), who has replied regretting the decision and seeking co-operation in future satellite design. A response is under consideration. We remain committed to the European Space effort and the Ariane space programme.

FAST REACTOR CO-OPERATION

6. The intergovernmental Memorandum of Understanding was signed on 10th January in Paris by ourselves, French, Belgians, Germans and Italians. It is hoped that the Dutch will join in due course. We now look forward to the co-operation being implemented.

*PM Times: Paris admin
FRANCE:
PM's visit.*

Now see later minute.

Ref. A084/188

A.S.C. 20/1

MR COLBY

*see A.S.C. H.Fco
11-1-84*

The Prime Minister's Visit to Paris

I have agreed with Monsieur Attali the following text for Friday's press announcement. It differs from your text at Monsieur Attali's request in saying nothing about a venue and in including a reference to lunch:

"The Prime Minister has accepted an invitation by the President of the French Republic for lunch and talks on 23 January. She will leave London that morning and return in the afternoon."

2. The President has a meeting earlier in the day, and hopes that it may be convenient for the Prime Minister to arrive at the destination (still to be confirmed) at 12.30 pm, not 12.00 noon. With this in mind I have taken out the word "early" from the last sentence of the announcement.
3. Monsieur Attali will ring back finally to confirm this text and the venue tomorrow. I will let you know when he has done so.
4. I am sending a copy of this minute to Mr Fall.

RA

ROBERT ARMSTRONG

18 January 1984

Ref. A084/186

MR COLES

--- I attach a record of my discussion with Monsieur Attali yesterday on European Community questions.

2. I am sending copies of this minute and the note for record on a personal basis to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Minister of Agriculture. As the meeting was strictly private and was not disclosed to French Government departments, I should be grateful if the circulation of this note could be rigorously limited on the strictest "need to know" basis, and that no hint of the fact that such a meeting took place, or of anything said at it, should be allowed to reach the French Government or diplomatic service.

RA

ROBERT ARMSTRONG

18 January 1984

Ref. A084/198

NOTE FOR RECORD

This note records that part of my conversation with Monsieur Attali yesterday which was concerned with European Community questions.

2. Monsieur Attali confirmed that the President was keen to work for a resolution of the problems in the post-Stuttgart negotiations at the March meeting of the European Council in Brussels. Domestic political calculations entered largely into that judgment. In France the European elections in June were going to be treated to a considerable extent as a referendum on the French Government's performance. Since they were going to be at the most difficult point of their "hard" domestic policies, the President did not want to add to that disadvantage the further disadvantage of another "failure" to resolve the European Community problems. Hence his wish for a successful outcome in Brussels.

3. As to procedure, the French Government did not favour the continuation of the Special Councils used in the run-up to Athens. The President proposed to use the Commission and the various regular Councils to carry discussion forward at the technical level and to resolve matters where they could. This process would be supplemented by extensive informal contacts by the President himself and by the new Minister for European Affairs, Monsieur Dumas. There might also be advantage in holding one or two informal meetings of the Ten, of the "Schloss Gymnich" type.

4. Monsieur Attali said that the Prime Minister's meeting with the President was an important first meeting, in which the President hoped to learn from the Prime Minister what her real political needs were. This need not necessarily be regarded as the only bilateral meeting between the Prime Minister and the President before the March meeting of the European Council. It might well be useful for them to have another meeting nearer that time, and the President would be very happy to come over to London for that purpose.

5. Monsieur Attali stressed the importance of Monsieur Dumas in this affair. Monsieur Dumas was (unlike his predecessor) a full Minister in his own right. He was a very close and long-standing friend of the President, and enjoyed the President's total confidence.

6. I said that it was the Prime Minister's judgment also that it was desirable to resolve the problems of the post-Stuttgart negotiations at the March meeting of the European Council. These problems would not be easier to solve after the European elections, because failure to make progress at Brussels in March could seriously sour the climate in the European Community Council. It could also make problems for all European Governments in the European elections. The President would therefore find the Prime Minister sharing his wish to see the problems resolved before or at Brussels; or at least sufficient progress made by then on major political decisions, even if all the details could not be cleared up at Brussels, so that matters could thereafter be resolved in the Council of Ministers. We were content with the French Government's ideas on the procedure for carrying forward discussions between now and the March meeting of the European Council. During this period we should welcome close bilateral contacts with the French Government, at whatever levels the President thought appropriate. No doubt there would be continuing contacts between British and French departments, but he could be assured that, if it would help for either Mr Williamson or me or both of us to have further meetings with either Monsieur Morel or Monsieur Attali or both of them, we should be very ready to meet accordingly. Monsieur Attali thought that there would be great value in such contacts.

7. Turning to issues of substance, Monsieur Attali remarked that any agreement likely to be reached at Brussels in March was bound to be in three respects "a disaster" for President Mitterrand. The French Government would not be able to get what they needed on milk quotas; they would not be able to get what they needed on Monetary Compensatory Amounts (MCAs); and they would not be able to get what they needed on "Spain questions".

The last was not the least difficult. The French President supported the enlargement of the Community to include Spain, but Spanish accession would be unwelcome to a considerable number of French farmers and was being opposed by Monsieur Chirac and his party and by the Communists. On all these three questions President Mitterrand had to accept that there would inevitably be dissatisfaction at the outcome of Brussels from French farmers and their representatives (who were siding with the Opposition). For him, therefore, it would be a crucial political need that the Brussels package should include some elements which would be of benefit to French farmers. Monsieur Attali instanced "taxes on milk plants"; and he said that the President would also be greatly pleased if there were agreement in the European Community to be willing to threaten the imposition of a tax on imports of corn gluten from the United States: this was very important to French farmers. In response to my interjection Monsieur Attali recognised that we were not the only country in the Community which was opposed to the threat to introduce such a tax, but he stressed its importance to the French.

8. Monsieur Attali commented that the President would welcome the Prime Minister's support in a move to get the European Community to take a stronger and more coherent positions on matters of trade policy, so that Europe could take its place as an equal partner with the United States and Japan on trade policy. If the Community could not do this, it might be that individual members would need to take stronger positions on their own.

9. Monsieur Attali also said that he hoped that the Community would not insist on imposing the milk levy on dairies. There were 400,000 milk dairies in France, and, if the levy was imposed at dairy level, it would require 400,000 policemen to enforce it. The French Government should be left to impose any levy that might be agreed in the manner best suited to the French situation and needs. I said that we should of course much regret

any diversion of police resources from the protection of lamb lorries: an observation which led to a long and very good-humoured digression about the lamb lorry episode, during the course of which Monsieur Attali expressed the President's regret for what had occurred.

10. I said that the Prime Minister would be anxious to see progress at the March meeting in Brussels on "new policies". But it would not surprise Monsieur Attali to hear that her main political need would centre on the control of agricultural spending, and on the British budget contribution.

11. We did not spend very long on the control of agricultural spending. Monsieur Attali recognised its importance to us, and said that the French Government was also seized of the importance of the control of all spending, including agricultural spending. He referred specifically to the Delors proposals as if he thought that they were still on the table; and when I spoke about the Cheysson proposals, he did not seem to differentiate very much between them. I said that we thought that on the basis of the Delors proposals there was a great deal of common ground between the British and French Governments on the control of spending. I added that we should want to see strict financial guidelines made legally binding: an observation which Monsieur Attali appeared to accept.

12. On the British budget contribution I said that I thought that the Prime Minister's most pressing political needs were for (1) a system which was durable, so that the matters did not have to come up and be the subject of difficulty and sometimes a crisis for the Community each year, (2) a system which resulted in an equitable level of payments by Britain to the European Community, related to ability to pay, and (3) a system which was more predictable in its outcome than the arrangements of 30 May 1980.

13. Monsieur Attali interjected that there were two questions: how long, and how much?

14. I said that the Prime Minister would need to be able to go back to Parliament and say that the European Community had now agreed a system which dealt with the problem of the British contribution on a durable basis. We believed that, to be equitable, the system should be based on relative share of gross domestic product; and to be workable and practicable the adjustment needed to be made on the revenue side, and by a system of "two year" adjustment which meant that the adjustment would be based on actuals rather than estimates. We thought that the best way of achieving durability would be that the system should be built into the same decision as the increase in own resources, if that were to be agreed; it would be important for the Prime Minister to achieve that, I did not wholly exclude the possibility of a "review clause", under which there would be provision for the system incorporated in the new resources decision to be reviewed after, say, five years; but the decision itself should be open ended.

15. Monsieur Attali noted all this about durability and duration without much reaction, though he did use words implying that there was in his mind the possibility of a trade-off between durability and amount.

16. Turning to amount, I said that what the Prime Minister needed was above all a system which worked and could last. Clearly the system would be judged by its outcome in terms of figures. I could not say that the Prime Minister had any precise figures in mind, but I recalled that at Athens she had used illustrative figures which indicated a net contribution of 500 million ecus in 1982. That was not a commitment, or necessarily a final figure; but it did show the order of magnitude which the Prime Minister would need to achieve. At this figure Monsieur Attali pulled a very long face, and said that the figure was far outside the range which the President could contemplate. He did a rapid mental calculation, as a result of which he said that, if our refund was of the order of 1,500 million ecus (the counterpart of a net contribution of 1,500 million ecus on the 1982 figures), the additional cost to the French budget and balance of payments,

at a time of deficit on both, would be of the order of 600 to 700 million francs. I said that I recalled that Monsieur Attali had said to me two years ago, when we were discussing this subject, that it would be a political need of President Mitterrand to conclude a settlement that could be presented as less generous to the British than that agreed by his predecessor in 1980. Though the 30 May 1980 agreement had been supposed to provide for a refund of about two thirds of the contribution, the outcome had been that for 1980 we had paid only about 340 million ecus and for 1981 under 100 million ecus. Thus on the basis of the terms we now had in mind, and the illustrative figures which the Prime Minister had been using at Athens, the President would be able to claim that what he had agreed gave less to the British than President Giscard d'Estaing had given. As to the effect on the French budget, that would depend upon the system agreed for financing reliefs. There had been suggestions for systems of financing reliefs which would ease the burden on the French and take more from "les petits riches". Monsieur Attali was sceptical about suggestions of that kind: the Germans might agree to pay and perhaps even the Dutch; but the Danes?

17. We concluded on this aspect of the matter by noting that on this point there was a large difference between the British and French Governments. I said that the matter would no doubt be pursued when the President and the Prime Minister exchanged views about their political needs, but in the light of the history of the issue in Britain I should leave Monsieur Attali under no illusion about the importance of the Prime Minister's political needs in this area.

18. Monsieur Attali asked what was our position on the "Presidency proposals" tabled by the Greek Government at Athens. He recalled that the Prime Minister had told President Mitterrand that she could live with them, but they were being told by the Commission and by other Governments that they were not acceptable to the British Government. I said that the

Presidency proposals were long and complicated; they were not wholly satisfactory to us, but there was a good deal in them which was acceptable, and we certainly thought that they provided a starting point for further discussion and negotiation. We thought that the right course was to build on the progress that had been achieved during the run-up to and at Athens, and not to try and start again from the beginning. Monsieur Attali confirmed that that was also the President's position.

A handwritten signature in black ink, consisting of the letters 'R' and 'A' in a stylized, cursive font.

ROBERT ARMSTRONG

18 January 1983

Ref. A084/183

MR COLES

When I was in Paris yesterday, I called (at his request) on Monsieur Roland Dumas, the new Minister for European Affairs.

2. The visit was largely an exchange of courtesies, and we did not discuss the substance of European Community business to be done.

3. On the process, Monsieur Dumas said that the President wanted to resolve the post-Stuttgart problems by the March meeting of the European Council in Brussels. He was not in favour of using "Special Councils" of the kind used in the run up to Athens. Clearly Heads of Government could not decide all the outstanding issues in the course of a two day meeting in Brussels in March. The preparatory discussions in other fora had to create a framework on the basis of which the European Council could take the major political decisions that needed to be taken, and did not have to concern itself with technical detail. The French Government envisaged the preparations being undertaken partly by the functional Councils (including the Council of Ministers for the budget questions and the own resources issue), and by extensive informal contacts, mainly of a bilateral kind. He was himself expecting to engage in a great deal of informal contact during this period, with a view to finding out what the needs and positions of the various countries were and exploring the possibilities for reconciling those needs and positions. He suggested that it would be extremely useful if there could be such informal contacts between the President and the Prime Minister. He did not appear to know of the meeting that had already been arranged and I therefore confined myself to saying that, when the Prime Minister saw the President on their own at Athens, she had said that she would be very willing to have such informal contacts during this period. I was sure that that was still her view, that she would respond accordingly to any proposal made by the President.

4. Monsieur Dumas said that he was much looking forward to his contacts with the Foreign and Commonwealth Secretary; he would of course be paying an official visit to London on 8 February. It was evident, however, that he attached great importance to establishing contact with the Prime Minister. Not only did he hope to meet her when he came over on 8 February but he said he would be very willing to come across to London informally before then if there was a chance of meeting her. I said that I hoped that there would be an opportunity for him to meet the Prime Minister when he came to London on 8 February, but I thought that her diary was extremely crowded before then, including as it did not only the regular domestic business but overseas visits to Rome and to Hungary.

5. As I said, we did not discuss matters of substance, but I did take the opportunity of giving Monsieur Dumas a brief resumé of the history of our budget contribution, starting with the entry negotiations in 1970 and 1971 and the Community's commitment to deal with "unacceptable situations".

6. I concluded by looking forward to meeting Monsieur Dumas when he visited London on 8 February. Monsieur Dumas said that Lord Gowrie was an old friend of his and he hoped to have an opportunity of meeting him while he was in London.

7. I formed the impression that Monsieur Dumas was going to go about his job in very much the manner of the lawyer that I gather he is, seeking to work on positions by a series of private and informal negotiations which can then be consolidated into formal agreements when the time is right. He seemed to me to be shrewd and agreeable to deal with, though as yet relatively unversed in the complexities of the Community problems.

7. He talks readily in English.

8. I am sending a copy of this minute to Mr Fall.

REA

ROBERT ARMSTRONG

18 January 1984

Ref. A084/182

MR COLES

When I saw Monsieur Attali yesterday, he said that his President would wish to have a brief word with the Prime Minister about the Economic Summit 1984.

2. Before each of the Summits which President Mitterrand had attended, at Ottawa, Versailles and Williamsburg, it had been agreed among the participants that over-optimistic expectations should not be created about the outcome. In each case it had not been possible to realise that agreement in the event. Enormous numbers of journalists had come to the meetings, particularly at Williamsburg, and this had generated the need to satisfy the media's appetite for news. The President would want very much to avoid a repetition of that situation in London, and would be wishing to stress this when he met the Prime Minister.

3. Monsieur Attali did not say so, but I dare say that President Mitterrand has in mind the pressures put upon him at Williamsburg to subscribe to the political declaration which was agreed before the Prime Minister left. He made it pretty clear at the time that he would have preferred that there should be no such declaration, and only agreed to it because in the situation as it developed failure to do so would have created a very negative and divided impression. That situation, in President Mitterrand's view, occurred because expectations had been aroused by the Americans.

4. I said to Monsieur Attali that it was not part of our preparations to arouse excessive expectations about the outcome of the Summit. The Prime Minister wanted it to be an informal and workman-like occasion for good discussion among colleagues, and I had no doubt that she would be seeking to defuse excessive expectations of the outcome.

5. I am sending a copy of this minute to Mr Fall.

RA

ROBERT ARMSTRONG

18 January 1984

B

6

Ref. A084/175

MR COLES

When I saw Monsieur Attali on 17 January, he said that, when the President and the Prime Minister next meet, the President would be proposing to the Prime Minister that there should be closer co-operation between the British Government and the French Government on a wide range of strategic issues. Monsieur Attali was not very specific, but it was clear that the issues to be discussed included strategic nuclear issues. The President would also wish the discussions to extend to the possibilities of greater co-operation between the British and French Governments and, as appropriate, between British and French industries, on the development of new weapons and weapons systems, including nuclear submarines but extending also to other advanced technological military equipment. The President saw a need for closer co-operation in these matters with France's principal European allies, and was making a similar overture to the Federal Chancellor.

2. I asked Monsieur Attali how it was envisaged that discussions of these possibilities might be pursued after the President and the Prime Minister had had a first discussion. Monsieur Attali said that he envisaged discussion in the first instance between the Secretary of State for Defence and the French Minister of Defence; but he envisaged the possibility of this broadening out to a more formal organisation going (as Monsieur Attali put it) right down the line, in the industries concerned as well as between the Governments.

3. I am sending copies of this minute on a strictly personal basis to Sir Antony Acland and Sir Clive Whitmore, in consultation with whom I will prepare a brief for the Prime Minister's next meeting with the President.

RA

ROBERT ARMSTRONG

17 January 1984



Ref. A084/176

MR COLES

AA 20
1

When I saw Monsieur Attali this afternoon, the discussion was mainly on European Community issues. I said to Monsieur Attali, however, that I thought that the Prime Minister would wish to take the opportunity of her forthcoming meeting with the President briefly to discuss East-West issues, including President Reagan's latest speech, and the Middle East.

2. I am sending a copy of this minute to Mr Fall.

ROBERT ARMSTRONG

17 January 1984

FOR PARIS TRIP.
Thompson.

FRANCE

You were asking this morning about economic developments in France. After coming into power in 1980, the Mitterrand regime embarked on expansionary policies. They had some impact in raising the growth of output in 1982 but by early 1983 the financial framework was deteriorating and the exchange rate was falling rapidly. In March last year the package of austerity measures was introduced, including a 1 per cent "solidarity tax" to finance social security expenditure. This will be maintained in 1984. In addition direct taxation (a compulsory loan subscription and a levy of 1 per cent on taxable income) was increased. With the economy weakening, this has not been enough to prevent the budget deficit (general government) from rising. The OECD Economic Output is projecting that this will rise from 2½ per cent of GDP in 1982 to 3½ per cent in 1983 and possibly a bit more in 1984. As the budget was in small surplus in 1980, this represents a significant deterioration and a move entirely in the opposite direction to that of the United Kingdom. In recent months monetary policy has been tight, with growth close to the target of 9 per cent. Short-term interest rates are around 12¼ per cent, compared with 9½ per cent in this country.

Although output held up in the recession better than in many other industrial countries, it fell sharply in the second half of 1983 and only a weak recovery is projected in 1984. The figures are set out in the table below.

	<u>Growth of GDP</u>				
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> (forecast)
UK	- 2.6	- 1.3	2.0	2½	2¼
France	1.1	0.3	1.9	½	0
OECD	1.2	2.0	-0.3	2¼	3½

/Unemployment

Unemployment is currently flat at about 8½ per cent but is projected by OECD to rise a further 1 per cent. United Kingdom unemployment, though higher at 11½ per cent (on a standardised basis) is expected to remain constant.

The current balance deteriorated sharply in the first half of 1983, showing a deficit of nearly \$5 billion. However, it has responded sharply to the austerity measures and is projected to be close to balance in the first half of 1984.

In 1983 the growth of wages was around 11 per cent but under the impact of a stringent pay policy in the public sector and the adverse labour market conditions, it is projected to slow to around 8 per cent. The rate of inflation is currently about 10 per cent but this is projected to fall to around 7 per cent in 1984.

AT

16 January, 1984

C. PM TOURS :

Paris, Jan 84

76
Susan

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

PRIME MINISTER'S VISIT TO PARIS

We agreed that I would let you have an outline of our requirements for the Paris visit which you can discuss with Sir John Fretwell on the evening before you see M. Attali. We shall also be able to have a word about them if necessary at your meeting with Sir Antony Acland on Monday.

I apologise for the relative unimportance of what follows. It all illustrates that it would be very much better if the Elysee would work properly with our Embassy on arrangements for the visit. I should also emphasise that there is really no substitute for a channel between the two since, even if some of the requirements are sorted out during your visit to Paris, there are bound to be other points to put to the French between then and the Prime Minister's visit.

The most immediate question is the announcement of the visit. I attach a copy of my letter of 11 January to the Foreign and Commonwealth Office on the basis of which Sir John Fretwell received his instructions. You will see that the Prime Minister has given her personal attention to this and I very much hope that we can secure French agreement to what she wants. She is most disinclined to surround this visit with unnecessary mystery which would certainly make the presentation of it here much more difficult.

The UK party will consist of the Prime Minister, myself, a detective, a Duty Clerk, a Personal Assistant and an interpreter.

Apart from the interpreter, who will arrive separately, we shall reach Villacoublay Airport at 11.30 a.m. local time. The Embassy will need to make suitable transport arrangements with the French. I have noted from your minute of 11 January that M. Attali has said that he will come to the Airport to meet the Prime Minister and escort her to the Chateau de Marly. If we have to live with this, then so be it - but I think the Prime Minister would prefer that she could ride in a car with Sir John Fretwell and

/ receive

MK

receive his last-minute advice. Our detective will need to be in the Prime Minister's car.

If I do not travel with the Prime Minister, I shall need a separate car immediately behind hers.

Then we shall need a car for the Duty Clerk, Personal Assistant, Security Officer and baggage. We would like to set up a Private Office in the Chateau de Marly to accommodate three people, with telephones and room for dictation and typing. A photocopying machine and an extra electric typewriter should be provided. A communications engineer from the British Embassy will need to visit this office in advance to set up a direct telephone link with London and instal other communication facilities.

A security officer from the British Embassy will also be on hand in the Private Office during the visit.

Cars will also need to be provided for the return of the UK party to Villacoublay Airport.

I very much hope that we can get all this back into the professional hands of the Embassy and the Protocol Department at the FCO who always serve us so well - otherwise the chances of something going wrong will be seriously increased.

A. J. COLES

13 January 1984



10 DOWNING STREET

11th January 1984

Dear Mr Maxwell - Lawford,

FRANCO-BRITISH CHAMBER OF COMMERCE AND INDUSTRY

Thank you very much for your letter of 3rd January in which you ask whether there is any chance of the Prime Minister spending a short time with the Chamber of Commerce during the Franco-British Summit talks.

I am afraid that I am unable to bring you a very definite reply at present. No firm arrangements have yet been made for the Anglo-French Summit, and although you mention October as a date, it is quite likely that the Summit may not take place until nearer the end of 1984. However, we have made a note of your proposal, and will certainly consider the idea nearer the time. Thank you, again, for having written.

Yours sincerely
Michael Alison

MICHAEL ALISON
Parliamentary Private Secretary

N A Maxwell-Lawford Esq

Ref. A084/173

MR COLES

c Mr Fall

I shall be reporting tomorrow on the substance of my conversation with Monsieur Attali this afternoon, but I should report at once on the practical aspects of it.

2. Monsieur Attali said that in the French Administration no-one outside the Elysee and very few people inside it knew about the Prime Minister's visit. (For what it is worth, it appeared that Monsieur Dumas, with whom I also had a meeting, did not know that the visit had been arranged.) It was for this reason that he had been disturbed to be contacted by Sir John Fretwell about the announcement and the arrangements for the visit. I explained to Monsieur Attali that it was really not possible for the Prime Minister to undertake such a visit without telling the Secretary of State for Foreign and Commonwealth Affairs and the British Ambassador in the country concerned. But we would of course respect the confidence of the French Government, and the British Ambassador was under strict instructions not to mention the forthcoming visit to anyone. One of the reasons why the Ambassador needed to know was because there were a number of practical arrangements to be made. I hoped that Monsieur Attali would be able to give me the name of someone in the President's entourage with whom the Ambassador could be in contact on these practical details. Monsieur Attali gave me the name of Monsieur Jean Glavany, the Chef de Cabinet, and I subsequently passed this name on to Sir John Fretwell.

3. As to the announcement, Monsieur Attali said that in envisaging no prior announcement the President had thought that he was meeting the Prime Minister's wishes. He certainly did not wish to make a mystery of the visit or to arouse suspicions. We discussed the timing of an announcement, and eventually agreed that it should be on the afternoon of Friday 20 January at 4.00 pm GMT (5.00 pm Paris time). Monsieur Attali said that the President would not



want the announcement made during the morning, when the President would be on an official visit to Monaco. This arrangement is subject to confirmation with the President, but Monsieur Attali had no reason to suppose he would object.

4. As to the text of the announcement, Monsieur Attali is to ring me tomorrow. I should be grateful to have, as soon as possible tomorrow morning, the up to date version of the text we have in mind.

5. I agreed with Monsieur Attali that there should be no communique after the visit and no press conference. Monsieur Attali asked about a photocall. I said that I thought that the Prime Minister would have no objection to being photographed shaking hands with the President on her arrival, but thought that she would be entirely content to accept the President's decision on that.

6. Monsieur Attali said that he thought that he would meet the Prime Minister at the airport and accompany her to wherever the lunch was to be held. I suggested that this could perhaps be discussed as part of the practical arrangements: I thought that it was possible that the Prime Minister might wish to travel with the Ambassador.

7. Monsieur Attali said that the President had still not finally decided where the lunch would be held, but it would probably be at either the Chateau de Marly or at the Elysée. He asked whether the Prime Minister would wish the lunch to be tete-a-tete. I said that she would be accompanied by you, and would be perfectly content for the President to be accompanied by Monsieur Attali himself. As to interpretation, Monsieur Attali said that the President would be perfectly content for his interpreter to work both ways, if the Prime Minister was content.

ROBERT ARMSTRONG

17 January 1984

RESTRICTED



10 DOWNING STREET

From the Private Secretary

11 January 1984

Meeting between the Prime Minister and President Mitterrand

Would you please refer to my letter of 9 January.

We have given further thought to the announcement of this visit. On reflection, the Prime Minister is inclined to think that it will be better to seek French agreement to announcing it some two or three days in advance, say at 1100 hours on Friday, 20 January. The alternative device of announcing the visit on the day of the meeting will, in our view, lead to unnecessary speculation about its purpose and surround it with a mystery in which we see no point.

We propose, subject to French agreement, to make the announcement in the following terms:

"The Prime Minister has accepted an invitation to visit Paris for talks with the President of France on 23 January. She will leave London early that morning and return in the afternoon."

Could you now please seek French agreement to the above.

I am copying this letter to Richard Hatfield (Cabinet Office) and also to Sir Philip Moore (In view of our changed intentions regarding the announcement).

ALDOLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office

RESTRICTED

MR. ALISON

*Terna: please draft letter to Barclays
on basis of JX below. MK 4/1*

Franco-British Chamber of Commerce and Industry (your minute attached)

Thank you for consulting me.

I knew about this idea from our Embassy in Paris.

First, the facts. I do not think the next Anglo-French Summit will take place in October. It is particularly complicated next time because it has to be combined with a meeting of the Franco-British Council in either Marseilles or Toulouse. No dates have been agreed. The Prime Minister has recently authorised me to put to the French the suggestion that both events should happen at the end of November - but I have no idea whether the French can accept this - and we should not reveal the possible timing to outsiders.

X/ I think it would be a mistake to make any commitment now about what the Prime Minister might be prepared to do 11 months later. Many things could change. I would not normally consult the Prime Minister about the details of a visit so far ahead and suggest that you reply to the effect that we have noted the proposal but that no firm arrangements have yet been made for the next Anglo-French Summit, which is not likely to take place until near the end of 1984, and that we shall consider this idea nearer the time.

I then suggest that these papers be entered on our Anglo-French Summit files so that the matter is not lost sight of when we come to agree the programme with the French in, perhaps, October of this year.

A. J. C.

10 January 1984

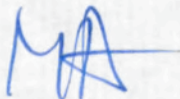
John Coles

Could you please have a look at the enclosed letter from the Barclays Bank Director in Paris.

As the Director's approach is backed by Sir David Price MP I shall be tackled about it in due course in the House of Commons when I next run in to him there.

Would you recommend that the Prime Minister tries to find a moment to make contact with the British business community in Paris, as the letter proposes? In principle it seems to me to be rather a good idea if the programme can accommodate it.

Please advise before I consider an approach to the Prime Minister.



MICHAEL ALISON

10.1.84

MR COLES ✓

2. PRIME MINISTER

I find the arguments finely balanced. but if we announce some days in advance I fear mounting speculation, pressure to tell Mitterrand that you will withhold, demands by the press for photo-opportunities etc. I still favour an announcement on de Gaulle - and think the French may too.

A.S.C. 10.
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MITTERRAND MEETING - MEDIA

Your objective for this meeting is to have a serious talk with President Mitterrand free, if possible, from public pressures - ie. not to have the discussion conditioned in certain ways by any build up.

This objective would best be served by my revealing to the Lobby that the Prime Minister has flown to Paris for a talk with President Mitterrand at about the time she is arriving - ie. 11.00am here - backed up by briefing designed to avoid speculation about deals and playing down expectations.

If an announcement were made more normally, two or three days before, political and media interest would build up and it would be difficult to avoid the attention given to a conventional summit.

But:

- (i) we cannot guarantee the meeting will not leak in advance;
- (ii) by serving the objective of avoiding public pressures - ie. an announcement of the meeting on the day it takes place - we shall heighten the drama of the day and probably intensify the speculation about its purpose and outcome.

If the objective were to minimise the drama and speculation about deals etc - including likely speculation that the Prime Minister is caving in - there is no doubt that this would best be served by an announcement a few days in advance and by treating the visit in a routine way.

There is no way of avoiding some speculation about the purpose and outcome of the meeting. But the timing of an announcement turns on a precise definition of objective. My view is that the Prime Minister's

overall objectives would best be served by an announcement a few days in advance on the following terms:

On the record

"The Prime Minister has accepted an invitation to visit President Mitterrand for talks (followed by lunch) on January 23. She will fly to Paris ^{early} that morning and return ^{in the} immediately after ^{the} noon lunch."

Background briefing

"The meeting has arisen from the Prime Minister's ^{meeting} ~~breakfast~~ with the President in Athens. It was then agreed it would be useful to meet, ~~fairly informally~~, early in the French presidency of the EC.

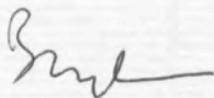
It is reasonable to assume that the European Community, including budget reform, will figure prominently in the discussions. But they are likely to range more widely, taking in such matters as the Middle East and the Lebanon.

No solutions on European Community, or other issues, are to be expected. The aim is simply to have a ~~relaxed~~ discussion of Community and other matters early in the French presidency.

It is expected that President Mitterrand will be having similar talks with other Community government leaders.

The Prime Minister will not be giving a press conference or interviews but we would hope to have a short briefing line for you later in the day."

Agree announcement two or three days in advance as outlined above?



B. INGHAM

10 January 1984

*Proposed President Mitterrand agrees.
I think this is much the best
course
not*

CONFIDENTIAL

C. M. TOURS - Visit
to Paris,
Jan. 83.



FILE

Res

[Handwritten signature]

10 DOWNING STREET

From the Private Secretary

9 January, 1984

MEETING BETWEEN THE PRIME MINISTER AND PRESIDENT MITTERRAND

You will have seen Sir Robert Armstrong's minute of 6 January.

With regard to paragraph 4, I take it that M. Attali misunderstood Sir John Fretwell. Mrs. Thatcher has not expressed a wish to travel secretly, nor is that practicable. The Prime Minister does not wish to make a mystery of the visit. She believes that we should agree with the French that a brief announcement is made just before she leaves London. Any other course will simply lead to unnecessary speculation. Could you seek French agreement on this point and draw up a form of words with them.

I should be grateful if the detailed arrangements for the visit could now be put in hand. We wish to avoid any encounter between the Prime Minister and the press. I assume that this will be manageable on the French side. On the assumption that they confirm that there is no danger of an encounter with journalists, we shall not take a representative of the No.10 Press Section. The party would consist of the Prime Minister, myself a Duty Clerk, a Secretary and a Detective.

It would be helpful if Sir John Fretwell could meet the Prime Minister on arrival and give her in the car any last-minute briefing which may be necessary.

I take it that you will be arranging a small aircraft for this visit. Perhaps I could say now that, in order to make the trip as economical as possible, the Prime Minister would be content for any spare places on the aircraft, either on the outward or the return journey, to be filled by Government Officials who have business in Paris or London.

I hope it will be possible to restrict the circulation of correspondence on this matter. We must ensure that there is no leak before the announcement on 23 January.

I am copying this letter to Richard Hatfield in the Cabinet Office.

R. Bone, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

John. Please **CONFIDENTIAL**

all if we can
give a lift to
any one from the
Embassy who
wants it -
otherwise we shall leave London
to accompany embassy car

Prime Minister.
I see no point in all this mystery.
I think we should agree with the French that
a brief announcement is made just before you

Ref. A084/76
MR COLES
Meeting between the Prime Minister and President Mitterrand

A.S.C. 6/1
Dred
no

Monsieur Attali rang up at lunchtime again today.

2. I was able to tell him of the Prime Minister's acceptance of President Mitterrand's invitation to lunch with the President in Paris on Monday 23 January. I said that she would be accompanied only by you.
3. The President proposes to entertain the Prime Minister informally at the Chateau de Marly. He invites her for 12.00 noon: it would be sufficient for her to arrive, presumably at Villacoublay, at 11.30 am (French time).
4. Monsieur Attali said that he understood from Sir John Fretwell that it would be the Prime Minister's wish to travel incognita. He would propose that there should be no advance announcement of the visit. I said that I should need to consult the Prime Minister about that, though I thought it very likely that it would be acceptable to her that there should be no prior announcement. On the other hand it might be a mistake to try to make a mystery of the visit: if it came out that the Prime Minister had gone over to Paris and nothing was said about it even after the event, more significance might be read into the visit than was appropriate. On this basis we might wish to propose that there should be no announcement of the visit beforehand, but that a very brief statement should be issued afterwards to the effect that the Prime Minister had accepted an invitation from the President for a private and informal lunch on Monday 23 January.
5. Monsieur Attali thought that it would be useful if he and I were to meet the previous week: it could help each of us to brief on the agenda for the meeting between the President and the Prime Minister.
6. I am sending a copy of this minute to Mr Fall (Foreign and Commonwealth Office).

RTA

ROBERT ARMSTRONG

6 January 1984

CONFIDENTIAL



FILE

da

10 DOWNING STREET

From the Private Secretary

6 January 1984

Possible Meeting with President Mitterrand

The Prime Minister saw last night the Foreign and Commonwealth Secretary's minute of 5 January and has noted its contents.

You will see from my minute of today's date to Sir Robert Armstrong that the Prime Minister has agreed to visit Paris for lunch with the French President on 23 January.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

PERSONAL AND CONFIDENTIAL

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Meeting between the Prime Minister and President Mitterrand

The Prime Minister has seen your minute of 5 January.

Since President Mitterrand has now taken the initiative and offered the Prime Minister two dates for lunch in Paris, Mrs. Thatcher feels that she will have to accept. 16 January is impossible (because the EXCO delegation from Hong Kong will be calling on the Prime Minister in the morning) but 23 January is acceptable.

You should know that the Prime Minister has indicated reluctance to see the new French Minister for European Affairs when he comes to London. Perhaps you need not comment on this matter when you speak again to M. Attali.

As regards attendance at the lunch, the Prime Minister has minuted that she thinks it would be right for me to accompany her to Paris since her normal practice is to have a Private Secretary with her on these occasions.

It would be helpful if, when you speak again to M. Attali, you could establish the precise time when the Prime Minister should arrive at the Elysee so that we can make our plans for the visit.

I am copying this minute to Mr. Fall (Foreign and Commonwealth Office).

A. J. COLES

6 January, 1984



10 DOWNING STREET

From the Private Secretary

5 January 1984

Bilateral Visits Overseas by the Prime Minister in 1984

Thank you for your letter of 21 December on this subject and for Roger Bone's letter of 14 December about the next Anglo/French Summit.

The Prime Minister has now been able to consider her overseas travel plans for 1984 and to take certain decisions.

Hungary

The visit to Hungary from 2 to 4 February is the subject of separate correspondence and I shall shortly be writing about outstanding points. The Prime Minister has considered whether she should visit Austria after Hungary but has decided that she must return to London from Budapest on 4 February.

Portugal

We have noted (Lisbon tel. no. 246) the Portuguese suggestion that Mrs. Thatcher should visit Portugal in the second part of February or the first week in March. But the Prime Minister's strong preference, in the light of her other commitments, would be to visit Portugal during the Easter period. The best dates would be from 17 to 19 April (this would involve moving the Prime Minister's talks with the UN Secretary-General from 17 to 16 April). The only alternative would be to leave after Questions on 26 April and spend from then to 28 April in Portugal. I should be grateful if the first of these proposals could now be put to the Portuguese Government. In due course I should welcome advice on whether the Prime Minister should reply to Mr. Soares' letter of 20 September.

I have noted the comments in your letter of 21 December about the possibility of the Prime Minister visiting Spain. There may well be difficulty about fitting this in but we can consider this if and when the Spanish restrictions on Gibraltar are lifted.

Malaysia

We are conscious of Dr. Mahathir's wish that the Prime Minister should visit Malaysia fairly early this year but Mrs. Thatcher's

/ commitments

PM Tours
Anglo French
Summit

cc PM Tours: Malaysia
July 83
PM Tours: Portugal
Aug 82
PM Tours: Hungary
Oct 83

commitments make this impracticable. She would very much like, to visit Malaysia at any time convenient to Dr. Mahathir in the period 15 to 28 September. Bearing in mind the Muslim holiday on 15 September and the possibility that the Prime Minister may wish to visit another country en route to Kuala Lumpur it may be best to think in terms of the Malaysian visit beginning on the evening of 17 or 18 September. But we can be flexible within the period 14 to 28 September to fit in with Mahathir's wishes. I take it that a visit of not more than 3 days is what you have in mind.

I should be grateful if you could now arrange for the above ideas to be discussed with the Government of Malaysia.

We have noted your suggestion that the Prime Minister should also visit Indonesia and, briefly, Singapore and will consider this further when the Malaysian visit is in place.

I do not think the Prime Minister will wish to decide yet whether to break her journey in the Middle East. That will depend to some extent on events in the region but we have noted your view that Egypt is the leading candidate for a visit.

Norway, Denmark and Sweden

It looks as though it will be difficult for the Prime Minister to visit one or more of these countries in 1984. Mrs. Thatcher does not wish to take a decision now. Perhaps you would let me know if the Norwegians, in particular, return to the question (it would suit us best if they did not!).

Anglo-French Summit and Franco-British Council

Bearing in mind the considerations in Roger Bone's letter of 14 December the Prime Minister's preference is that these two events should be held in late November. The Prime Minister could leave for Paris after Questions on 29 November, hold the Anglo-French Summit from then until 30 November and spend the evening of that day and part of 1 December at the Franco-British Council. Since we are likely to have considerable difficulty with any other dates I think it would be wise to put the above considerations to the French Government now in whatever way you think best.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.



PM/84/3

PRIME MINISTER

Possible Meeting with President Mitterrand

1. I understand that you would welcome my advice on the suggestion that has come from President Mitterrand's office that, following your talk with him at Athens, you should go to Paris on 16 or 23 January mainly to discuss the European community. I gather that 16 January is not on for you and that 23 January is therefore the only practical proposition.
2. I think it is a very welcome sign that the French have taken up this idea without any prompting from us. It may be that the penny has dropped with Mitterrand that he cannot bring these negotiations to a successful conclusion without our agreement and that building up a 9 : 1 confrontation is not the best way to set about that. I think we both recognised at Athens that Mitterrand was still far from coming to terms with or even understanding the fundamental conditions on which we will insist. An informal discussion held well away from European Council deadlines would be an excellent opportunity to get these points across to him. It is also clear from our experience in the run-up to Athens that no carefully established official level channels of communication are a substitute for personal contact with the President himself, and this, as you know, is the advice Sir J Fretwell has given recently.
3. I have considered carefully whether the dates Mitterrand has proposed are too early, but I do not think this is so. Indeed, I think it will be a good deal easier to hold the discussion at the sort of level of generality which Mitterrand himself favours if your meeting with him takes place before the detailed preparation of the March European Council gets under way. I also think that a reasonably early meeting with Mitterrand will give a very welcome public signal to our partners that we are working with determination for decisive



progress at the March Council. If we were now to propose later dates we could be held partly responsible for the slowing down of the pace of negotiations which we believe may be a French objective. Finally, a meeting on 23 January, at Mitterrand's invitation, coming only a week or so before his meeting with Kohl, would be timely.

4. As to the content of the talks, the post-Stuttgart agenda will largely define this so far as European Community topics are concerned. I believe it would be useful however if you were to lead into those with some discussion of the major issues of East/West policy, defence, disarmament and also perhaps the Middle East on which there is a good deal of common ground between us and with which President Mitterrand is more at home. I doubt very much whether he will want to go into specific details on Community issues. He is more likely to be aiming to establish in very broad terms whether there is the makings of a deal with us which he can defend at home. He may also have some new ideas, for example on control of expenditure. If he should go into detail, you would be a great deal better equipped to deal with it than he is. But I think it more likely that the outcome of the meeting will be a decision to set officials (or possibly Dumas and myself) to follow up.

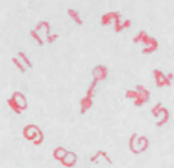
5. This meeting does, I think present us with a real opportunity to get things moving from the very beginning of the French Presidency. Mitterrand will still be feeling his way and so perhaps more than usually open to guidance of the kind that only you can give.

GEOFFREY HOWE

Foreign and Commonwealth Office

5 January 1984

5 JAN 1984



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JAN 5





10 DOWNING STREET

Prime Minister.

Please see Robert Armstrong's minute

2. You could not go to Paris on 16 January because EXCO will be here that morning.

3. You could go on Monday, 23 January returning by the General deputation at 1830.

4. Do you want to? *As he has just finished his two dates - I shall have to*

5. Will you see Monsieur Dumes if he comes? *No*

6. I think you should take a private secretary to Paris. The principle that your private staff record your conversation is important - and it is not for the French to dictate your party. I suggest we say that you would like to be accompanied by Robert and me.

Agree? *No - I can't have two. But I should have thought you ought*
A.F.C. 5/1

*my
then
Calm. etc.
I shall have to
it is not a
for this. It is not
to write
to*

Ref. A084/57

MR COLES

c Mr Williamson

Monsieur Attali rang from Paris this afternoon, to say three things:

(1) The President was very grateful for the rearrangement of the Summit dates to meet his domestic problem, and was entirely happy with the dates now proposed.

(2) The President recalls that the Prime Minister suggested, when they met at Athens, that she might come over to Paris for an informal meeting with the President. The President thinks that this is an extremely valuable idea, and he hopes very much that the Prime Minister will be able to come at an early date. Specifically, he invites her to lunch on either Monday 16 January or Monday 23 January. It is envisaged that the President will be accompanied by Monsieur Attali, and that I would accompany the Prime Minister. There would be no one else present (save for interpretation).

(3) The new Minister for European Affairs, Monsieur Dumas, will shortly be coming to London. He will be asking to see the Foreign and Commonwealth Secretary and to see me; and it was obvious that he very much hoped that he would also have a chance to meet the Prime Minister.

2. I promised to consult the Prime Minister about the invitation to lunch on 16 or 23 January and to get in touch with Monsieur Attali again as soon as possible.

3. This development rather changes the complexion of the affair. I understand that, when the Prime Minister saw the Foreign and Commonwealth Secretary's proposal that she should take an initiative on this, she indicated that, when she and the President met at Athens, the suggestion that she should go over to Paris had come not from the President but from her. The latest call develops her



initiative into his invitation, and the Prime Minister would now not be knocking at the President's door but responding to his invitation. It was clear from what Monsieur Attali said that the President would see great value in an early meeting with the Prime Minister. That seems to strengthen the case for an early meeting as proposed by the Foreign and Commonwealth Secretary.

4. No doubt a meeting at this stage would be less likely to discuss details of a possible settlement than to explore the political will on each side to reach a mutually satisfactory settlement. It could be very useful for the Prime Minister to have talked to President Mitterrand before he meets the Federal Chancellor at the end of January or early in February: this combination of meetings could give a strong impetus to the search for a solution during the French Presidency of the European Community.

5. I am sending a copy of this minute to the Foreign and Commonwealth Secretary. I should be grateful for instructions as to how I should respond to Monsieur Attali.

RIA

ROBERT ARMSTRONG

5 January 1984

** and indeed before she herself sees
Mr Craxi later this month.*

PRIME MINISTER

See now my minute of 6 February
to Sir Robert Amery.

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A.S.C. 6/11.

p.a.

President Mitterrand

I have looked further into the question of what you said at your breakfast meeting with Mitterrand.

I attach Robin's record. It is quite clear from page 5 that you made the suggestion that you should fly over to Paris for personal discussions with the President. But the Foreign and Commonwealth Office interpreted this as a response to Mitterrand's statement on page 4 that "he would like to discuss these matters further with you on a suitable occasion". In a sense, he appears to have taken the initiative.

In
- No

The Foreign Secretary remains anxious that we should float soon the idea of an early meeting between you and Mitterrand - largely because the latter is believed to be planning a meeting with Chancellor Kohl this month at which they will doubtless discuss the prospects for the March Council.

There are two alternatives:-

- (a) To do nothing now, but consider the matter again in a few weeks time;
- (b) To take Mitterrand up on his suggestion that you should have another discussion on a suitable occasion. This would clearly need a very different letter to that drafted by the Foreign and Commonwealth Office.

What would you like to do?

- Wait, in view of
our "solicitation"
letter - it is too
soon for us
to make an approach
now

A.S.C.

4 January, 1984.

MAFF
ce Subject
no (2)



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CC

10 DOWNING STREET

hld on:
1) France: Anglo-French
Relations Pt 2
2) European Councils:
Athens Pt 13

From the Principal Private Secretary

6 December 1983

Dear Brian,

I enclose a record of a discussion between the Prime Minister and President Mitterrand about European Community issues at a working breakfast in Athens today.

I am sending a copy of this letter and its enclosure to John Kerr (HM Treasury), Ivor Llewelyn (MAFF), Callum McCarthy (DTI) and Richard Hatfield (Cabinet Office).

Yours ever,

Robin Butler

Brian Fall Esq
Foreign and Commonwealth Office

JA

CONFIDENTIAL

RECORD OF A MEETING AT A WORKING BREAKFAST BETWEEN THE
PRIME MINISTER AND THE PRESIDENT OF THE FRENCH REPUBLIC
AT THE FRENCH AMBASSADOR'S RESIDENCE IN ATHENS AT 0845 HRS
ON TUESDAY, 6 DECEMBER

Present:

Prime Minister	President Mitterrand
Mr. F.E.R. Butler	M. Attali
	Interpreter

President Mitterrand opened by saying that he felt it important, in the light of the press reports about the European Council that morning, that both their colleagues and the outside world should know that dialogue between the British and French Governments was continuing. The press appeared to have the impression that the Council had been dominated by an Anglo/French conflict. He did not seek such a conflict, and did not wish to give an impression of conflict at all. The problems of the Community were only a small part of the preoccupations of European governments. There were many issues on which they had a common stand. But unless the present situation was corrected, the press would soon be talking of a return to the Hundred Years War.

The Prime Minister said that she did regard the situation in the Community as very serious, and as much more serious than just a Franco/British disagreement. After Stuttgart the Community had a historic opportunity to re-assess its financial arrangements and tackle the problems of agricultural surpluses. But the present Council had run away from the fundamental problems.

/She

CONFIDENTIAL

She found disagreements between herself and President Mitterrand particularly difficult to understand because in October they had agreed on maintaining close relations on the matters to be discussed at the Council and had both appointed personal representatives to hold discussions with a view to avoiding misunderstandings. She had made a similar arrangement with the Germans, and she understood that the French had too. Despite this, President Mitterrand's attitude at the Council had taken her by surprise. She had come to the Council pleased with the proposal of M. Delors on budgetary control, but had found herself alone in supporting them. She did not know how this situation had come about, particularly without any warning.

President Mitterrand asked which proposal of M. Delors the Prime Minister was referring to. The Prime Minister said that she was referring to the proposals on budgetary control. President Mitterrand asked in what respect his position had differed from that of M. Delors. The Prime Minister said that the French had appeared to support at the Council their own proposal and she had been alone in speaking up for it. President Mitterrand said that he did have some differences on the approach to milk surpluses because he felt it was necessary to take account of the views of the countries especially concerned: that said, however, he supported a limit on milk production.

The Prime Minister said that if there was to be such a limit, it would have to be fought for. She had not been in favour of the proposal for a super-levy, but had been prepared to accept it since it appeared to be the only way forward likely to command general assent. But she had been appalled by suggestions that Italy and Greece should have special treatment, and she did not see how Ireland could be allowed actually to increase production.

On financial burden sharing, she had thought that the proposals in the Presidency paper provided an excellent starting point and had been under the impression that three out of the four points were agreed: she had had no idea that President Mitterrand took a different view.

President Mitterrand commented that the only differences over burden sharing was a point of principle about the calculation of the British contribution. He repeated that he did not want a conflict with the British, but he did want a levy on oils and fats and negotiations with the United States on agricultural imports.

The Prime Minister said that she had understood that a large part of the solution of burden sharing had been agreed, and that all which remained at issue was the calculation of the compensation to Britain and the method by which it would be shared by the other member countries. But these matters would now be passed to the French under their Presidency. It might well be that the Community would not run into financial crisis during the French Presidency, although depending on the next harvest and the movement of world prices it would be likely to do so in the autumn. The next Council on these matters would have to be very carefully prepared and she would not be in favour of holding another special Council on these matters until the ground work had been done. But the absence of agreement would make it very difficult for agriculture Ministers and the Commission to determine the price fixing for next year.

/President Mitterrand

President Mitterrand said that he never heard that there was agreement about a way of settling the budget problem. The French had made some gestures of goodwill but these did not represent agreement. He would like to discuss these matters further with the Prime Minister on a suitable occasion. The Prime Minister commented that discussions would need to be continued with the Germans as well.

President Mitterrand said that he did not know what France would have to pay next year. He understood that France would have to meet 40 per cent of any compensation to the United Kingdom and that its net contribution might amount to 2 billion ecu.

The Prime Minister commented that the United Kingdom's unadjusted net contribution was 2 billion ecu and the Germans' was 2.3 billion ecu. But the Germans got other benefits from membership of the Community which induced them to be generous. Even so, there had to be a limit on the German contribution because there was always a risk that a new generation would arise in Germany which would be unwilling to make such a large contribution. It would be a disaster if Germany became neutralist or opted to become reunited with East Germany. President Mitterrand said that this temptation was already present. The Prime Minister said that this was why a reasonable settlement had to be found, which covered the Germans. It was an historic opportunity which the present Council had not approached with sufficient gravity or awareness of the far reaching political implications. A transient compromise was not acceptable. The

/Council

Council also had to face the question of enlargement, and she expected that there would be discussion of this aspect later in the morning.

At this point there was discussion on the current situation in Lebanon which has been recorded separately. Shortly before the meeting concluded, the Prime Minister reverted to European Community issues and said that she did not want a continuing conflict with the French Government over these matters. She thought that it would be necessary not only to maintain the system of personal representatives in preparation for the next special Council but also for herself to fly over to Paris, if necessary privately, for personal discussions with President Mitterrand.

President Mitterrand repeated that the only problem with the British over the budget was the method of calculating the British contribution. He also felt that the British were too soft with the Americans on cereal substitutes and on United States agricultural imports generally: these were relatively minor matters in relation to the big issues on which Britain and France were agreed. If there were less US imports of cereal substitutes there would be fewer cows and less milk in Europe. The Prime Minister commented that her actions over Grenada indicated that she did not take an uncritical view of the United States.

6 December 1983

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TÉLEX 210015 A BARSE - C.C.P. 62-07 PARIS

PARIS, LE 3rd January, 1983.^{4?}
33, RUE DU QUATRE SEPTEMBRE (2^e)

The Right Hon. Michael ALISON M.P.,
Parliamentary Private Secretary to the Prime Minister,
10, Downing Street,
LONDON S.W.1.

Dear Mr Alison,

FRANCO-BRITISH CHAMBER OF COMMERCE AND INDUSTRY.

I trust you will forgive my writing to you direct. Your name was given to me by a close friend, Sir David Price, as I was reluctant to write to the Prime Minister direct.

I have been asked, as Vice-Chairman of the Franco-British Chamber of Commerce, to enquire if there is any chance of the Prime Minister spending a short time with the Chamber of Commerce during the Franco-British summit talks next October. It would be immensely appreciated if Mrs. Thatcher could join us at the Chamber for a cocktail party or just a brief visit, but of course we would be happy to entertain her in any other way if she can spare the time.

The British Ambassador, Sir John Fretwell, with whom we have discussed this plan approves of this proposal but has added that he knows the Prime Minister is extremely busy during such visits.

Would you be kind enough to ask the Prime Minister if she could find time to see us on this occasion ?

*Yours sincerely,
N.A. Maxwell-Lawford*

N.A. MAXWELL-LAWFORD
Resident Director.

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Foreign and Commonwealth Office

London SW1A 2AH

14 December 1983

Jean Seher,

Anglo-French Summit: Autumn 1984

It is rather early to be considering dates for the next Anglo-French Summit (autumn 1984) and it is, in theory, for the French to offer dates as hosts. But in advance of considering the Prime Minister's travel plans for 1984 you may welcome a few thoughts on timing in a year which will see a number of meetings with President Mitterrand here and in France.

The Prime Minister will visit France in the first half of the year for the European Councils under the French Presidency (19-20 March and 25-26 June). President Mitterrand will be in London for the Economic Summit on 8-10 June. He will also be here on a State Visit from 23-26 October. It would probably be better to have a month or so gap between the Anglo-French Summit and the State Visit. This consideration would point to a date for the Anglo-French Summit in September or late November.

The Franco-British Council hope to stage their third Conference in Toulouse or Marseilles to coincide with the Anglo-French Summit, and will probably invite the Prime Minister to address them. They are hoping for a September date. We also believe that there might be a competing bid from the Franco-British Chamber of Commerce and Industry who have generally provided a good platform for British Ministers.

We will let you know as soon as we have any indications of French thinking at official level about dates for the Summit. If you would like us, meanwhile, to feed any thoughts in you will doubtless let me know.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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France



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CONFIDENTIAL

From the Secretary of State

A.S.C. 17
p-a.

John Coles Esq
Private Secretary
10 Downing Street
London SW1

17 November 1982

Dear John,

ANGLO/FRENCH SUMMIT: MEETING BETWEEN SECRETARY OF STATE FOR
TRADE AND MINISTER FOR EXTERNAL TRADE

We have received from Paris, and cleared here, a note of the Secretary of State's meeting with M. Jobert on 5 November 1982. The final note is now attached.

Copies of this letter, and the note, go to the Private Secretaries of the Chancellor of the Exchequer, the Foreign Secretary, the Secretary of State for Industry, and the Minister for Agriculture as well as to Sir Robert Armstrong's office and H M Embassy, Paris.

Yours sincerely,

JOHN RHODES
Private Secretary

NOTE OF THE MEETING BETWEEN THE RT HON LORD COCKFIELD, SECRETARY OF STATE FOR TRADE, AND MONSIEUR MICHEL JOBERT, MINISTER OF STATE, MINISTER FOR EXTERNAL TRADE, IN PARIS ON 5 NOVEMBER 1982

1 Those present:-

The Rt Hon Lord Cockfield
Mr R W Gray, Department of Trade
Mr P J Westmacott, British Embassy, Paris

M. M Jobert
M. H Baquiast
M. C Charret
M. F David

2 After a general exchange on the relative merits of empathy, sympathy and confrontation in discussion between Governments, M. Jobert said he would be happy to answer any questions the Secretary of State might wish to put to him.

GATT Ministerial/Japan/Inward Investment

3 Lord Cockfield asked about M. Jobert's expectations of the GATT Ministerial. M. Jobert said that he considered the matter to be primarily a Community subject until Member States had decided upon their common position. He hoped that the Community would arrive at an agreement which was as united and determined as possible. Lord Cockfield said that it was essentially the external aspects of the GATT Ministerial which interested him - what to do about Japan, NICs, safeguard clauses, etc. M. Jobert said he thought it only courteous that he should reply to the Secretary of State's questions though he would be equally interested to have an account of United Kingdom thinking. He thought that everything depended on what kind of impression the Community wished to convey in the GATT. On substance, Lord Cockfield would know much of M. Jobert's thinking from his public declarations as well as from the meeting he recently attended at Ditchley Park which, incidentally, he considered to have been inappropriate as a forum and an embarrassment to the organisers. More than just words were required. Considering the extent to which he had made his views known during bilateral discussions with Mr Rees before the event. M. Jobert had been disappointed by the lack of intellectual support he had received from the United Kingdom when he had spoken about the GATT Ministerial at the Luxembourg Council. Details could be left to officials; what mattered was the overall attitude of governments.

4 Lord Cockfield said he did not consider that intellectual disputations took one very far. One needed to discuss real problems, such as the deteriorating situation regarding trade with Japan. M. Jobert replied that he had been seeking practical as well as intellectual support from the United Kingdom. (His subsequent remarks contained frequent ironic references to what was or was not intellectual.) Japan, as the Secretary of State said, was a practical issue on which he would welcome an

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indication of United Kingdom views. As he had told Mr Rees, the French government had been wondering about the British policy of welcoming Japanese investment to Britain. Mr Rees had explained to him that the British government was keen to accept such investment but had also said that future Japanese investment would be limited. Lord Cockfield explained that the British Government considered it was better to have Japanese companies manufacturing in Britain than importing their goods, ready-made from Japan. Local manufacture meant local content. The majority of Member States welcomed inward investment from a variety of countries for this reason.

5 M. Jobert said he understood this policy but considered that it had its limits. One had become apparent over dinner at the Elysée the night before. The President and the Prime Minister had agreed that the level and nature of United States investments in Europe were a cause for concern. Ten years ago, M. Jobert said he had heard President Pompidou and Mr Heath say the same things. Lord Cockfield said that two issues were at stake. One was the question of how far one should become dependent upon the technology and components of another country; this carried with it a danger of excessive vulnerability. The other amounted to import substitution in a manner which allowed the Japanese government no pressure whatever on Britain in either political or industrial terms. M. Jobert said he thought it more dangerous to depend upon foreign investments in run-of-the-mill, low technology than on supplies of small, high technology items which one could manufacture oneself but only at great cost. France and Britain could co-operate on this kind of work; the subject kept recurring in bilateral discussions. There had however been little evidence to date of any real will to make progress.

6 Lord Cockfield saw the problem of dependence the other way round. The kind of investment made in Europe by Japanese firms was low technology with little danger. Current discussions over the Pipeline were concerned with high technology which were crucial to the operation of European industries in European countries. M. Jobert agreed, but said he thought it was a matter of concern if Europe lost its ability to manufacture simple, high volume items such as televisions, cars, camera lenses and so on.

7 Lord Cockfield said that he was saddened by the fact that there seemed to be an inability within the Community to develop a common response to the worsening problem of economic relations with Japan. M. Jobert saw no need to be sad. The scope for action existed. What was needed was more united pressure on the Commission to propose appropriate action. He himself had spoken out unequivocally at the Luxembourg Council on this point. Perhaps the time had come to rectify the past failure of France and Britain to pull together strongly on this subject. There was no longer time to pause for German doubts and Japanese time-wasting. (The expression used by M. Jobert, which contained references to Japanese goats and German cabbages, led to a brief exchange on sheepmeat and the willingness of Britain to export lamb if other countries would allow her to do so; M. Jobert said he would prefer to avoid an exchange of reproaches on the subject of protectionism.)

CONFIDENTIAL

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1970 Spain/EC Agreement

8 Lord Cockfield asked for M. Jobert's views. M. Jobert said he was aware of the concern which the application of the 1970 Agreement caused for Britain. There were problems, too, for France, although the French government's general view was that the European edifice had to be built with all those who naturally belonged to it. Lord Cockfield said that the British Government was particularly concerned by the one-sided nature of the tariff provisions in the 1970 Agreement. Unions in Britain were complaining vociferously about its effects. M. Jobert said that France's newly-formed Consultative Commission on International Trade had been alerted by French industry to numerous difficulties arising from the Agreement. He suggested that French and British officials might keep in touch on this issue through the Paris Embassy. Lord Cockfield said that he would welcome such an arrangement.

French Trade Policy

9 Lord Cockfield said he would like to discuss the measures announced by the French government on 20 October. He recognised that France had a serious external trade problem and that it had been necessary to take firm measures. He nevertheless hoped M. Jobert could assure him that they would not affect British exports to France. (He explained that he had sought a similar assurance from the French Ambassador in London on 1 November.) M. Jobert said he was grateful to the Secretary of State for the manner in which he had posed his question. The 20 October measures were only a beginning. But he wished to make clear that the French government would throughout act in strict compliance with its Community and other international obligations. The government's aim was to eliminate the unfair and more or less illegal activities which existed in international trade, with particular reference to the rerouting of traffic within the Community. France had become a receptacle for the world's unwanted goods. But the pot should not call the kettle black. There was much he admired about Britain, the British language and the manner in which Britain went about things. In terms of trade barriers, the United Kingdom was far ahead of France. The proof that France was not a protectionist country was in the size of the external trade deficit. This would reach F100 billion this year. M. Jobert said he would be willing to take lessons from the British Government in how to deal with excessive imports. Lord Cockfield reverted to the question of bilateral trade. If one left aside oil, which was an international commodity which France brought from whatever source was most suitable at the time, a substantial trade surplus existed in France's favour. It would be a great tragedy if this was put at risk.

10 M. Jobert said he wondered why the Secretary of State was again (after the discussion that had been held at Matignon the night before) speaking in this sense. He was unaware of any real bilateral problem on trade. He was willing to discuss such irritants as labelling for turkeys if the Secretary of State wished to do so; but he was not convinced that this was the best way to proceed. If Lord Cockfield did wish to complain about protectionism in France, he himself would have a greater number of grievances against protectionism in the United Kingdom.

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11 Lord Cockfield expressed surprise that French technology was not able to manufacture the labels which the United Kingdom had requested for exports of poultry. He explained that he had raised the measures announced on 20 October because of the anxieties which they had aroused in Britain. He welcomed imports from France but would be very concerned if it turned out that bilateral trade was being obstructed. M. Jobert said he thought it would be possible to continue a childish exchange on the subject at length, but he did not think it would be consistent with the Franco/British understanding which the Summit was designed to promote. He ended by saying that it was important to seek areas of understanding, not confrontation, between Britain and France.

HM EMBASSY, PARIS

November 1982

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1066 OF 08 NOVEMBER 1982

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SUMMARY

● AN UNSPECTACULAR BUT BROADLY SATISFACTORY MEETING. THE MEDIA WERE DISAPPOINTED THAT THERE WERE NO MAJOR ROWS. THE PRIME MINISTER'S TALKS WITH MITTERRAND WERE WIDE-RANGING AND BUSINESSLIKE. THE RESULTS OF THE SEPARATE BILATERAL MEETINGS OF MINISTERS WERE UNEVEN, REFLECTING THE VARYING CAPACITY OF THE FRENCH MINISTERS TO DO SERIOUS BUSINESS. THE AGREEMENT TO HOLD MONTHLY MEETINGS AT SENIOR OFFICIAL LEVEL SHOULD PROVIDE A USEFUL ADDITIONAL FORUM TO DISCUSS CONTROVERSIAL SUBJECTS. SLIGHT SIGNS OF MOVEMENT ON THE COMMUNITY BUDGET.

DETAIL

2. THE PRIME MINISTER CAME TO PARIS FOR THE 7TH ANGLO/FRENCH SUMMIT FROM 4-5 NOVEMBER. SHE WAS ACCOMPANIED BY YOU, THE CHANCELLOR OF THE EXCHEQUER, THE MINISTER OF AGRICULTURE AND THE SECRETARIES OF STATE FOR INDUSTRY AND TRADE. THE PRIME MINISTER HAD TWO TETE-A-TETE SESSIONS OF TALKS WITH PRESIDENT MITTERRAND. YOU AND THE OTHER MINISTERS HELD SEPARATE TALKS WITH YOUR FRENCH OPPOSITE NUMBERS ON 5 NOVEMBER AND IN ADDITION SIR G HOWE, MR JENKIN AND LORD COCKFIELD HAD A SESSION WITH MAUROY, CHEVENEMENT, JOBERT AND DELORS ON 4 NOVEMBER. THERE WAS A FINAL PLENARY SESSION IN WHICH THE PRIME MINISTER AND THE PRESIDENT TOOK PART WITH THE ACCOMPANYING BRITISH MINISTERS AND THEIR FRENCH OPPOSITE NUMBERS. RECORDS OF YOUR TALKS WITH CHEYSSON ARE IN MY TEL NOS 1053-4 AND 1060-1064 (NOT TO ALL). OTHER RECORDS WILL BE CIRCULATED FROM LONDON. IN THE MEANTIME, HOWEVER, YOU MAY LIKE TO HAVE SOME GENERAL IMPRESSIONS.

3. BOTH BEFORE AND AFTER THE SUMMIT THE MEDIA DID THEIR BEST TO POINT UP DISAGREEMENTS BETWEEN FRANCE AND BRITAIN. LE MONDE IN PARTICULAR CARRIED SOME DISAGREEABLE ARTICLES WHICH PARTLY REFLECTED FRENCH OFFICIAL BRIEFING AND PARTLY THE PERSONAL VIEWS OF ITS DIPLOMATIC CORRESPONDENT AND WHICH LED THE WAY FOR THE REST OF THE FRENCH PRESS. MITTERRAND GAVE A POSITIVE SUMMING UP AT THE ~~P XZL1082.890~~ *Press conference*

BUT ALSO POINTED UP CERTAIN DIFFERENCES. THIS IS TYPICAL OF THE WAY IN WHICH FRENCH GOVERNMENTS, EVEN WHEN ALL GOES WELL IN PRIVATE, LIKE TO APPEAR TOUGH TOWARDS THE UK IN PUBLIC ON INDIVIDUAL ISSUES BECAUSE THEY BELIEVE IT STRENGTHENS THEIR NEGOTIATING HAND AND IS POPULAR WITH THEIR PUBLIC OPINION. THE MEDIA WERE CONTENT TO FOLLOW.

4. IN FACT, AS THE PRIME MINISTER SAID AT THE PRESS CONFERENCE, HER EXCHANGES WITH MITTERRAND WERE FRIENDLY AND USEFUL. THE ECHOES WE HAVE HAD FROM ELYSEE OFFICIALS CONFIRM THAT THIS WAS THE FRENCH VIEW TOO. MRS THATCHER'S PROPOSAL THAT THERE SHOULD BE INCREASED BILATERAL MEETINGS BETWEEN SENIOR REPRESENTATIVES OF THE TWO GOVERNMENTS WAS WARMLY WELCOMED BY MITTERRAND AND SEEN BY SOME IN THE FRENCH PRESS AS PARALLEL TO THE CLOSE FRANCO-GERMAN EXCHANGES. THE FRENCH MADE A SIMILAR PROPOSAL FOR INTENSIFYING EXCHANGES AT SENIOR OFFICIAL LEVEL BETWEEN THE QUAI AND THE FCO AND IT MAY BE THAT THEY WILL SEEK TO FIT THE FIRST OF THESE MEETINGS, DUE AT THE END OF THE MONTH, INTO THE NEW PATTERN. DISCUSSIONS OF EAST/WEST AND TRANSATLANTIC RELATIONS AND WORLD ECONOMIC AFFAIRS SHOWED A WIDE MEASURE OF AGREEMENT. IN PARTICULAR, THE PRIME MINISTER GAVE MITTERRAND PAUSE FOR THOUGHT ABOUT HIS ATTITUDE OVER THE PIPELINE (SEE BELOW).

5. THE FRENCH MEDIA HAD BEEN HEAVILY BRIEFED BEFOREHAND TO SUGGEST THAT THE SUMMIT WOULD BE DOMINATED BY TWO DISPUTES BETWEEN FRANCE AND THE UK, OVER THE LIKELY VOTE FOR THE LATIN AMERICAN RESOLUTION ON THE FALKLANDS AND OVER THE COMMUNITY BUDGET. IN FACT, THE DECISION BY PRESIDENT MITTERRAND TO ABSTAIN ON THE FALKLANDS VOTE, TAKEN JUST BEFORE THE PRIME MINISTER'S ARRIVAL, REMOVED THE FIRST CAUSE OF FRICTION. FRENCH SPOKESMEN CLAIMED THE DECISION WAS TAKEN BECAUSE OF THE PREJUDICIAL WORDING OF THE RESOLUTION AND A REFERENCE THE ARGENTINE FOREIGN MINISTER APPARENTLY MADE IN NEW YORK TO THE MAYOTTE PROBLEM. THE MAIN REASON, HOWEVER, WAS ALMOST CERTAINLY MITTERRAND'S WISH TO AVOID A SUMMIT FAILURE. THIS HE ACHIEVED, EVEN IF AT THE PRESS CONFERENCE HE MADE RATHER A MEAL OF STESSING THE FRENCH BELIEF IN THE NEED FOR NEGOTIATIONS.

EC BUDGET

YM ON THE BUDGET, THE SUMMIT DOES SEEM TO HAVE PRODUCED A LITTLE MOVEMENT TOWARDS A SETTLEMENT THAT WOULD CARRY US OVER THE NEXT TWO TO THREE YEARS. IN HIS BILATERAL WITH THE CHANCELLOR, DELORS (WHOSE VIEWS SHOULD BE PROTECTED) REAFFIRMED EARLIER INDICATIONS THAT HE AND HIS MINISTRY WOULD LIKE AN AGREEMENT THAT WOULD AVOID DAMAGING ANNUAL ARGUMENTS AND OUTLINED HOW THIS MIGHT BE ACHIEVED. HE WARNED THAT THESE WERE NOT YET THE IDEAS OF HIS GOVERNMENT AS A WHOLE. AT THE PLENARY HE WAS LESS EXPLICIT AND LESS HELPFUL IN TONE, BUT MITTERRAND'S LINE BOTH AT THE PLENARY AND AT THE PRESS CONFERENCE WAS TO ACCEPT THE REALITY OF THE PROBLEM AND TO DISPEL ANY IDEA THAT FRANCE WAS FLATLY REFUSING TO MAKE ANY FURTHER CONTRIBUTION TO ITS RESOLUTION. HE WENT ON TO SAY "IT IS JUST THAT WE DO NOT WANT TO ESTABLISH IT AS A PERMANENT FEATURE OF INTRA-COMMUNITY RELATIONS". LESS HELPFULLY, HE REAFFIRMED FRANCE'S ATTACHMENT TO THE PRINCIPLE OF DEGRESSIVITY AND EARLY ~~PROCEEDING~~ REFUNDING BY THE UK OF THE ALLEGED ~~OVER~~ OVERPAYMENTS.

7. MITTERRAND'S GENERAL REVIEW OF THE SUBJECT AT THE PRESS CONFERENCE GAVE THE PRIME MINISTER THE OPENING TO SAY THAT COMMUNITY EXPENDITURE WOULD SOON COME UP TO THE 1 PER CENT VAT CEILING AND THIS WOULD REQUIRE AN EARLY OVERALL LOOK AT THE BUDGET.

DEFENCE

8. THE FRENCH INDICATED AN INTENTION TO KEEP US IN THE PICTURE ABOUT THEIR THINKING ON DEFENCE STRATEGY INCLUDING THOSE ASPECTS UNDER DISCUSSION WITH THE GERMANS.

PIPELINE

9. MITTERRAND'S ACCOUNT AT THE PLENARY SESSION OF HIS ATTITUDE TO THE UNITED STATES SHOWED HIM PARTICULARLY BITTER ABOUT THE IMPOSITION OF SANCTIONS AND THE SUGGESTION THAT THE EUROPEANS SHOULD OFFER SOMETHING IN EXCHANGE FOR A UNITED STATES DECISION TO LIFT THEM. MITTERRAND LIKENED THE US POSITION TO A THIEF'S OFFER TO RETURN HIS VICTIM'S WALLET IN EXCHANGE FOR HIS WATCH. BUT HE TOLD THE PRIME MINISTER THAT HE WOULD NOW START TO READ THE MAIL WHICH PRESIDENT REAGEN HAD SENT HIM ON THE PIPELINE. (AT DINNER ON 4 NOVEMBER HE CLAIMED HE HAD DELIBERATELY NOT READ THE NON-PAPER).

TRADE POLICY

10. MITTERRAND'S LINE SEEMED TO BE THAT FRANCE WAS NO MORE PROTECTIONIST THAN ANYONE ELSE. HE SAW THE FRENCH GOVERNMENT'S RECENT MEASURES SIMPLY AS AN ATTEMPT TO REDRESS THE BALANCE WITH PARTNERS WHO WERE WORSE THAN FRANCE. IN HIS BILATERAL WITH LORD COCKFIELD, JOBERT CLAIMED THAT THE FRENCH WOULD ADHERE STRICTLY TO THEIR INTERNATIONAL OBLIGATIONS AND WOULD, PARTICULARLY WITH REGARD TO JAPAN, CONTINUE TO PRESS FOR COMMUNITY SOLUTIONS TO TRADE PROBLEMS. BUT HIS PRICKLY AND VITUPERATIVE MANNER WILL MAKE IT DIFFICULT TO DO BUSINESS WITH HIM IN ANY PRACTICAL WAY.

AGRICULTURE

11. MME CRESSON'S PREOCCUPATION WITH MINOR MATTERS, ESPECIALLY, THE QUESTION OF POULTRY LABELLING, LEFT LITTLE SCOPE FOR DISCUSSION OF MORE FUNDAMENTAL QUESTIONS BETWEEN MINISTERS OF AGRICULTURE.

BILATERAL INDUSTRIAL COLLABORATION

12. INDUSTRIAL COLLABORATION WAS DISCUSSED IN A FRANK AND BUSINESSLIKE MANNER BETWEEN MR JENKIN AND CHEVENEMENT. THERE WAS A WILLINGNESS TO RECOGNISE DIFFERENCES IN APPROACH AS IN THE CASE OF AIRBUS. PROGRESS WAS MADE IN STRICT CONFIDENCE ON THE PROBLEM OF LUCAS/DUCELLIER. SOME SUBJECTS WHICH IT WOULD HAVE BEEN USEFUL TO DISCUSS WERE NOT TACKLED BECAUSE OF THE THE RELATIVELY SHORT TIME ALLOCATED FOR THESE BILATERAL TALKS (A REFLECTION OF THE LAST MINUTE FRENCH IMPROVISATION OF THE ARRANGEMENTS). JOBERT'S INTERVENTIONS ABOUT GUANGDONG DEMONSTRATED THE IMPORTANCE OF KEEPING IN TOUCH WITH THE FRENCH ABOUT FINANCIAL TERMS BUT ALSO REVEALED A CLEAR DIVISION ON THE FRENCH SIDE, WITH JOBERT CONCERNED TO DO BATTLE AGAINST THE UK WHILE CHEVENEMENT WAS EMPHASISING THE POTENTIAL FOR COLLABORATION.

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REFUNDING BY THE UK OF THE ALLEGED OVERPAYMENTS.
7. ETC

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10 DOWNING STREET

From the Private Secretary

8 November 1982

Dear Brian,

Anglo-French Summit

I enclose copies of the records of conversation at the two tête-à-tête meetings held between the Prime Minister and the President of France - the first on 4 November and the second on 5 November.

I am copying this letter and enclosures to John Kerr (HM Treasury), John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry), John Halliday (Home Office), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

The Prime Minister wishes that these records should not be circulated outside Private Offices except where this is operationally essential - and in that case only the relevant extracts from the record should be distributed.

Yours ever

John Major

Brian Fall Esq
Foreign and Commonwealth Office

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10 DOWNING STREET

From the Private Secretary

8 November 1982

ANGLO/FRENCH SUMMIT

I enclose a copy of the record of the plenary session which was held in Paris on 5 November 1982.

I am copying this letter and enclosure to John Kerr (HM Treasury), Jonathan Spencer (Industry), John Rhodes (Trade), Robert Lawson (MAFF) and Richard Hatfield (Cabinet Office).

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Principal Private Secretary

5 November 1982

Dear Brian,

ANGLO/FRENCH CONSULTATIONS

I enclose a copy of the record of the discussion at the working dinner at the Elysee Palace on Thursday 4 November.

I am copying this letter to the Private Secretaries of the Ministers who attended the dinner, and to Sir Robert Armstrong. I should be grateful if you and they would restrict circulation of the record to the minimum extent operationally necessary.

Yours ever,

Robin.

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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ANGLO/FRENCH SUMMIT : PARIS : 4/5 NOVEMBER 1982

PLENARY SESSION

Present:

The Prime Minister

The Foreign and Commonwealth Secretary
Chancellor of the Exchequer

Secretary of State for Industry

Secretary of State for Trade

Minister of Agriculture

(Accompanied by officials)

President Mitterrand

M. Jobert, Minister for Foreign
Trade

M. Chevenement, Minister of
Research and Industry

M. Cheysson, Minister of External
Relations

M. Delors, Minister of Economy

Mme. Cresson, Minister of
Agriculture

(Accompanied by officials)

President Mitterrand said that he and the Prime Minister had talked about most of the important international topics, particularly East/West relations, the Community's relations with major countries, the problems of defence and security and the world economy. As regards the relations of the Community with its partners, they had referred particularly to Japan and to the forthcoming GATT Ministerial meeting. Bilateral relations between France and the UK had been left for discussion by individual Ministers. The climate of the conversations had been good. He had been very glad to have had the chance to talk to the Prime Minister about problems faced by both countries. Their relations were based on long friendship, shared ideas and common principles. He and the Prime Minister had agreed to take certain further steps for strengthening these relations by more systematic contact at the level of their senior representatives. This was important before forthcoming international meetings, particularly the European Council in Copenhagen and the GATT Ministers. This agreement represented one of the particularly positive aspects of their exchanges.

/ The Prime Minister

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The Prime Minister endorsed the President's words. She had found their talks valuable and friendly. She too had been pleased by their agreement on more frequent meetings of their representatives. It was important for the two sides to know each other's minds better. President Mitterrand invited Foreign Ministers to report on their talks.

M. Cheysson said that he and Mr. Pym had discussed the independence of Namibia and had agreed to continue to work for the implementation of SCR Resolution 435 as soon as possible. They also wanted a favourable conclusion at Madrid in order to get the Conference for Disarmament in Europe (CDE) off to a good start, even if its scope were limited, since it would be an important decision psychologically and therefore politically. The Middle East had been discussed by Sir Antony Acland and M. Gutmann. M. Cheysson noted that the possibility of British participation in the International Force in the Lebanon had been mentioned. He had explained the French role in the force. He and Mr. Pym had agreed that US efforts to obtain the withdrawal of troops from the Lebanon should be supported.

M. Cheysson referred to a recent meeting of Ministers of Education in London, where there had been agreement on two pilot projects aimed at increasing the number of exchanges in higher education. The two Ministers had discussed the difference in the taxes paid by their respective cultural institutions. French cultural institutions in Britain paid far more than British institutions in France. Discussions would be pursued by Sir Antony Acland and M. Gutmann. They had discussed differences in university fees - British fees were 15 times higher in the UK for French students than French fees for British students in France. There were 4,000 British students in France but only 400 French students in British universities as a result. Mr. Pym and he had agreed that the problem should be tackled by contact between universities. Mr. Pym had also said that budgetary problems were the cause of the decline of British lecturers in French universities but that he hoped there was a possibility of improvement.

/ M. Cheysson

M. Cheysson also reported that in the context of their agreement for 6 monthly contacts between summits he had invited Mr. Pym to visit Grenoble in 6 months' time.

Mr. Pym emphasised the depth of agreement in their discussion. He mentioned two points in particular:

- (a) the importance of 1983 because of the INF decision and the consequent need for increased effort in the CSCE and in disarmament talks; and
- (b) their close agreement over the Washington talks on the pipeline. In particular, they had agreed that Ambassadors should be in touch in Washington in relation to the meeting that day at which it was hoped to reach agreement. Mr. Pym emphasised that the opportunity should not be lost.

Their talks had touched on enlargement and they had agreed that negotiations with Spain should go ahead with all speed and be concluded in the near future. He was grateful to Mr. Cheysson for the invitation to Grenoble.

President Mitterrand said that he had for some time thought that the US sanctions over the pipeline were directed against the Soviet Union. He had then realised that they were in fact directed against Europe. The US offer to lift sanctions in exchange for European concessions was like a thief's offer to return his victim's wallet if he agreed to surrender his watch. He was not prepared to accept such an agreement. In particular, he could offer no more in terms of a public declaration on limiting credits to the Eastern bloc. The Prime Minister had spoken eloquently to him about the importance of preserving the alliance. But an alliance was not a protectorate or colony. He had, nevertheless, told the Prime Minister that, with effect from midday that day, he would begin reading the letter which President Reagan had addressed to him on the question of the pipeline dispute. Hitherto he had not read a word of it. The President reiterated however that there could be no question of any further conditions being met by France.

/ President Mitterrand

President Mitterrand said that he fully agreed with the comments of the Prime Minister and her colleagues on the desirability of the early accession of Spain and Portugal to the Community. But enlargement would bring with it many problems and uncertainties. There were institutional problems, problems of decision-making, and specific problems such as the nature of support regimes for different agricultural products. The President hoped that Britain would support French efforts to ensure that the full extent of these problems was spelt out before enlargement took place.

M. Delors reported that he and Sir Geoffrey Howe had examined European and other international issues and exchanged views about their domestic economies. He had fully described France's economic situation and the successes of the French Government in increasing production and in fighting inflation. France had limited its public sector deficit to 3% of GNP and had a lower deficit than any other country in Europe except the UK. The French were channelling savings into industry and were giving priority to the building industry. But the problem had been that while France had stimulated a certain level of increased economic activity, its partners in Europe had not done so. This had affected France's balance of trade. The expected recovery in the world economy in 1982 had not occurred. This was why France had been obliged to change its economic policies.

On the Community budget, M. Delors stressed four points:

- (a) a problem arose because the UK had received too much money from the 1981 and 1982 agreements. There should be clear rules for preventing this type of distortion in future.
- (b) the need not to confuse VAT and customs duties/ agricultural levies. The latter did not always arise in the countries where they were listed as having done so.

- (c) if France agreed that it was important to rationalise agricultural spending, she also thought it was necessary to ensure that the Social and Regional Funds were made more effective.

- (d) if one thought in terms of unacceptable situations, the situation of France in 1982 was not acceptable because of its trade deficit (which had arisen because its efforts to reflate had helped other countries in the Community, and because MCAs had distorted agricultural markets. Why should they exist for agriculture when they did not exist for industry?)

He and Sir Geoffrey Howe had discussed the important decision taken at the European Council on 28/29 June in relation to investment. Public opinion would be closely watching the results of the meeting between Finance and Labour Ministers on 16 November. There was a need for Community countries to learn from each other about dealing with unemployment, especially youth unemployment.

He and Sir G. Howe had also noted, in their discussion of the international scene, that if there were no world economic recovery, the LDCs could be in a disastrous position. They had both tried to tell the United States Government over the last year that their economic policies were an obstacle to world recovery. The Versailles decision on exchange rates was a key factor. The Ministers had agreed on the importance of the role of international financial organisations. In particular, they had agreed on the size of the increase needed in IMF funding.

Sir G. Howe said that M. Delors had touched on the key problems, many of which had been discussed at a useful meeting with M. Mauroy the previous night.

The discussion with M. Delors had been helpful. Sir G. Howe had stressed the successes of French economic policies, especially in fighting inflation. As a Finance Minister, he had recognised

/ the distortions

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the distortions caused by MCA. He had explained to M. Delors the need for a long-term solution to the Community budget problem and the need to find rules which could settle it permanently. What M. Delors had said might be helpful in this respect.

He and M. Delors had agreed that the Jumbo Council should result in useful conclusions. He had emphasised the need for the Community to help, in particular, smaller companies to take advantage of the size of the market. He and M. Delors had similar views on the role of the Community in trade: it was responsible for trade policy but it was essential that its conduct of that policy should really be effective. President Mitterrand commented that the Prime Minister and he had agreed on the need to review the functioning and methods of the Community, while remaining faithful to the original principles upon which it was based. The main constraint to the harmonious development of relations within the Community was the question of the budget contribution. He understood Britain's point of view. French minds were not closed. But France also had difficulties. On the UK side, the main problem arose from the pattern of British trade. France could not accept the principle of a "juste retour" for any member state. The subject was a delicate one which French and British Ministers needed to examine together frequently.

He went on to say that the 30 May Agreement, which the Government had inherited from its predecessor, posed increasing problems each time it had to be renewed. The idea of a permanent system of refunds for Britain would be difficult for France to accept. The sums on the basis of which refunds were calculated were frequently not clear; and there were related problems of the volume of repayments and the duration of any agreement. The problem could not be solved at this Summit. It was, however, encouraging that the subject had been discussed frankly and without hostility on either side. Any solution that was found would have to be transitory; even three years was a lot. He knew what was not acceptable to France but he could not say what was acceptable. Additional problems on the French side were arising from the worrying imbalance in trade between France and other member states, including Britain and in particular Germany.

/ The Prime Minister

The Prime Minister said she recognised that it would be difficult to solve the budget problem. But she wanted to state clearly that it had to be solved. It was fundamentally unjust that two member states should bear the entire burden of financing the Community. Three problems had to be solved together - enlargement, the 1% VAT ceiling and the budget imbalance. The President should be in no doubt about our determination to solve the budget problem. The Prime Minister was sure that he would take the same view if he were in the same position. This formed the basis of an understanding between France and Britain. The problem could not be solved that day but she suggested that neither she nor President Mitterrand should dwell on it at their press conference.

President Mitterrand said France too felt that she was paying for others in many areas, particularly industry. The benefits derived from agriculture and other easily quantifiable operations of the Community could not be looked at in isolation from the overall effect of membership of the Common Market. He nevertheless agreed with the Prime Minister's conclusion that it was right to continue discussions as between partners. He agreed that the press might try to emphasise the gap that existed between the British and French positions. But its existence could not be hidden. There was, however, no other major misunderstanding between the two Governments and he considered that the disagreement on the Budget should not prejudice bilateral relations in general. It was normal that such differences should exist between allies.

M. Jobert said that his discussions with Lord Cockfield had contained elements of understanding, mainly on multilateral questions, and elements of the traditional irritation which could arise between partners on bilateral trade matters. He had stressed the desirability of countries giving each other mutual support where common interests were at stake and had dealt with questions from the Secretary of State for Trade on French policy towards GATT, Japan and protectionism in that spirit. On protectionism, however, he had felt it necessary to sound a note of warning against verbal escalation. Industrial exchanges with Spain had also been discussed. Where differences existed on trade policy matters,

/ M. Jobert

M. Jobert thought it better not to reduce them to the level of everyday squabbles. If one did so, much could be said on both sides. M. Jobert added that he had discussed the Guangdong nuclear power project with Lord Cockfield and had agreed that close contact should be maintained between the French and British Governments. The two sides needed to speak the same language. The next visit to Europe of the Chinese Minister responsible for light and power would give an opportunity for both Governments to ensure that they kept each other fully in the picture.

Lord Cockfield reported that he had found his discussions with M. Jobert both interesting and illuminating. The Ministers had almost fallen into the trap of discussing principles instead of real problems, against which President Mitterrand had earlier warned them. The two Ministers had looked for common ground on Japan and the application of the Community's 1970 Agreement with Spain. Lord Cockfield said he had made a point of expressing the anxieties felt in Britain about the potential effects on trade within the Community of the measures announced by the French Government on 20 October to improve external trade. The Community consisted of a single market, as M. Delors had said. Britain wished to see that market develop with regard to both goods and services. Oil apart, France currently had a substantial trade surplus with the UK. It was in this context that he had wished to sound a warning against the possibility that the measures announced by the French Government might have a damaging effect on trade between the two countries to which we attached great value, as well as on intra-Community trade in general.

President Mitterrand intervened briefly to say that the French Government was, as Britain knew, particularly worried about imports from Japan. He considered it essential for the Community to decide what it wanted to do about this problem before the European Council met at Copenhagen. His Minister

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of Foreign Trade had said little about protectionism in his account of his meeting with Lord Cockfield. He suggested that partners should avoid hypocrisy on this subject.

Mme Cresson gave an account of her talk with Mr. Walker. In a general introduction, she said that French public opinion attached importance to the CAP. On balance it had been successful. There was a difference of concept - as President Mitterrand had pointed out in another context - between Britain and France in relation to the CAP, with free trade the objective on the one hand and economic self-sufficiency on the other. The present system was somewhere between the two; in France's view Europe should be open to the outside world, but import costs needed to be reduced.

Turning to specific points discussed with Mr. Walker, Mme Cresson said that no solution had yet been found to the problems of trade in poultry, but she remained hopeful. The French Government had gone to considerable lengths to comply with new UK health requirements, but the final British demand for large sized labels presented a major difficulty. French producers were ready to resume exports, but wanted to know that a smaller label would be acceptable. Mme Cresson saw some prospect for agreement on regulating trade in sheepmeat and poultrymeat. She mentioned the European Court's judgment on UHT milk, due in January, and said that France hoped for some relaxation of the UK's position on imports. She claimed that the relatively high level of UK excise duties on wine limited British consumption. French tax discrimination against whisky would end in January 1983 when tax on French-produced spirit drinks would be brought into line with the tax on whisky.

Mme Cresson regretted the lack of progress in Brussels on agricultural aspects of enlargement. France attached particular importance to securing satisfactory regimes for Mediterranean products in advance of enlargement. Finally, she referred to the UK's positive MCA's which she claimed gave British farmers an unfair advantage in selling cereals and milk.

/Mr Walker

Mr. Walker said that the talks on the detailed questions mentioned by Mme Cresson had been useful and frank. The CAP had proved itself as a guarantor of stable food supplies, though surplusses were a problem. He had some understanding of the French position on MCAs. High agricultural input costs had been criticised but agriculture should not be an area where investment and technology were penalised and inefficiency rewarded.

There was a need for better surveillance of national aids to avoid market distortion. On poultry, the Court had ruled that the UK health measures were legal, though Britain had been asked to consider with the Commission the possibility of a less restrictive import policy. Britain had followed this up without delay. French difficulties in meeting the labelling requirements had surprised him. Mr. Walker noted that wine consumption was increasing in the UK.

President Mitterrand commented that it was inappropriate for EC partners to proceed by wrangling on trade matters. Difficulties such as those over poultry ought to be fully discussed; otherwise there was a risk of hypocritical protectionism developing.

M. Chevenement described his discussion with Mr Jenkin about industrial collaboration. The Fast Breeder Reactor was an important subject for long term collaboration. The French were waiting for a British response to their proposal for collaboration. He noted that the UK were using American technology for the PWR and that British industry might well follow Framatome's example and gradually make themselves technologically independent of the US in this field. On the nuclear power station for Guangdong, he mentioned the possibility of a joint bid.

/He reported

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He reported a slight divergence of view on Airbus. His discussion with Mr. Jenkin had emphasised three main aspects: economic viability; approaches to potential new partners, particularly the Italians because of the importance of Alitalia as a market for Airbus; and the development of an engine for the proposed A320. He mentioned Mr. Jenkin's concern about offering credit for new orders for the A300.

In the field of motor components M. Chevenement said that the two Ministers had agreed to a meeting of senior officials to try to move forward the current negotiations between Lucas and Valeo. He restated the view he had expressed in Brussels on 4 November that France would not agree to liberalise the telecommunications market in Europe so long as the Japanese, the US and others operated what amounted to closed markets for these goods. He reported the great concern felt in both France and the UK about policing the Community's anti-crisis measures on steel. Both countries were anxious to ensure that the Community's quotas were respected and views on this matter in general had been very close.

Mr Jenkin remarked on the frank and useful discussion that he had had with M. Chevenement and emphasised four main points.

- (a) The question of new partners for Airbus was a matter for the existing partners and not for AI.
- (b) The news from Lord Nelson in Peking was that Li Peng would tell the French during his forthcoming visit to Europe what the Chinese told the Prime Minister about their preference for an Anglo/French project at Guangdong.
- (c) He welcomed Chevenement's suggestion of official talks on the future of Lucas/Valeo and their joint subsidiary, Ducellier.

/(d)

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- (d) The important economic and political consequences of the present situation in the steel industry made it vital for the Community's steel regime to be strengthened at the meeting in Elsinor.

President Mitterrand commented that technology was a field in which it was generally easy to co-operate. If Britain and France joined forces, the two countries would achieve results.

The overall spirit of the talks had shown that the two sides were so close that he believed the only way for them to go faster now would be to have very regular meetings between representatives of the two sides, Ministers and officials, perhaps once a month.

The Prime Minister, in thanking the President, stressed again that they should not allow problems between the two countries to dominate relations. She agreed with the President's suggestion for meetings of their representatives.

The meeting ended at 1240 hours.

A.S.C.

8 November 1982

CONFIDENTIAL



British Embassy
35 rue du Faubourg Saint-Honoré - 75383 Paris Cedex 08
Téléphone : 266.91.42

Your reference

Our reference

Date 5 November 1982

A J Coles Esq
No 10 Downing St
LONDON SW1

Type in final form please

ML 8/11

Dear John,

ANGLO/FRENCH SUMMIT : PARIS : 4-5 NOVEMBER 1982

1. I enclose the draft record of the Plenary Session.

*Yours
H J*

H J Arbuthnott

DSR 11 (Revised)

RECORD

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

~~Top Secret~~

~~Secret~~

Confidential

~~Restricted~~

~~Unclassified~~

Copies to:

PRIVACY MARKING

SUBJECT:

ANGLO/FRENCH SUMMIT : PARIS : 4/5 NOVEMBER 1982

..... In Confidence

PLENARY SESSION

CAVEAT.....

Present:

Prime Minister
Chancellor of Exchequer
Minister of Agriculture
Secretary of State for
Industry
Secretary of State for
Trade
Other officials
(*accompanied by officials*)

President Mitterrand
Prime Minister
M. Jobet, Minister for Foreign
Trade
M. Chevenement, Minister of
Research & Industry
M. Cheysson, Minister of External
Relations
M. Delors, Minister of Economy
Mme Cresson, Minister of
Agriculture
(*accompanied by officials*)

*Foreign and
Commonwealth Security*

~~The Meeting started at 10.45.~~

By 1. ~~The~~ ^{*Mitterrand*} President said that he and the Prime Minister had talked about most of the important international topics, particularly East/West relations, the Community's relations with ~~other great powers~~ ^{*major countries*}, the problems of defence and security and the world economy. ~~In speaking on~~ ^{*As regards*} the relations of the Community with its ~~other~~ partners, they had referred particularly to Japan; and to the forthcoming GATT Ministerial meeting. Bilateral relations between France and the UK had been left for discussion by individual Ministers. The climate of the conversations had been good.

~~The President~~ *He*

Enclosures - flag(s).....

^{He}
~~The President~~ had been very glad to have had the chance to talk to the Prime Minister about problems faced by both countries. Their relations were based on long friendship, shared ideas and common principles. He and the Prime Minister had agreed to take certain further steps for strengthening these relations by more systematic contact at the level of their senior representatives. This was important before forthcoming international meetings, particularly the European Council in Copenhagen ^{and} the GATT ^{Ministers} ~~and the UNLOSC~~. This agreement represented one of the particularly positive aspects of their exchanges.

2. The Prime Minister endorsed ~~all that to~~ the President's ^{words}. She had found their talks valuable ^{and} friendly ~~and enjoyable~~. She too had been pleased by their agreement ^{on} ~~for~~ more frequent meetings of their representatives. It was important for the two sides to know each others' minds better. ~~The~~ ^{President} ~~invited~~ ^{invited} Foreign Ministers to report on their talks.

3. M. Cheysson said that he and Mr Pym had discussed the independence of Namibia and had agreed to continue to work for ^{the} implementation of SCR Resolution 435 as soon as possible. ~~In particular~~ ^{also} They wanted a favourable conclusion at Madrid in order to get the Conference for Disarmament in Europe (CDE) off to a good start, even if its scope were limited, since it would be an important ^{decision} ~~psychologically~~ and therefore politically ~~decision~~. The Middle East had been discussed by Sir A Acland and M. Gutman. M. Cheysson noted that the possibility of British participation in the ^{(International) in the Lebanon} Force had been mentioned. He had explained the French role in the force. He and Mr Pym had agreed that US efforts ^{to obtain the} ~~over~~ withdrawal of troops from the Lebanon should be supported. // S.M. Cheysson referred to a recent meeting of Ministers of Education in

/London

London, where there had been agreement on two pilot projects aimed at increasing the number of exchanges in higher education. The two Ministers had discussed the difference in the taxes paid by their respective cultural institutions. ~~in~~ French cultural institutions in Britain paid far more than British institutions in France. Discussions would be pursued by Sir A Acland and M. Gutmann. They had discussed differences in university fees - British fees were 15 times higher in the UK for French students than French fees for British students in France. There were 4,000 British students in France but only 400 French students in British universities as a result. Mr Pym and he had agreed that the problem should be tackled by contact between universities. Mr Pym ^{had} also said that ~~their~~ budgetary problems were the cause of the decline of British lecturers in French universities but that he hoped there was a possibility of improvement.

4. ~~Mr~~ ^{also} ~~mentioned~~ M. Cheysson reported that in the context of their agreement for 6 monthly contacts between summits ~~that~~ he had invited Mr Pym to visit Grenoble in ~~the next~~ 6 months ~~or so~~ time.

5. Mr Pym emphasised the depth of agreement in their discussion. He ^{mentioned} ~~emphasised~~ two points in particular:

(a) the importance of 1983 because of the INF decision and the consequent need for increased effort in the CSCE and in disarmament talks; and

(b) their close agreement over the Washington talks on the pipeline. In particular, they had agreed that Ambassadors should be in touch in Washington ~~the day~~ ^{the day} in relation to the meeting ^{the day} at which it was hoped to reach agreement. Mr Pym emphasised that the opportunity should not be lost.

6. Their talks had touched on enlargement and they had agreed that negotiations with Spain should go ahead with all speed and be concluded in the near future. He was grateful to M. Cheysson for the invitation to Grenoble.

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7. President Mitterrand said that he had for some time thought that the US sanctions over the pipeline were directed against the Soviet Union. He had then realised that they were in fact directed against Europe. The US offer to lift sanctions in exchange for European concessions was like a thief's offer to return his victim's wallet if he agreed to surrender his watch. He was not prepared to accept such an agreement. In particular, he could offer no more in terms of a public declaration on limiting credits to the Eastern bloc. The Prime Minister had spoken eloquently to him about the importance of preserving the alliance. ~~and had articulated many fine principles~~ But an alliance was not a protectorate or colony. He had, nevertheless, told the Prime Minister that, with effect from midday that day, he would begin reading the ~~mail~~ ^{letter} which President Reagan had addressed to him on the question of the pipeline dispute. Hitherto he had not read a word of it. The President reiterated however, that there could be no question of any further conditions being met by France.

8. ~~On enlargement~~, President Mitterrand said that he fully agreed with the ~~desirability~~ ^{correctness of} expressed by the Prime Minister and her colleagues ^{on the desirability} of the early accession of Spain and Portugal to the Community. But enlargement would bring with it many problems and uncertainties. There were institutional problems, problems of decision-making, and specific problems such as the nature of support regimes for different agricultural products. The President hoped that Britain would support French efforts to ensure that the full extent of these problems was spelt out before enlargement took place.

19. M. Delors reported that he and Sir Geoffrey Howe had ^{examined} ~~looked~~ ^{extensively into} ~~at~~ their European and other international issues and ^{at} their domestic economies. He had fully described France's economic situation and the successes of the French Government in increasing production and in fighting inflation. France had limited its public sector deficit to 3% of GNP and had a lower deficit than any other country in Europe except the UK. ^{The French} ~~They~~ were channelling savings into industry and were giving priority to the building industry. But the problem had been that while France ^{had} stimulated a certain level of increased economic activity, its partners in Europe had not done so ^{and} ~~and~~ this had affected France's balance of trade. The expected recovery in the world economy in 1982 had not occurred. This was why France had been obliged to change its economic policies.

10. On the Community budget, M. Delors stressed four points:

- (a) ^a ~~the~~ problem ^{arose} ~~was caused by the fact~~ ^{because} that the UK had received too much money from the 1981 and 1982 agreements. There should be clear rules for preventing this type of distortion in future.
- (b) the need not to confuse VAT and ~~Customs Duties/~~ Agricultural Levies. The latter did not always arise in the countries where they were listed as having done so.
- (c) if France agreed that it was important to rationalise agricultural spending, she also thought it was necessary to ensure that ^{the} social and ~~Regional~~ ^{Regional} Funds were made more effective.
- (d) if one thought in terms of unacceptable situations, ^{the situation} ~~that~~ of France in 1982 was not acceptable because of ^{its} ~~its~~ trade deficit (which ^{had arisen} ~~arose~~ because ~~of~~ its ^{efforts} ~~of~~ its

of efforts to reflate had helped other countries in the Community, and because MCAs had distorted agricultural markets. Why should they exist for agriculture when they did not exist for industry?)

#1 He and Sir Geoffrey Howe had discussed the important decision taken at the European Council on 28/29 ^{June} ~~January~~ in relation to investment. Public opinion would be closely watching the results of the meeting between Finance and Labour Ministers on 16 November. There was a need for Community countries to learn from each other about dealing with unemployment, especially youth unemployment.

#2 ~~Mr Delors said that~~ ^{also} He and Sir G Howe had noted, in their discussion of the international scene, that if there were no world economic recovery, the LDCs could be in a disastrous position. They had both tried to tell the United States Government over the last year that their economic policies were an obstacle to world recovery. The Versailles decision on exchange rates was a key factor. The Ministers had agreed ~~to~~ on the importance of the role of international financial organizations. In particular, they had agreed on the size of the increase needed in IMF funding.

#3. Sir G Howe said that M. Delors had touched on the key problems, many of which had been discussed at a very useful meeting with M. Mauroy the previous night.

#4. The discussion with M. ^{Delors} ~~Mauroy~~ had been very helpful. Sir G Howe had stressed the successes of French economic policies, especially in fighting inflation. As a Finance Minister, he had recognised the distortions caused by MCA. He had explained to M. Delors the need for a long-term solution to the Community budget problem and the

/need

need to find rules which could settle it permanently.

What M. Delors had said might be helpful in this respect.

14. ^{He and M. Delors} They had agreed that the Jumbo Council should result in useful conclusions. He had emphasised the need for the Community to help, in particular, smaller companies to take advantage of the size of the market. He and M. Delors had similar views on the role of the Community in trade: it was responsible for trade policy but it was essential that its conduct of ^{the} policy should really be effective.

main difficulty between France and the UK was over the British contribution to the Community budget.

President Mitterrand ^{commented} ~~said~~ that ~~the~~ ^{He and the} Prime Minister and he had agreed on the need to review the functioning and methods of the Community, while remaining faithful to the original principles upon which it was based. The main constraint to the harmonious development of relations within the Community was the question of the budget contribution. He understood Britain's point of view. French minds were not closed. But France also had difficulties. On the UK side, the main problem arose from the pattern of British trade. France could not accept the principle of a "juste retour" for any member state. The subject was a delicate one which French and British Ministers needed to examine together frequently.

15. ^{He} ~~The President~~ went on to say that the 30 May Agreement, which the Government had inherited from its predecessor, posed increasing problems each time it had to be renewed.

The idea of a permanent system of refunds for Britain would be difficult for France to accept. The sums on which ^{the basis of} refunds were calculated were frequently not clear; and there were related problems of the volume of repayments and the duration of any agreement. The problem could not be /solved

solved at ^{the} Summit. It was, however, encouraging that the subject had been discussed frankly and without ~~aggression~~ ^{hostility} on either side. Any ~~resolution~~ ^{agreement} that was found would have to be transitory; even ~~three~~ ^{two} years was a lot. He knew what was not acceptable to France but he could not say what ~~was~~ ^{was acceptable}. Additional problems on the French side were arising from the worrying imbalance in trade between France and other member states, including Britain and in particular Germany.

17. The Prime Minister said she recognised that it would be difficult to solve the budget problem. But she ~~would~~ ^{wanted} to state clearly that it had to be solved. It was fundamentally unjust that two member states should bear the entire burden of financing the Community. Three problems had to be solved together - enlargement, the 1% VAT ceiling and the budget imbalance. The President should be in no doubt about our determination to solve the budget problem. The Prime Minister was sure that ~~President Mitterrand~~ ^{he} would take the same view if he were in the same position. This formed the basis of an understanding between France and Britain. The problem could not be solved that day but she suggested that neither she nor President Mitterrand should dwell on it at their press conference.

18. President Mitterrand said France too felt that she was paying for others in many areas, particularly industry. The benefits derived from agriculture and other easily quantifiable operations of the Community could not be looked at in isolation from the overall effect of membership of the Common Market. ~~The President~~ nevertheless agreed with the Prime Minister's conclusion that it was right to

/continue

Continue discussions as between partners. He agreed that the press might try to ~~enlarge~~^{emphasize} the gap that existed between the British and French positions. But its existence could not be hidden. There was, however, no other major misunderstanding between the two Governments and he considered that the disagreement on the budget should not ~~be~~^e prejudicial to bilateral relations in general. It was normal that such differences should exist between allies.

Trade

19 M. Jobert said that his discussions with Lord Cockfield had contained elements of understanding, mainly on multilateral questions, and elements of the traditional irritation which could arise between partners on bilateral trade matters. He had ~~endeavoured~~ to stress ~~the~~^{the} desirability of countries giving each other mutual support where common interests were at stake and had dealt with questions from the Secretary of State for Trade on French policy towards GATT, Japan and protectionism in ~~that~~ spirit. On protectionism, however, he had felt it necessary to sound a note of warning against verbal escalation. Industrial exchanges with Spain had also been discussed. Where differences existed on trade policy matters, Mr. Jobert thought it better not to reduce them to the level of everyday squabbles. If one did so, much could be said on both sides. M. Jobert added that he had discussed the Guangdong nuclear power project with Lord Cockfield and had agreed that close contact should be maintained between the French and British Governments. The two sides needed to speak the same language. The

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next visit to Europe of the Chinese Minister responsible for light and power would give an opportunity for both Governments to ensure that they kept each other fully in the picture.

20 Lord Cockfield reported that he had found his discussions with M. Jobert both interesting and illuminating. The Ministers had almost fallen into the trap of discussing principles instead of real problems, against which President Mitterrand had earlier warned them. The two Ministers had looked for common ground on Japan and the application of the Community's 1970 Agreement with Spain. Lord Cockfield said he had made a point of expressing the anxieties felt in Britain about the potential effects on trade within the Community of the measures announced by the French Government on 20 October to improve external trade. The Community consisted of a single market, as M. Delors had said. Britain wished to see that market develop with regard to both goods and services. Oil apart, France currently had a substantial trade surplus with the UK. It was in this context that he had wished to sound a warning against the possibility that the measures announced by the French Government ^{might have a} ~~should have any~~ damaging effect on trade between the two countries to which we attached great value, as well as on intra-Community trade in general.

21. President Mitterrand intervened briefly to say that the French Government was, as Britain knew, particularly worried about imports from Japan. He considered it essential for the Community to decide what it wanted to do about this problem before the European Council met at Copenhagen. His Minister of Foreign Trade had said little about protectionism in his account of his meeting with Lord Cockfield, and ~~He~~ suggested that partners should ~~not~~ avoid ~~unnecessary~~ hypocrisy ^{on the subject}.

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AVEAT.....

22.
~~4. At President Mitterrand's invitation,~~ Mme Cresson
gave an account of her talk with Mr Walker. ~~In a general~~
^{introduction, she} introduction, ~~she~~ She said that French public opinion attached
importance to the CAP. On balance it had been successful.
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objective on the one hand ^{and} economic self-sufficiency on
the other. The present system was somewhere between the
two; in France's view Europe should be open to the
outside world, but import costs needed to be reduced.

23
2. Turning to specific points discussed with Mr Walker
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but she remained hopeful. The French Government had
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By Mme Cresson regretted the lack of progress in Brussels on agricultural aspects of enlargement. France attached particular importance to securing satisfactory regimes for Mediterranean products in advance of enlargement. Finally, she referred to the UK's positive MCAs which she claimed gave British farmers an unfair advantage in selling cereals and milk.

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26.

There was a need for better surveillance of national aids ~~with a common agricultural price system,~~ ^{to avoid market distortion.} such aids distorted market operations. On poultry, ~~the ECJ~~ ^{Court} had ruled that the UK health measures were legal, though Britain had been asked to consider with the Commission the possibility of a less restrictive import policy. Britain had followed this up without delay, ~~and details of the new British requirements had been passed to the French as rapidly,~~ ^{French} and their difficulties in meeting the labelling requirements had surprised him. Mr Walker noted that wine consumption was increasing in the UK.

27.

~~52~~ Summing up, President Mitterrand commented that it was inappropriate for EC partners to proceed by wrangling on trade matters. Difficulties such as those over poultry ought to be fully discussed; otherwise there was a risk of hypocritical protectionism developing.

28.

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128
 M. Chevènement described his discussion with Mr Jenkin about industrial collaboration. The Fast Breeder Reactor was an important subject for long term collaboration. The French were waiting for a British response to their proposal for collaboration. He noted that the UK were using American technology for the PWR and that British industry might well follow Framatome's example and gradually make themselves technologically independent of the US in this field. On the nuclear power station for Guangdong, he mentioned the possibility of a joint bid.

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[VALEO]

/Both

Both countries were anxious to ensure that the Community's quotas were respected and views on ~~the~~^{the} matter in general had been very close.

30
Mr Jenkin remarked on the frank and useful discussion that he had had with ^{M.} Chevènement and emphasised four main points:

(a) The question of new partners for Airbus was a matter for the existing partners and not for AI.

(b) The news from Lord Nelson in Peking was that Li Peng would tell the French during his forthcoming visit to Europe what the Chinese told the Prime Minister about their preference for an Anglo/French project at Guangdong.

(c) He welcomed Chevènement's suggestion of official talks on the future of Lucas/Valeo and their joint subsidiary, Ducellier.

(iv) The important economic and political consequences of the present situation in the steel industry made it vital for the Community's steel regime to be strengthened at the meeting in Elsinor.

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32 The overall spirit of the talks had shown ^{that} the two sides ^{was} so close that ^{he} ~~President Mitterrand~~ believed the only way for them to go faster now would be to have ~~extremely~~^{very} regular meetings between representatives of the two sides, Ministers and officials, perhaps once a month. ~~Because~~ of

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the closeness of the two countries, this would not be too hard and in any case it would only mean that each side had to make a journey once every two months.

34 The Prime Minister, in thanking the President, stressed again that they should not allow problems between the two countries to dominate relations. She agreed with the President's suggestion for meetings of their representatives.

The meeting ended at 12.40 pm.

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF FRANCE AT THE ELYSEE AT 0930 HOURS ON FRIDAY
5 NOVEMBER 1982

Present:

Prime Minister	President Mitterrand
Mr. Coles	M. Vedrine
Interpreter	Interpreter

* * * * *

Pipeline/US Sanctions

The Prime Minister said that we had made enquiries overnight about the problems raised by M. Cheysson the previous evening. It appeared that there was a misunderstanding. The United States had no intention of conducting separate negotiations with individual countries. They would deal with us jointly. President Mitterrand said that the point had arisen from a message received from the French Ambassador in Washington, following his conversation with Mr. Eagleburger. The general problem of the pipeline remained a difficult one for France. But as he had promised the Prime Minister the previous day, he would study the documents today. Current French instructions were that the idea of negotiation should not be accepted because the American position was unjust. He did not wish to give the United States any concessions in exchange for their removing gratuitous injuries to France. The Prime Minister said that she understood the French position. Her concern was to get the sanctions lifted.

European Community Affairs

President Mitterrand said that the affairs of the Community were not progressing well. This was not the fault of the United Kingdom, but of all the member states. Take for example the question of protectionism. All member states were practising sub rosa protectionism. It was not easy to determine who practised it most.

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There was protectionism both between member states and vis a vis external countries such as the United States and Japan who were themselves protectionist. Japan raised no official barriers to trade but managed in a masterly way to prevent entry to its markets. A large French glass-manufacturing firm had spent seven years in Japan before selling a single product. Only the strongest firms could wait for seven years before making profits. Most gave up well before.

France complained about United Kingdom protective measures in respect of poultry - and doubtless the United Kingdom had complaints about France. France had just entered the German beer market and the Germans had revived 16th Century legislation on beer. Italy used black market labour. There was a factory near Toulouse whose work consisted of changing French labels for Italian ones. There was a similar factory which changed Hong Kong labels.

It was essential that at the European Council in Copenhagen we all put our cards on the table and had a frank discussion. Member states should decide that there should be free trade among themselves. There was a climate of acceptance of protectionism.

Then there was a special problem with the United Kingdom. It had been the last country to join the Community. It had world-wide influence and special commercial and financial traditions. So integration was particularly difficult. France suffered from Common Market regulations on wine. Italy managed to produce wine with which no-one could compete. Their methods were wrong but France had also been wrong to close its frontiers to wine imports.

Finally, there was the particular problem of the British budget contribution. This had been raised by Britain and, consequently, by Germany. He had said several times that a solution would not be easy to find. We were both suffering from the world economic crisis which each was tackling in its own way. Two thousand million francs was a very heavy item in any budget. Britain had had remarkable^{success}/in reducing its budget deficit. It was not lower than

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that of France which until now had flattered itself that it had the smallest deficit of the industrial countries. Difficult decisions would have to be taken. Naturally, we all had selfish reflexes.

The Prime Minister said she would first address herself to the President's remarks on protectionism. We had to decide on our approach to GATT and we should also discuss the issues at Copenhagen. Next year's Economic Summit would be another occasion for discussion. At two previous Summits we had all been determined to tackle the Japanese but had somehow avoided raising the issue directly with them. She understood from OECD figures that Japan was likely to have a balance of trade surplus of \$17-20 billion this year. This would cause great resentment. The British people would feel that Japan was obtaining jobs that ought to be theirs. Like France, we found that we could not sell to Japan goods that we could easily sell elsewhere.

We were trying to deal with this problem through the Community but the Community moved very slowly and Japan played one member state off against another. We had generous voluntary arrangements with Japan. We had now said they would have to be tightened up. But many of their barriers were invisible. She had asked M. Jobert the previous day how France managed to confine the Japanese share of the French car market to 3% (the Japanese had nearly 11% of the British market). She understood that in about 1978 France had simply told Japan that they could have 3% and no more. Cars were not the only problem.

First, we should stimulate the Commission to take more forceful action. Then, we should have to confront the Japanese, especially in the GATT.

There were also problems with the NIC's whose wage costs were low and who did not have the same social security overheads as the industrialised countries.

/She recalled

She recalled discussion of these issues at Cancun when all had admitted that they operated barriers to trade. She would like to see these barriers reduced but we must take practical measures. We should avoid the replacement of existing obstacles by invisible barriers. It was very difficult to solve these problems at a time of world recession but the recession made a solution even more imperative. Otherwise, we should all retreat into protectionism. Countries like the United Kingdom, France and Germany had to export to live.

How was France approaching the GATT meeting?

President Mitterrand said that he had no firm ideas. France was concerned at the arrival on the European market of large quantities of US soya beans for animal feed. This was upsetting the internal market. France would approach the GATT meeting with an attitude of protest. It was ready to co-operate with any other country. But the existing Community regulations on these questions were not effective.

The Prime Minister commented that Japan presented particularly difficult problems because some EC members had arrangements which had been agreed before the Treaty of Rome and which they were able to keep. One effect of this was that the various member states had different arrangements with Japan which made it difficult for the Community to negotiate as a whole.

President Mitterrand said that we must aim at a thorough discussion at Copenhagen. This should be conducted in private. It might enable us to harmonise our positions before the GATT. Perhaps a semi-official document should be prepared for informal discussion at Copenhagen. The Prime Minister pointed out that the Copenhagen meeting would occur after the GATT conference had begun. President Mitterrand enquired whether we could carry out consultations before the GATT. The current Summit was a beginning. We should also involve Germany. He would raise these issues with the Italian Prime Minister who would be visiting Paris shortly.

/ The Prime Minister

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The Prime Minister suggested that French and British officials should meet to consider subjects of this kind in detail. France had special arrangements with Germany. We were not seeking formal consultations on that model. But we should like to have more meetings of officials so that we understood each other's minds - the meetings could deal not just with trade but with other subjects as well. President Mitterrand said that he was in favour of anything that made relations easier. Officials could report to the President and the Prime Minister each month. If they had to report, they would have to meet. It would be good to involve the Germans at some point. Agreements between the United Kingdom, France and Germany on these matters would have a weighty affect. As regards the GATT, we should perhaps aim at Franco/British talks before 20 November (though such talks could of course be carried on in the future as well). Before the Summit ended, the responsible Ministers might be asked to designate the officials who would meet and to name a date. Germany could be brought in later.

Reverting to Copenhagen, the Prime Minister said that there could then be an examination of internal EC trade problems. President Mitterrand said that he would prepare a paper on these matters. This would be better than leaving it to the Commission who would be liable to produce a paper criticising Member States and to give publicity to it. The aim should rather be to have an informal discussion among Heads of Government at Copenhagen, following which the Commission could be given particular tasks. It was for Heads of Government to decide these matters not the Commission. The Prime Minister agreed that this was probably the best procedure to follow.

She hoped that before the Copenhagen meeting, the Danes would have endorsed the approach of the Nine on a Common Fisheries Policy. President Mitterrand said that our cooperation on this question had been very good. The Prime Minister agreed. But the Danes must come into line. Their fishing practices were notorious. President Mitterrand said that this was a serious problem worldwide. African waters were pillaged by the Russians and the Japanese.

/ The Prime Minister

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The Prime Minister said that she hoped France would bring pressure on Denmark to accept the agreement. Otherwise national measures would be introduced and this would be bad for the Community.

Reverting to the EC Budget, the Prime Minister said that we intended to reopen the discussion. Anyone in our position would do the same. The question would become more urgent as expenditure rose and the resources to meet that expenditure became less adequate. A fundamental examination was necessary. It was wrong that the UK and Germany should finance the Community. She knew that solutions were not easy but solutions there had to be. As long as the problem persisted, the need for a solution would be there. She did not want to have to revert to the matter every two years.

President Mitterrand said that the problem was one of confusion between the Community and the Budget. The Community was a bigger matter than the Budget. Those who thought they were suffering from the Budget were not necessarily suffering from the Community. The Germans complained of the CAP and its method of financing but the CAP had enabled Germany to build up one of the most efficient agricultural sectors in the world. People failed to take account of benefits which did not appear in the Budget. The latter was a very small proportion of Community GNP. The Prime Minister had described the CAP yesterday as an artificial contract which left no scope for free competition. Clearly, France and Britain had different concepts of Europe. He did not see Europe as part of a world free trade system but as a protective system for Community countries. That was the spirit of the Treaty of Rome. It might be necessary for a number of agricultural products to be de-budgetised and covered by several agreements. The problem would grow as the Community became more involved with Southern Europe and as the one per cent ceiling was approached. He well understood that Britain continued to raise this problem. But it would take us into deep waters and an examination of the real nature of the Community.

The Prime Minister said that agriculture might be a small proportion of the Community's GNP but it absorbed between 60 and 70 per cent of the Budget. She agreed that we would come up against

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the one per cent ceiling. That would force a reconsideration of the Budget and of the operation of the CAP and might, as the President had suggested, lead to discussion as to whether some agricultural products should continue to be covered by the CAP. The one per cent ceiling problem would arrive anyway and would provide an opportunity for solutions.

She then enquired how President Mitterrand saw the problem of Spanish accession to the Community. President Mitterrand said that all Spaniards wanted Spain to enter the Community. The Prime Minister said that she hoped this was indeed the case. Entry was necessary to keep Spain democratic. President Mitterrand said that when he went to Madrid, he had been reproached for slowing down Spanish entry. But France merely wanted to protect its legitimate interests. It could not see the economies of Provence, Languedoc and part of Aquitaine demolished through the indiscriminate import of agricultural products. Wine, fruit and vegetables posed particular problems and an agreement on Mediterranean fishing was necessary. If suitable arrangements were not made, the jobs of 7-8 million Frenchmen would be put at risk. Spanish accession was a political necessity. But France did not want a Community which Spain had entered unconditionally. France reproached the UK for constantly applying vetoes and did not wish to have to apply vetoes on Spanish questions in the Community in the future. The Commission must speed up its work on the transitional period for Spain. He had to have a clear picture of the likely effects of Spanish entry. The industrial problems were less great. They involved steel, textiles and leather. France had commercial agreements with Spain going back to 1970. These gave Spain advantages and were therefore a card in the French hand. Some regions of France favoured Spanish entry. He was not against this. In principle, the problems could be settled in a few months. But current progress was slow.

The Prime Minister said that we had a particular problem with Spain over cars. The 1970 agreement allowed them to impose a tariff of 37% whereas we could only impose a tariff of 4%. President Mitterrand expressed surprise at these figures.

/ The Prime Minister

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The Prime Minister enquired whether the President viewed the Spanish problems as fundamental or transitional. President Mitterrand said it was of a transitional nature. It was necessary to be realistic. One could not write everything down in advance. But the transitional period must be a long one as regards agricultural products. He had earlier agreed with Spain that there should be meetings between Foreign and Agricultural Ministers to try and move things forward. But these arrangements had been upset by political events in Spain. He hoped that such meetings could resume early next year. France could simply not bear the shock of Spanish entry without a shock-absorber.

The Prime Minister asked how long the President thought it would take to reach agreement. Was he thinking, for example, of 2 years? President Mitterrand said that he envisaged a shorter period. Portugal presented no problems except/^{that} it was difficult to admit her without Spain. The Prime Minister commented that it was very important that Portugal should enter as soon as possible. Italy would also be affected by Spanish entry. President Mitterrand agreed. Mr. Spadolini had adopted a very Italian position. Italy was encouraging France to resist Spanish entry while the Spaniards thought that in Italy they had an ally against France.

Terrorism

President Mitterrand said that the Basque problem posed great difficulties. There was now a real war in progress similar to that in Northern Ireland. He was taking a tougher attitude than had his predecessors. There was now an agreement between frontier police. France was arresting terrorists and imprisoning them though there were difficulties with the judiciary. Terrorists had not yet been extradited - that would present big problems. The main Basque terrorist leaders had been arrested and would not be released for some time.

The Prime Minister recalled that the French Minister of the Interior had visited London recently to discuss the problem of terrorism with the Home Secretary. President Mitterrand said that his Government had been much criticised by the French press for

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arresting three Irish terrorists. It was not France's job to deal with Irish terrorism but the fact was that international terrorists, whatever their objectives and political persuasions, were linked. They used the same channels for buying arms and obtaining false identity papers. The Irish terrorists in question had obtained identity papers from the same source as certain Red Brigade terrorists in Italy. He had noted differing attitudes as between the British police and the secret services.

The Prime Minister said that we would always be grateful for French action against terrorists. The problem of adducing evidence was a difficult one because of intimidation. But the more closely we cooperated against international terrorism the better.

President Mitterrand said that the French police network had been greatly improved in the last six months. Since 1979 there had been 150 anti-semitic outrages in France, 130 before his Election and 20 since. Until six months ago, no arrest had been made. But the first results were now appearing. Problems were created by those who released Middle Eastern terrorists for fear of reprisals. There were two adherents of Carlos in prison in France. He had received a letter from Carlos who had threatened that if they were not released there would be a terrorist attack each month. The President had rejected this threat and a serious outrage had occurred each month. For example, a train had been blown up, and a bomb exploded in the Champs Elysees. There would be others. But once one surrendered the consequences were grave. The Prime Minister entirely agreed; concessions always led to more terrorism.

The President said that of all the problems that had been covered, the one that remained outstanding was that of the British Budget contribution. He was not hostile to making a contribution. France might be in the same position as us one day. But there were two questions of principle: how much? and for how long? The Prime Minister said that we could not solve the problem now. But she agreed that any country might be in our position. We would expect that country to adopt our attitude.

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UNLOSC

President Mitterrand said that, like the Prime Minister, he had received Mr. Rumsfeld, President Reagan's emissary, who had asked France not to sign the Law of the Sea Convention. The Prime Minister said that the arrangements in the Convention for deep sea bed mining were very bad. It would be better to reopen discussion on those clauses before signature. Otherwise, investment in deep sea mining would not take place. There were other aspects of the Convention which we favoured. But she was very loath to put her signature to a Convention which contained such provisions as those on deep sea bed mining. An alternative course would be to sign but not to ratify but that was not a course she favoured. We were continuing to examine the matter.

The President said that France had decided to sign the Convention. He recognised that the mining provisions were objectionable. It was not a good idea to give to a United Nations body the responsibility of deciding who should have mining rights but France saw advantage in the other aspects of the Convention and had decided to sign.

President Mitterrand said that these personal contacts were very useful. He and the Prime Minister could not negotiate details but they could create the right atmosphere for negotiation. The Prime Minister said that it would be very useful for our officials to meet more frequently. President Mitterrand agreed. They should meet once a month in alternative capitals.

The discussion concluded at 1045 hours.

A. J. C.

5 November 1982

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10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

I enclose a note of the Bilateral discussion which you and I had with M. Attali and M. Bianco at the Elysee on Thursday, 4 November.

I am sending a copy to Antony Acland and Ken Couzens.

F.R.B.

5 November 1982

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SUMMARY NOTE OF POINTS MADE AT A MEETING AT THE ELYSEE PALACE AT 6PM
ON THURSDAY 4 NOVEMBER 1982

Present:

Sir Robert Armstrong

M. J. Attali

Mr. F.E.R. Butler

M. J.L. Bianco

M. Pierre Morel

Siberian Pipeline

M. Attali said that the attitude of the French Government was to try to enable the Americans to get off the hook of the present sanctions, but they were determined not to get into a position of bargaining with the United States. Now that the US Elections had happened, there would be less pressure on the Americans to reach an agreement, and they might not do so until December. Sir Robert Armstrong said that the British position was similar: we neither wanted to make any firm commitments which would damage our industrial interests, nor did we want to make concessions/unless we were sure that this would lead to the lifting of sanctions.

Iran/Iraq

M. Attali asked whether the British Government had any information about the prospects for the Iran/Iraq conflict, which the French Government regarded as very dangerous. A complex internal struggle appeared to be going on in Iran. Sir Robert Armstrong agreed that the conflict was very dangerous: the information of the British Government on Iran was not as good as it had been in the past, but we had no reason to suppose that the situation would change from one of deadlock.

/ Prime Minister's Far East Tour

Prime Minister's Far East Tour

Sir Robert Armstrong and Mr. Butler gave a brief account of the Prime Minister's visit to the Far East. On the Guangdong nuclear project Mr. Butler said that the Chinese had given the impression of leaning towards the Anglo-French project, subject to negotiating the terms.

Contacts between the British and the French Governments at official levels

Sir Robert Armstrong said that the Prime Minister would be mentioning to the President on the following day a suggestion that the British and French Government should develop closer contacts at official level, on the lines of those which existed between the French and German Governments. Such a development, if welcomed by the French Government, would be greatly assisted by a push from the top. M. Attali said that the President might well be attracted by this: he asked whether the British Government had in mind proceeding by treaty or by informal understanding? Sir Robert Armstrong indicated the latter.

European Summit:

M. Attali said that the French Government were concerned that the Copenhagen Summit might be taken up by a wrangle on the Budget and protectionism, and they did not think that this would be well regarded by public opinion. They suggested that a real effort should be made to identify specific agreements which the European leaders could reach, for example on the European Community borrowing on international markets to finance industrial development; specific items of technological cooperation from the list identified at Versailles; and a specific list of relaxations of barriers of intra-Community trade. Sir Robert Armstrong commented that it might not be possible to get further than agreement to study such projects, since the month before the next Summit provided little time for the necessary preparation. He said that there was interest in Britain in securing action on reducing barriers to trade with

Japan and with the newly industrialised countries; there were also certain specific problems; for example on the tariff on the import of motor cars to Spain, which might be dealt with by accelerating Spain's accession to the Community.

New Spanish Government

Sir Robert Armstrong asked about the French Government's attitude to the new Spanish Government and whether they thought it likely that Spain would leave NATO. On the last question, M. Attali said that he did not know, but thought it possible that the Spanish Government would do less than their pre-election rhetoric had suggested. The French Government would encourage them in this direction. There were close links between the new Spanish leaders and President Mitterrand and his party, but the Spanish were never predictable. There were a number of areas of instability, of which the murder of the Garrison Commander of Madrid by the Basques that morning was an illustration.

Economic Summit

M. Attali said that the French Government had been dismayed about the way in which the new date for the Summit had been arranged, and their present position was still that the President was not committed to going. As a matter of good manners they could not accept the way in which the Americans had handled the matter. Sir Robert Armstrong noted that, and said that it was unthinkable to hold the Summit without the French President.

On the procedure for the Summit, M. Attali said that, while President Reagan accepted in principle that the Summit should be informal, there were already disturbing signs that the Americans were making provision for vast numbers of members of the world press. The French had already said that they would not be prepared to attend another Summit in which statements were made to the press in the course of the discussions. (For example, that of Mr. Reagan at Versailles). They also thought it essential that nobody should be involved in drafting communiques, except the Heads of Government and the "Sherpas".

Anglo/French Relations

M. Attali said that the French Government were greatly hoping, at the present meeting, to remove the clouds in Anglo/French relations, eg over the Budget and areas of protectionism.

F.R.B.

4 November 1982

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NOTE OF A WORKING DINNER AT THE ELYSEE PALACE ON THURSDAY 4 NOVEMBER 1982

Present:

Prime Minister
Chancellor of the Exchequer
Minister of Agriculture
Secretary of State for Industry
HM Ambassador to Paris
Sir Robert Armstrong
Mr. F.E.R. Butler

President of the Republic,
M. Francois Mitterrand
Prime Minister, M. Pierre Mauroy
Minister for External Relations,
M. Claude Cheysson
Minister for Economy and Finance,
M. Jacques Delors
Minister for External Trade,
M. Michel Jobert
Minister of Agriculture,
Madame Edith Cresson
Minister for Research and
Industry, M. Jean-Pierre
Chevenement
Ambassador de Margerie,
M. J. Attali
M. J.L. Bianco

UN Debate on the Falklands

President Mitterrand suggested that the two sides might continue the discussion which he had started with the Prime Minister about the United Nations debate on the Falklands. The French Government had decided earlier that day that they would abstain on the motion. This was not because they regarded the issue of sovereignty as settled. They were in favour of negotiations. But when war broke out, France was not ready to say that Britain was wrong in the action/^{it}took. Although colonial association was out of date, the Falkland Islands did not have the usual characteristics of a colony: for example they were inhabited by people from Britain rather than by an indigenous population. The French Government were aware of a slight inconsistency in their attitude of abstaining when they were in favour of settling the issue by negotiation. But in their view the approach in the draft resolution prejudged the outcome. They had therefore decided that the right

/ course was

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course was to abstain, although they did not usually like in principle to abstain. They did not regard their attitude as a matter for negotiation with Britain, since it was right that France should take its own decisions in these matters. France wanted solidarity with its allies on substantial issues, and it also wanted cordial relations with South America. But in this difficult matter France had not wanted to be separated from Great Britain. Their major interest was in their relationship with their European allies, and it was up to Britain and France to improve that relationship. He invited M. Cheysson to report on the latest position in the United Nations.

M. Cheysson said that there had been a meeting of all European Community members shortly before lunch in New York. By the end of the meeting it was almost certain that the nine members, other than Britain, would abstain. The United States' attitude had shifted some votes in favour of the motion but he hoped that the Community position would shift some back towards abstention.

The Prime Minister thanked President Mitterrand for the decision of the French Government. She recalled his decisive attitude when the Argentines had invaded the Falkland Islands and the telephone call he had made to her on the first day. She had not forgotten the clear lead the President had given and never would. As regards the UN resolution, it was impossible for Britain to start negotiations now, having gone 8,000 miles to free their people in the Falklands and having lost 255 killed and 777 wounded. The Argentine resolution was an act of opportunism. They had broken off negotiations and invaded the Islands; it was cynical and opportunist of them, having failed in the use of force, now to wish to reopen negotiations. If they were successful it would simply encourage others to take a similar course. So Britain went further than France in its opposition to the resolution. Surely France would take a similar view if, for example, Mayotte was invaded. With most of their former colonies, the aim of the British Government had been to bring them to independence: that was clearly difficult in the case of a population of 1,800; but Britain would now try to develop the Falklands, and perhaps ultimately bring them to independence.

/ The British Government,

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The British Government, like the French Government, was in power through the decision of their electorate: they had every reason to stand up for self-determination.

The Prime Minister said that she had been utterly dismayed by the decision of the State department and of President Reagan to support the resolution. She attributed it to political expediency: the President would shortly be visiting three countries of South America. She did not believe in trading principle for expediency. She had sent that day a further message to President Reagan following a meeting of the British Cabinet, urging him again to change his decision. It would not be forgotten by the British for a long time if the United States voted for the resolution. She regretted this, because the British Government preferred to be at one with the United States, but this difference caused the British to value the friendly attitude shown by the French Government all the more.

European Budget

President Mitterrand said that the French Government felt that the Treaty of Rome was being interpreted unevenly among member states and that its terms had not been fully assimilated by the United Kingdom, if the United Kingdom thought that even temporary disadvantages had to be offset. The agricultural regime was insignificant compared with the concept of Europe as a whole. It would be wrong for any country to refuse contributions simply because it had a difficulty: any other country could find itself in the same position, and the introduction of the concept of unbearable burdens was dangerous. For example the inequality of France's industrial relations with Germany was also unacceptable: one third of France's foreign trade deficit arose from its trade with Germany.

The Prime Minister commented that trade deficits were not within the direct control of Governments, whereas the budgetary regime was. Trade balances depended on competition between industry. The agricultural regime, by contrast, was a protected system. The Minister of Agriculture added that agriculture was the only market

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organised on a community-wide basis. The Chancellor of the Exchequer said that the United Kingdom had absorbed the Treaty of Rome as part of British law. We had also absorbed the undertakings given at the time of Britain's entry to the Community but if unacceptable situations arose through the operation of the budget, they would be corrected. The Community had acted on this understanding in 1980 and in 1982 to correct the position and the British Government took the view that, having accepted the principle thus far, the Community should continue to accept it until a solution was found. The Prime Minister said that any organisation had to adapt to survive. She wanted the budget problem solved, because she was fed up with the difficulties which it caused.

President Mitterrand said that one of his difficulties was that he was dealing with friends and allies who took a forceful position on the basis of apparent logic. In 1½ years he had been nearly convinced by Britain's case, but then Germany had raised a similar complaint that they were losing out. Chancellor Schmidt had not been willing to be left behind by Mrs. Thatcher on this subject. The Prime Minister said that Germany had been hard hit by the recession and were perhaps less resilient than the British. Germany had had a good deal from the Community: for example, they enjoyed free trade with East Germany. But a new generation was arising in Germany, with less of a sense of guilt than the previous one, which would not accept the burden of paying large net contributions for the benefit of other members of the Community. It did not make sense that Britain should pay as much to the comparatively rich members of the Community as it spent on aid to the under-developed world. It was a question of equality and fairness, which had led the British Government to reach the understanding referred to by the Chancellor of the Exchequer as a sort of codicil to their Treaty of Entry to the Community, and the British Government was invoking that codicil now.

Agricultural Issues

President Mitterrand said that French farmers had had their best year for ten years. The Minister of Agriculture said that he hoped that this would be reflected in the French proposals on agricultural prices, and President Mitterrand acknowledged that

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their proposals would be lower than/the previous year. The President said that Madame Cresson had recently been in Moscow to negotiate a commitment to sell grain to the Russians: she had been surprised to hear from the Russians that President Reagan had told them that he was prepared to sell 23 million tons of grain to the Russians, which was more than the Russians needed.

Siberian Gas Pipeline

President Mitterrand said that he had discussed with Mrs. Thatcher earlier in the evening the French and British attitudes towards the talks on ending the United States sanctions, and it was clear that the British and French positions were very close. Both sides agreed that it was a matter of helping the United States to end the deadlock, and Mrs. Thatcher had urged him to be flexible. The Prime Minister said that, if the sanctions were not removed and the United States ban on licensing and on the export of certain essential items remained in place, vital European exports would be affected. It was therefore in the interests of Europeans to get the sanctions lifted, and the opportunity to do so might not be available for long. If the price of getting sanctions lifted was the establishment of working parties which carried no commitment, she thought that the price was worth paying.

President Mitterrand commented that the attitude of the United States was like a man who had stolen your watch and said that he would return it if you would give him your watch. The Prime Minister said that the position was more like a man saying that he would give you back your watch if you would discuss giving your watch, without any commitment. M. Cheysson said that the French Government had two substantial difficulties. They were not prepared for the discussions on the limiting of credit to be restricted only to public credit. Second, they had recently heard that the Americans were proposing to undertake bilateral discussions with each country individually about the lifting of sanctions, and in the French view this was unacceptable. The Prime Minister said that the reports about the American attitude were not clear: her understanding had been that, if the Europeans agreed to the terms now being discussed, all retrospective orders could be lifted in two days. President Mitterrand

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remarked that he had hitherto refused to read the paper prepared by Mr. Shultz, but following his discussion with Mrs. Thatcher, he would do so.

Industrial Co-operation

President Mitterrand said that, if there was more co-operation between European countries in producing the goods which the Americans were now withholding, such problems would not arise. The Prime Minister agreed that specialisation in European countries contributed to the problem. The Secretary of State for Trade added that Western Europe depended on United States technology for many things other than those involved in the Siberian Pipeline.

M. Chevenement said that there were a number of promising areas for European co-operation, for example the fast breeder reactor and the airbus. In reply to a question from the Prime Minister, he said that the French fast breeder was expected to come on stream within a year, producing 13 hundred megawatts of electricity, a five-fold increase on the prototype.

The Secretary of State for Industry said that there was a distinction to be drawn between co-operation on the airbus and the ending of dependence on United States technology. Co-operation on the airbus depended on whether the airbus was a viable commercial project. But in his view, there was a need for Europe to consider, over a wide range of goods, how they should deploy their efforts in order to manufacture in Europe and achieve greater independence from the United States. He thought that the knowledge that Europe was making efforts to become independent in this way would have an important effect on attitudes in the United States. The Prime Minister added that time and again it was discovered that crucial pieces of new products depended on United States technology: one example was the 128k silicon chip.

M. Chevenement commented that there was scope for regular industrial co-operation between European countries in more fields than research and development. For example, British

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firms had made marketing agreements with Japanese firms which might have been made with European firms. The agreement with Westinghouse on nuclear technology provided another example. As regards the airbus 320, he commented that this was not only a commercial issue. While it might be difficult to attract orders in the present dull market, the airbus would be flying to the year 2020. There was only likely to be two manufacturers of narrow-bodied aircraft, and the question was whether the United States should be left with a monopoly.

F.R.B.

5 November 1982

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RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF FRANCE AT THE ELYSEE AT 1800 HOURS ON THURSDAY, 4 NOVEMBER 1982

Present:

Prime Minister

President Mitterrand

Mr. Coles

M. Vedrine

Interpreter

Interpreter

President Mitterrand opened the conversation by describing the programme for the Summit. He regarded the discussions which he would be having with the Prime Minister as being both with Great Britain and with her personally.

The Falklands

The Prime Minister said that she wished to thank the President for his decision to abstain on the United Nations General Assembly Resolution on the Falklands. She was grateful for this support. France always stood by its friends in time of need. President Mitterrand said that he had today made known his decision. He had wished to avoid this becoming a matter of negotiation during the Summit. As to the substance of the Resolution, if it were merely a question of inviting the United Kingdom to negotiate with Argentina, or even of giving the UN Secretary General a mission of good offices, France could accept the text. But the preambular paragraph referring to a colonial situation amounted to denying Britain its rights before negotiations opened. It was a way of condoning Argentine aggression. The French position was difficult because France valued its relations with Latin American countries. But its friendship with the United Kingdom was even more precious. He believed that other European countries, and other countries elsewhere in the world, would be likely to follow France in its abstention.

/ The Prime Minister

The Prime Minister commented that both Britain and France had a residue of colonial territories. Those territories tended to remain colonial because their people wanted it that way. President Mitterrand said that he should make it clear that he believed that the question of sovereignty over the Falklands was a legitimate subject for discussion. But the Resolution prejudiced that discussion. It was not right that the United Kingdom should be designated the guilty party before the debate began. The Prime Minister suggested that it was not necessary to enter into the sovereignty issue during her present talk with the President.

Organisation of the Summit

President Mitterrand suggested that the first tete-a-tete should be devoted to general international questions. The second tete-a-tete on the following day could deal with European Community questions. Matters relating to bilateral relations could be discussed in plenary. The Prime Minister agreed with this arrangement, commenting that the respective Ministers could deal with the bilateral issues in their separate talks.

Pipeline/US Sanctions

The Prime Minister raised the pipeline question. We were anxious to get sanctions lifted. There was to be another and fairly crucial meeting shortly. The pressure on President Reagan to lift sanctions was slightly weaker now that his Elections were over. But we wanted to maintain the pressure because the issue was important. We had taken a forthright stand on the sovereignty of contracts. Now, agreement seemed to be imminent on the non-paper put forward by Mr. Shultz. If agreement could be achieved, the existing sanctions could be lifted after a short delay. She understood that France still had one or two difficulties in relation to the non-paper.

President Mitterrand confirmed that this was the case. He had substantial reservations about the whole discussion. The American position was objectionable both in fact and in law. The United States had greatly exaggerated the importance of the issue. France had

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comparatively little trade with the Soviet Union - the trade in gas was not big business. Moreover, the balance of trade with the Soviet Union was heavily adverse. The Americans were making a mountain out of a molehill. As regards the legal aspects, it was not acceptable that the United States should treat France as though it was a colony. The licences given to French companies were French. Negotiations for the relevant contracts had been started several years ago under his predecessor. When President Reagan had enquired about his attitude in Ottawa, he had said that he could not go back on commitments given by his predecessor. He had repeated this statement in Yorktown when the Americans and French had celebrated their joint victory over the British. The French position was unacceptable. It was not a question of negotiation. The United States could do what they liked but France could not negotiate. He had told the French Foreign Minister that he did not mind discussions with France's partners about economic policy towards the Soviet Union. But this could not be seen as a condition for lifting the embargo. He was not disposed to be conciliatory on this issue.

The Prime Minister said that she was interested in protecting British interests. Contracts which had been made must be honoured. For that reason, we had ordered the British companies concerned to complete their contracts. A number of them would be in acute difficulty with regard to their exports to countries other than the Soviet Union because they were dependent on components from the United States. There was therefore a clear interest in securing the lifting of sanctions. She believed that the United States realised, as a result of the clear stand taken by the Europeans, that its policy had been wrong and politically ill-judged. The Americans were now looking for a way out. When the idea of joint studies had arisen we had made it quite clear to the United States that these would be without commitment as to the end result. The fact that we would participate in studies did not mean that we necessarily agreed that there were problems or that we wanted to find solutions. But we had agreed to go ahead as a means of enabling President Reagan to lift sanctions. On grounds of intellectual honesty, she was concerned that we would be participating in a study covering the export of oil and gas equipment to the Soviet Union.

/For there would

For there would be times when we would wish to export such equipment. The United Kingdom also had an adverse balance of trade with the Soviet Union. We had no intention of agreeing on anything that was contrary to our interests. But it was in our interest to get the sanctions lifted and to end the dispute with the United States. We had used the argument with the Americans that the Western Alliance was an Alliance of free countries - it was not the Warsaw Pact. She believed that President Reagan and Mr. Shultz were now in a mood to lift sanctions. If we did not take advantage of this mood, the opportunity might disappear. We should then be left with serious problems. We should lose a good deal of trade. We should have to consider manufacturing highly specialised technology but this would raise difficult issues and would take time. For all these reasons we had decided we must try to help the United States to help us.

President Mitterrand commented that the French negotiators on this matter had been instructed to maintain great reserve about the exercise.

The Prime Minister said that she believed that there was only one major point which worried France, namely the effect of the references to credit on the OECD credit consensus arrangements.

President Mitterrand said that, in the light of the Prime Minister's comments, he would examine the text of the non-paper, but he could not go beyond that.

Franco/German Talks on Security Questions

The Prime Minister said that she believed that during the last Franco/German Summit there had been considerable discussion of security matters. President Mitterrand said that in reality many issues had been discussed but the media had chosen to focus on the security issues. Chancellor Schmidt had raised these matters with him a year ago. Germany was situated between France and Eastern Europe. If France were to use its present generation of tactical nuclear weapons, the likely targets were on German soil. Any matter relating to the defence of German territory was of deep concern to France. Modern technology would soon enable France to have a

/ tactical

tactical nuclear force which could strike directly into the Warsaw Pact countries. At present, Pluton had a range of only 120 kilometres. But orders had now been placed for the Hades system. This would be available in a few years and would be able to deliver perhaps the neutron bomb over a range of 350 to 400 kilometres, thus reaching the German Democratic Republic and Czechoslovakia. This assumed that techniques which had not yet been practised could be successfully mastered. But on that assumption the whole nature of French strategy would change. With the present weapons, if for the sake of argument France wanted to carry out a nuclear strike on Soviet forces on German soil, it would have to move its nuclear forces inside German territory. It was therefore natural that there should be discussions with the Germans about the issue. For that reason, the two countries were reviewing arrangements which had fallen into disuse since 1963. These had provided for close military cooperation. He wished to stress that this was a transitional situation because France would soon be able to reach the Warsaw Pact countries without moving its nuclear forces forward. The Summit had decided there should be regular discussions between the Foreign and Defence Ministers of each country. For several years the problem of French nuclear forces operating from German soil could arise. Since France practised the policy of deterrence, it did not wish to get involved in a forward battle. There was a dilemma - if France used its weapons to defend Germany, it risked its own annihilation. On the other hand the security of France was wrapped up with the security of its neighbours. No-one had been able to reconcile these contradictions previously. But an attempt must be made to do so. It was necessary to arrive at concrete definitions.

Take the example of the 1st French Army in Germany. He had decided that its strength should not be reduced, whether in respect of conventional or nuclear arms. Until France possessed Hades, it must either wait for the enemy within its own territory or move into Germany. The latter required an arrangement with Germany. This did not mean that Germany would concern itself with French nuclear strategy and decisions. The start which had been made in resolving these problems might not appear to be significant but the end result could be important.

/ He had stated

He had stated in London that he would be favourably disposed to similar discussions with the United Kingdom about nuclear problems. Both France and Britain possessed a nuclear deterrent and were thus more engaged with the Soviet Union than was Germany. We needed to move towards security arrangements that could be implemented by the European countries themselves. He did not mean by that that we could dispense with the United States. Germany would certainly not agree to that.

The Prime Minister asked for clarification. The President seemed to be saying that when the new generation of nuclear weapons arrived, they would be able to reach East Germany and therefore a different situation would be created. But surely France was able now to mount a nuclear strike from aircraft or submarines. President Mitterrand replied that this would be to use a strategic weapon. France envisaged not exactly a strategy of graduated response but a flexible strategy. If it wished to fire a warning shot across the bows of an enemy, this could only be done by using tactical nuclear weapons. The Prime Minister said that her understanding was that France wished to discuss with Germany the circumstances in which tactical nuclear weapons would be fired. The President confirmed this. There was no reason not to involve Germany in such discussions. The Prime Minister commented that she believed that NATO agreements covered the circumstances in which we could use nuclear weapons on German soil. As regards Anglo/French talks about defence matters, she believed that our military advisers already had such discussions and that these would continue. President Mitterrand commented that we had every interest in going more deeply into these matters. If the United Kingdom and France had a good understanding, this in itself would be a deterrent. We were already capable of destroying an area of the Soviet Union larger than France. The United Kingdom was more constrained than France by NATO arrangements. France had more freedom of action. Our situations were therefore different but we should fill the gap by closer cooperation. The Prime Minister said she believed that there was already much cooperation in practice. The President agreed ^{that} this was good and it should continue. He had no reason to complain of the British attitude on this subject.

/ President Mitterrand

President Mitterrand said that he was utterly opposed to the inclusion in the Geneva talks of discussion of the French nuclear deterrent. Whenever the Russians raised this issue he gave a negative response. He had told Brezhnev twice, and the Soviet Ambassador more frequently, that the answer was no. The Prime Minister entirely agreed that this matter was not negotiable. The nuclear deterrent was the last defence of our respective countries. President Mitterrand observed that both the Soviet Union and the United States could go on reducing their nuclear armaments for a long time without harming their security. But if we reduced ours at all, our security disappeared. With regard to nuclear submarines, France would shortly launch a sixth and instructions had issued for work to begin on the seventh. The latter would be the more modern, in particular in its anti-detection equipment. It would not be ready until 1993/94 but this delay was necessary in order to secure really advanced technology. At present France had three submarines permanently on station but this number could not be assured. It was essential to be certain that three were permanently ready. This would amount to a significant strike force. The weapons had a range of 3,500 kilometres and the submarines concerned could use deep Atlantic waters.

President Mitterrand said that, as regards general policy, there was no difficulties of substance between Britain and France. There was sometimes commercial irritants and there were vestiges of rivalry from the colonial days: But these matters were not serious. Our concept of world security was very close.

World Economic Situation

The Prime Minister said that we were both affected by the world recession. We were also both concerned with the problem of trade with Japan and the latter's refusal to maintain an open market. The main problem we faced was how to get out of world recession. The situation had deteriorated since the Versailles Summit. That Summit had produced a good Communique and a useful working group on technology. But there had been serious developments since then, notably in respect of the world banking situation. We faced the prospect of weak markets in the developing countries and in some

/ of the oil

of the oil rich countries like Nigeria and Mexico. We needed an early meeting of the IMF in order to increase the available credit. President Mitterrand entirely agreed. We ought to double IMF credit. If we could not trade with one billion people in the developing world the consequences would be serious. The principal problem was indebtedness. The Prime Minister had mentioned Nigeria and Mexico. To these he would add Zaire and Brazil. These countries had followed very rash banking policies. The Prime Minister agreed but said that she was hesitant to blame the banks when Governments had persistently encouraged lending, especially to the developing countries. Natural prudence suggested that banks should not lend money to these countries now. So it was essential to work through the IMF where the adoption of sound financial policies could be made a condition of credit. President Mitterrand replied that IMF loans should ^{not} be used simply to prop up budget deficits or administrative expenditure but to promote productive investment.

The Prime Minister said that she believed that French banks were not very exposed at present. The President said that this was true. If there were a general crash, the direct effect on French banks would not be very significant. But this should nevertheless be avoided. France had enough difficulties already. The Prime Minister commented that British banks were not very exposed either. But if one part of the international banking system collapsed, the whole system would be damaged.

The Prime Minister said that it would be difficult to persuade countries such as Argentina and Mexico to accept the necessary conditions for IMF loans. Brazil had followed a relatively sound policy and there was therefore some chance of rescuing her from her difficulties. Argentina was different. She had noted that it used its precious foreign exchange to purchase weapons. If either Argentina or Mexico devalued neither France nor Britain could escape the consequences. President Mitterrand agreed that the secondary effects would indeed be damaging.

In conclusion, President Mitterrand said that there were no serious diplomatic problems between our two countries. On vital

/ issues,

SECRET

- 9 -

issues, France always tried to achieve solidarity with Britain. Franco-British solidarity was one of the keys to solving world problems. He was more worried about European Community problems and the effect these had on our relations. These problems could be discussed the next day.

The discussion ended at 1900 hours.

A. J. C.

4 November 1982

PRIME MINISTER

PRESS CONFERENCE

You are committed to two media engagements today:

- a joint press conference at the Elysee with President Mitterrand (for which there is a draft speaking note at Annex I); and
- British radio and TV interviews (BBC, ITN, IRN in the Ambassador's Residence

I have arranged to brief the British and French press separately after your joint press conference. As only half an hour has been set aside for the joint press conference I suggest you should go along with any proposition from the French to restrict the press conference to statements - ie no questions, as with Chancellor Kohl.

Essential background

The media, whether British or French, approached this summit with bloodsport in prospect. They foresaw rows over:

- the UN Falklands debate (on which they are frustrated);
- the EC Budget, with the French telling the British to get lost;
- bilateral issues (over Airbus, Chunnel)

By early this morning they had been frustrated except on turkeys where the French were making an inordinate fuss over the conditions (including size of label) attached to the turkey settlement.

BUT The media are extremely suspicious because the French abstention on the UK Falklands vote and our move on turkeys (to use a shorthand) have come together. They see the ingredients as a conspiracy to make this bilateral appear harmonious.

However, they are puzzled because I have refused to throw our cap over the windmill because the French won't support the Argentinians

/(but won't support us,

(but won't support us, either) and because Mme Cresson is raising every conceivable objection to the conditions (including a sticker 4cm x 2cm) attached to our turkey proposals.

In short, the media don't know what to make of it and are even more confused because they find it difficult to believe that the British (Conservative Mrs. Thatcher) could ever be totally cosy with the French (Socialist M. Mitterrand). The sophisticates recognise all the symptoms of a lack of trust between the participants. This, and the usual Anglo/French rivalry, is how the bilateral is being perceived in advance of your press conference. It will, however, be coloured by Mr. Pym's reaction to the UN vote, assuming we have the vote and he reacts before your press conference. A draft of his proposed remarks is at Annex II.

Objectives:

You have a vested interest in coming out of this bilateral with a good relationship with the French, notwithstanding our EC problem; an enhanced European cohesion; and the least damage to Anglo/US and Euro/USA relations that circumstances allow.

This means that you face difficult aerobatics. I know that your prejudices are against the French and for the Americans and that circumstances dictate absolutely the opposite performance.

But what matters in the end is the public view of the Alliance and in British electoral terms the EC (regardless of what you may say bluntly in private).

Other considerations:

I know of only one domestic issue. Mr. Biffen, at his Thursday Lobby, spoke of magnanimity to the health service workers. This is fine in the sense that it labels them with defeat. But magnanimity has its price. I think you should be pretty tough, if asked a question on this, notwithstanding Mr. Biffen and the extra 0.5% available for nurses.

/ Finally,

Finally, the media are in the business of conflict. That is what they are seeking here. Whatever your feelings, an image of conflict will not serve your overall purpose, though being nasty to the French does have electoral dividends at home.

Please see draft press conference speaking note at Annex I.

Bernard Ingham
4 November 1982

ANNEX I

PRESS CONFERENCE

DRAFT SPEAKING NOTE

This has been a very useful, businesslike and friendly bilateral between our two Governments. And the second between President Mitterrand and myself.

I am grateful to the President for being such a helpful and interesting host.

My visit got off to a good start when on arrival I learned that the French Government had decided to abstain in the UN vote on the Falklands.

I appreciate the fact that 7 out of the other 8 members of the Community also declined to support the Argentine. This demonstrates the increasing cohesion of the Community - a development which is very satisfying and encouraging.

I do not need to comment on the US vote for the resolution. This is very disappointing. It gives all the wrong signals to the Argentine. But least said soonest mended.

Therefore let me turn to Anglo/French matters.

President Mitterrand and I have discussed a wide range of issues, as you would expect during our annual bilateral.

Apart from the UN vote on the Falklands motion -

- East/West relations, taking in the Siberian gas pipeline, defence and security;
- International economic issues
- European community issues, including the Budget and the trend towards protectionism in the world.

/ I have

I have already dealt with the Falklands motion in the UN.

On East/West relations, there is clearly a great deal of accord between our two Governments and we each reaffirmed our commitment to peace through freedom and security. I regard President Mitterrand as a staunch, reliable and uncompromising ally in defence of democracy.

We all of us hope that an early settlement may be found to the Siberian gas pipeline dispute. This has done none of us any good, apart from the Soviet bloc, and we clearly ought to get things sorted out as soon as possible.

We also discussed European Community issues and I made my position very clear: with, I trust, the 1982 budget settlement behind us, we need to resolve at the earliest opportunity the inequity in the European budget which causes the UK to pay into relatively prosperous Europe at least as much as we allocate to aid for the developing countries.

That inequity - and also the inequity to Germany as the other paymaster of Europe, cannot go on. The longer it does, the less cohesive and dynamic the European Community is.

I hope that we can move to an early and lasting solution to the Budget problem within the Community's existing patterns. It is in the Community's interest - and France's interest - to do so for the unfairness of the present budget system is there for all to see.

Subsidised butter sales to Russia merely confound the felony of the CAP. We must, for our own sakes as members of the Community, devise a better and more equitable system.

Having said that, this was a hard working, serious and useful bilateral and I am grateful to President Mitterrand for his hospitality and views.



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RECORD OF A DISCUSSION AT THE MATIGNON AT 6.30 PM ON THURSDAY
4 NOVEMBER, 1982

Present:-

Chancellor of the Exchequer
Secretary of State for Industry
Secretary of State for Trade

M. Pierre Mauroy - Prime Minister
M. Michel Jobert - Minister of Foreign Trade
M. Jean-Pierre Chevènement - Minister of Research and Industry
M. Jacques Delors - Minister of the Economy

1. M. Mauroy said that the French government had taken office pledged to a policy of economic growth. The method adopted had been one of encouraging the productive elements in the economy, through an enlargement of the public sector. The world recession had however delayed progress. The forecasters had predicted that economic recovery would start in early or mid-1982. It had not, partly because of the damagingly strong dollar. A policy of rigour was accordingly being pursued in France. Hopes of 3 per cent growth in 1982 had been dashed, but inflation was being brought under control. The rate would be down to 10 per cent by December, and 8 per cent in 1983. The price freeze had been a considerable success. The increase in unemployment had also been stemmed: the level had stabilised at around 2 million. The major concern now was with the balance of payments. Reflation in France had proved highly successful for Germany, and German exports. The French Government were determined to reduce their balance of payments deficit by F.30 billion in 1983. They would of course respect the rules of the game, but action was essential. And they hoped that, vis-à-vis the outside world, the Community would be ready to be pretty rough.

2. The Chancellor said that the UK and French Governments shared the objectives of securing renewed growth and turning the tide of unemployment. Current French successes against inflation were much admired in London. The French experience



of a price freeze reminded him of his own experience a decade ago as the Minister responsible for policy on prices, and he recalled that Lord Cockfield had then been Chairman of the Price Commission. The policy had had mixed results; and from 1979 the new Conservative Government had in fact chosen to abolish most controls. The UK inflation rate had now fallen to 7 per cent from a peak rate of 22 per cent, and should reach 5 per cent next year. But, as in France, growth remained elusive. We had hoped for 1.5 per cent growth this year, but would get only some 0.5 per cent. The Germans of course were getting none this year. We now hoped for some 1.5 per cent next year.

3. The Chancellor went on to suggest that Anglo/French agreement would be useful in a number of fields. First, since we all suffered from the direct effects, and the effects of the world economy as a whole, of high US interest rates, it was in all our interests to encourage the US Administration to tackle the problem of its budgetary deficit. Secondly, some strengthening of the international financial institutions, and increases in the resources available to them, would buttress confidence. Thirdly, the Community must indeed agree to flex its muscle on trade issues, e.g. vis-à-vis Japan; though equally it was important that Community countries should not, through protectionist measures, damage each other.

4. Finally, the Chancellor referred to the problem of the UK contribution to the EC budget. M. Mauroy had described the current French balance of payments problems. For the UK the EC budget problem seemed permanent. Without a corrective mechanism, along the lines agreed on 30 May 1980 and 25 May 1982, we should be paying an annual contribution of some F.12 billion to our richer Community partners, which would be absurd. A more satisfactory long-term Community financing arrangement was required. Stop-gap solutions were intrinsically unsound: we, and the Community, needed a solution that would last as long as the problem lasted.



5. M. Jobert said that in trade issues, and particularly in GATT, the key issue for discussion was whether the UK and France would act separately, or in step. He favoured joint action - not necessarily for ever, but certainly over the next critical period. At the GATT Ministerial meeting the right stance to adopt would be one which was "modern and combative". We should play down points of disagreement, bilaterally and within the Community, and centre on playing a joint hand with skill and determination. Within the Community, the Commission must be encouraged to fulfil its function of ensuring that the rules were enforced. The UK would not, he hoped, continue to be one of the countries breaking the rules.

6. M. Jobert referred to the forthcoming visit to Paris of the Chinese Vice-Minister for Water and Electricity, with whom there would be some discussion of the Guandong Nuclear Power Station. He would ensure that we received a prompt and accurate account of the discussions. He was not sure that the accounts which the French had received from us of similar discussions on this project had been either prompt or accurate. And it seemed, from what the Chinese had told the French, that the UK approach to credit for Guandong broke the consensus rules.

7. The Secretary of State for Trade said that he noted M. Mauroy's concern about France's external trade balance. He had also noted that neither M. Mauroy nor M. Jobert had discussed the Anglo-French trade balance. Excluding oil, the latter was tilted heavily in France's favour. This was not something which he had thought necessary to investigate until the measures announced in Paris in October had obliged him to do so, since they created a risk that the balance would be tilted still further. He looked forward to further discussions on this with M. Jobert. As for trade with the outside world, he very much agreed that the UK and France should keep in step. The UK trade deficit with Japan was very much larger than the comparable French deficit with Japan: there might well be lessons which the



UK could learn. All of us should seek an expansion of world trade, and ideally by opening up new trading opportunities abroad. Protectionism at home should where possible be resisted.

8. The Secretary of State for Industry referred to M. Jobert's remarks about Guandong. It was agreed that this issue would be further pursued over dinner.

9. The meeting ended at 7.35 p.m.

J.O.K.

J.O. KERR

4 November 1982

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FROM PARIS 041125Z NOV 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1044 OF 4 NOVEMBER 1982

YOUR TELNO 570: ANGLO/FRENCH SUMMIT

1. I FINALLY HEARD FROM THE ELYSEE ON TUESDAY THAT PRESIDENT MITTERRAND WOULD NOT HAVE TIME TO RECEIVE ME BEFORE THE SUMMIT. I THEREFORE ACCEPTED AN APPOINTMENT WITH BIANCO, SECRETARY-GENERAL AT THE ELYSEE, THIS MORNING.

2. THE ONLY POINTS OF SIGNIFICANCE TO EMERGE WERE:

(A) I SAID THAT WE WERE LOOKING FOR A POSITIVE OUTCOME FROM THE SUMMIT, BUILDING ON SHARED INTERESTS AS WELL AS TACKLING SPECIFIC DISAGREEMENTS. BIANCO SAID THIS WAS EXACTLY THE SPIRIT IN WHICH MITTERRAND WAS APPROACHING THE MEETING.

(B) WE AGREED THAT SUBJECTS ON WHICH WE HAVE SIMILAR APPROACHES, BUT WITH SCOPE FOR A USEFUL EXCHANGE OF VIEWS, INCLUDE EAST/WEST RELATIONS, WEST EUROPEAN SECURITY, THE RESOLUTION OF THE PIPELINE DISPUTE WITH THE U.S., MATTERS RELATING TO THE WORLD ECONOMY AND PROBLEMS OF DEBT ETC. BIANCO ADDED THAT MITTERRAND WOULD WISH TO TELL THE PRIME MINISTER ABOUT HIS TALKS WITH KOHL ON DEFENCE MATTERS: HE ENTIRELY AGREED WITH THE PRIME MINISTER'S FORMULATION ABOUT FRANCO/GERMAN AND FRANCO/BRITISH RELATIONS IN HER INTERVIEW

SHOWN LAST NIGHT BY THE FIRST FRENCH TELEVISION CHAIN.
DIRECT CONTACTS BETWEEN BRITAIN AND FRANCE ON DEFENCE MATTERS
SHOULD BE MAINTAINED AND DEVELOPED.

(C) ON COMMUNITY MATTERS BIANCO SEEMED TO THINK THERE WOULD
BE DISAGREEMENT ON BOTH THE BUDGET AND THE CAP. I SAID I THOUGHT
THE SPECIFIC DIFFICULTIES ON THE CAP, SUCH AS THOSE WHICH MME CRESSON
ADVERTISED YESTERDAY, COULD BE DEALT WITH BY THE TWO
MINISTERS OF AGRICULTURE. ON THE BUDGET WE SHOULD LOOK FOR
WAYS FORWARD TOWARDS AGREEMENT RATHER THAN DIGGING INTO
OUR RESPECTIVE TRENCHES. BIANCO INDICATED INTEREST.

(D) ON BILATERAL MATTERS BIANCO PICKED OUT THE FBR AS A SUBJECT
ON WHICH PROGRESS SHOULD BE POSSIBLE. I SAID THAT WE WERE STILL
CONSIDERING OUR LONG TERM POLICY OPTIONS BUT THAT THE SUBJECT
COULD OF COURSE BE DISCUSSED. BIANCO ADDED A SUGGESTION THAT
SINCE BOTH COUNTRIES ARE NOW MOVING RAPIDLY AHEAD ON
INSTALLING TV CABLE NETWORKS WE SHOULD CONSIDER A TV CABLE LINK
UNDER THE CHANNEL.

3. I AM REPORTING SEPARATELY WHAT WAS SAID ON THE FALKLANDS.

FRETWELL

NNNN

SENT AT 04/1205Z CT/AJM

Ambassador

Minister

H of C

C(I)

C(A&E)

C(F)

C(T)

Prime Minister's Party

Mr Butler

Mr Coles ✓

Sir R Armstrong

Sir A Acland

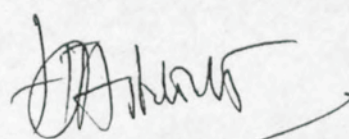
Mr Fall

Mr Carter

M. MAUROY'S SPEECH ON 5 NOVEMBER

1. I attach a copy of the speech drafted for delivery by M. Mauroy at lunch on 5 November. I dictated a translation by telephone to Mr Young in WED this morning.

4 November 1982


C O Hum

MADAME LE PREMIER MINISTRE,

CE SEPTIEME SOMMET FRANCO-BRITANNIQUE ME PERMET DE VOUS RENDRE A PARIS L'ACCUEIL SI CORDIAL QUE VOUS M'AVIEZ RESERVE IL Y A SIX MOIS EN ECOSESE PUIS A LONDRES A L'OCCASION ET A LA SUITE DE LA GRANDE MANIFESTATION ORGANISEE A EDIMBOURG PAR LE CONSEIL FRANCO-BRITANNIQUE.

A LA VERTU, CE QUI FRAPPE DANS NOS RELATIONS C'EST BIEN LA FREQUENCE ET L'INTENSITE DES ECHANGES A TOUS LES NIVEAUX, QU'IL S'AGISSE DES MEMBRES DU GOUVERNEMENT, DES FONCTIONNAIRES, DES INDUSTRIELS, DES SCIENTIFIQUES.

IL EST BON POURTANT -LES ENTRETIENS DE CE MATIN L'ONT PROUVE- QUE DE FACON REGULIERE ET UN PEU SOLENNELLE, DES CONSULTATIONS AU PLUS HAUT NIVEAU VIENNENT CHAQUE ANNEE ORDONNER CES INNOMBRABLES CONTACTS ET LEUR APPORTER, LORSQUE LA NECESSITE EN APPARAIT, UNE IMPULSION POLITIQUE ET DES ORIENTATIONS NOUVELLES.

NOS SEANCES DE TRAVAIL ONT EN TOUS CAS CONFIRME QUE NOS DEUX PAYS, VIEILLES DEMOCRATIES, PARTENAIRES AU SEIN DE LA COMMUNAUTE, MEMBRES PERMANENTS DU CONSEIL DE SECURITE, ONT BEAU- COUP A FAIRE ENSEMBLE.

CE CONSTAT VAUT D'ABORD POUR NOS RELATIONS BILATERALES. NOUS AVONS VU VOICI UN AN, PUIS DE NOUVEAU A EDIMBOURG, QU'UN VASTE CHAMP S'OUVRAIT, QU'IL FALLAIT DELIMITER, EXPLORER. LE BILAN AUQUEL NOUS AVONS PROCEDÉ CE MATIN NOUS CONFIRME DANS LE SENTIMENT QUE NOTRE COOPERATION N'EST PAS ENCORE AUSSI NOURRIE QU'IL SERAIT SOUHAITABLE. BIEN ENTENDU, DANS DE NOMBREUX DOMAINES -LE SCIENTIFIQUE, LE CULTUREL- LES RESULTATS DE NOS EFFORTS CONJOINTS NE SE VERRONT QU'A LONG TERME. BIEN ENTENDU AUSSI, LES PROJETS COMMUNS AUXQUELS NOUS POUVONS SONGER SE RESSENTENT NECESSAIREMENT DE L'EFFORT DE RIGUEUR FINANCIERE QUI, AU DELA DE NOS PHILOSOPHIES RESPECTIVES, S'IMPOSE EGALEMENT A NOS DEUX GOUVERNEMENTS. IL NOUS FAUT ENFIN FAIRE LA PART DE CHOIX PARFOIS DIFFERENTS QUI NOUS INSPIRENT DES SOLUTIONS QUELQUEFOIS DIVERGENTES A DES PROBLEMES ANALOGUES. MAIS C'EST FAIRE PREUVE D'UN EGAL REALISME QUE DE CONCLURE, COMME NOUS L'AVONS FAIT AVEC NOS MINISTRES, QU'IL EST DE NOTRE INTERET MUTUEL D'ALLER PLUS AVANT ET DE FACON PLUS CONCRETE, PLUS SYSTEMATIQUE, DANS TOUS CES DOMAINES. LA VOLONTE POLITIQUE NE SUFFIT PAS, MAIS ELLE SEULE PEUT VENIR A BOUT DES PESANTEURS.

AUSSI AFFIRMEE SOIT-ELLE, CETTE VOLONTE D'AGIR ENSEMBLE DOIT TROUVER UN PROLONGEMENT DANS LE CADRE EUROPEEN. DEPUIS DIX ANS NOS DISCUSSIONS AU SEIN DE LA COMMUNAUTE ONT PARFOIS FAIT RESSORTIR DES APPROCHES CONTRADICTOIRES: IL NE ME PARAIT SOUHAITABLE NI D'EN EXAGERER L'AMPLEUR, NI D'AILLEURS D'EN SOUS-ESTIMER L'ENJEU.

MAIS IL NOUS FAUT REALISER PLEINEMENT, AU DELA DE NOS APPRECIATIONS OU DE NOS CONCEPTIONS RESPECTIVES, QUE L'EUROPE EST POUR CHACUN DE NOS PAYS UNE DIMENSION ESSENTIELLE DE NOTRE ACTION ET, SANS NUL DOUTE, LE CADRE PRIVILEGIE D'UNE SOLUTION AUX PROBLEMES QUE NOUS AFFRONTONS. IL NE SUFFIT CERTES PAS DE LE PROCLAMER. C'EST UN EFFORT COMMUN D'IMAGINATION ET DE VOLONTE QU'IL NOUS FAUT ACCOMPLIR, AFIN QUE LA COMMUNAUTE AILLE DAVANTAGE A LA RENCONTRE DES PREOCCUPATIONS DE NOS PEUPLES ET REPONDE D'UNE VOIX PLUS UNIE A L'ATTENTE DE NOS ALLIES ET PLUS FORTE AU DEFI DE NOS ADVERSAIRES.

MON PROPOS S'APPLIQUE BIEN SUR A L'ECONOMIQUE. COMMENT, DANS LA DIFFICILE PERIODE QUE NOUS TRAVERSONS, NE PAS DONNER UNE PRIORITE A LA RESTAURATION DE LA CROISSANCE ET DE L'EMPLOI QUI SONT LES CONDITIONS MEME DE L'EQUILIBRE DE NOS SOCIETES, ET CECI EN AJOUTANT A NOS EFFORTS PROPRES CEUX QUE PEUVENT APPORTER L'EUROPE D'ABORD, MAIS AUSSI LES CERCLES PLUS LARGES DES PAYS INDUSTRIALISES ET DE NOS PARTENAIRES DU SUD.

JE SONGEAIS EGALEMENT A LA SOLIDARITE QU'IMPOSENT A NOS NATIONS LES CIRCONSTANCES POLITIQUES PRESENTES. IL AURA FALLU QUE VOTRE PAYS S'VOIE AMENE A SOUTENIR UN DOULOUREUX CONFLIT DANS L'ATLANTIQUE SUD POUR QUE CHACUN PRENNE CONSCIENCE DE LA FORCE DES LIENS QUI EXISTENT ENTRE DES ALLIES ET LES PARTENAIRES D'UNE MEME COMMUNAUTE. QUE D'AUTRES POINTS DE FRICTION SURGISSENT DANS LE MONDE ET CHACUN VOIT BIEN QU'ENTRE DEUX PAYS QUI SE RESSEMBLENT TANT, LA CONVERGENCE DES POLITIQUES EST FONDAMENTALE.

LE TOUR D'HORIZON MONDIAL AUQUEL NOUS AVONS PROCÉDÉ ET QUI REVELAIT, DU FAIT DE NOTRE EXPERIENCE RESPECTIVE ET DES RESPONSABILITES SPECIFIQUES QUE NOUS ASSUMONS, UN INTERET TOUT PARTICULIER, A CONFIRME QUE SI NOUS ENTENDIONS FAIRE PREUVE DE FERMIETE, NOTRE SOUCI CONSTANT ETAIT DE PRESERVER PARTOUT LES CHANCES DE LA PAIX. ''

CONFIDENTIAL

PRIME MINISTER

Anglo/French Summit

You have two discussions with President Mitterrand, both one hour long: the first as soon as we arrive in Paris (beginning at 6 p.m.), the second at 9.30 on Friday.

It has been agreed with the French that bilateral issues will be largely dealt with by the Ministers directly concerned. I suggest that you decide at the end of Thursday, after consulting the other Ministers (who will be assembling in the Residence for a late night drink), whether there are any bilateral issues which you should particularly raise with Mitterrand the next day.

You will almost certainly want to deal with the Falklands on Thursday rather than Friday. There is then a tactical decision to be made on whether you raise the more contentious issues on Thursday or leave them until the second discussion. In the brief checklist below I have therefore grouped the contentious and uncontentious questions.

Contentious Issues

Falklands

You will need to decide in the light of the latest situation how to handle the question of the UN vote. Our aim is a French abstention.

You might also thank Mitterrand for his help during the campaign and explore his intentions about arms sales to Argentina now.

EC Budget

Try to convince him that the UK, France and Germany should get together to work out a solution. Leave him in no doubt that he cannot have good Anglo/French relations while allowing the budget problem to drift on.

/Fish ...

CONFIDENTIAL

Fish

If he suggests further concessions to the Danes, make it clear that we cannot contemplate any.

Bilateral Trade

We need an assurance that the restrictive measures announced by France on 20 October will not affect our trade.

We had a deficit of £537 million with France in the first nine months of this year.

Uncontentious Issues

East/West Relations

We ought to see broadly eye to eye on:

- Poland;
- Pipeline;
- CSCE.

What are his impressions of the Soviet leadership and Soviet Chinese relations?

World Economic Situation

International debt.
International trade problems.

Defence Issues

INF.

Franco/German Summit.

Defence collaboration - we are ready to develop a closer dialogue on defence and include Germany if he wishes. We hope he will consider the combination of Transall aircraft and Nimrod electronics to meet France's airborne early warning requirement. This alternative to the American equipment would be a good piece of European cooperation.

Closer collaboration at official level.

Please see Mr. Hancock's minute attached.

/I also

CONFIDENTIAL

-3-

I also attach a letter from the Treasury about Sir Geoffrey Howe's speech at Brighton - which has riled the French.

A. J. COLES

3 November, 1982

CONFIDENTIAL

CONFIDENTIAL

Qz.02777

MR COLES

cc: Sir Robert Armstrong

CLOSER COLLABORATION BETWEEN THE FRENCH AND BRITISH GOVERNMENTS

We spoke about Mr Bone's minute to you of 2 November. You told me that you thought that the Prime Minister would prefer a draft with a sharper focus on a specific proposal. I attach:-

- (i) A revised version of the speaking note.
- (ii) A line for the press if the President and Prime Minister agree to the suggestion for talks at official level on two specific problems.

2. The structure of the attached draft is explained as follows.

Paragraph 1

3. This is intended to strike a chord in President Mitterrand's mind. We have received some indications that, even though he is determined to defend French interests as he sees them as stoutly as any of his predecessors, he does not welcome public confrontation with other members of the Alliance such as the United States and the United Kingdom.

Paragraph 2

4. As for paragraph 1.

Paragraph 3

5. This contains a reference to the working relationships that exist between France and Germany but explicitly denies that the United Kingdom is trying to dilute this relationship. Contacts between the French and German governments are far more frequent and intimate than those between France and the United Kingdom. The habit of informal consultation enables

CONFIDENTIAL

the two governments to settle their differences without putting the whole pattern of their relationship at risk by public confrontation. For example, we are informed through privileged sources that there was a violent row between Monsieur Jobert and Graf Lambsdorff at the last Franco-German Summit on the question of commercial policy. No hint of this episode has so far appeared in the press.

Paragraph 4 (i)

6. President Mitterrand has had to introduce restrictive policies in France to deal with their balance of payments crisis. He will be looking to the Copenhagen Summit for some Community support for what he is doing at home. He might very well welcome the offer of cooperation with the United Kingdom in working out an agreement on macro-economic policy which the Summit could reach. On action to help the young unemployed, French and British policies are close and discussions on this subject could also be harmonious.

Paragraph 4 (ii)

7. This is the real point of the initiative. The French line on the Community budget problem is at present totally incompatible with the policy of the British government. Yet we know that a number of officials in France have reached the conclusion that the present series of confrontations is damaging to French interests and have been reflecting on ways of securing a lasting solution. We believe that Monsieur Delors has put some suggestions to the President but we do not know what reception they received. Bilateral talks would enable us to learn more about French thinking so as to establish the basis on which a lasting solution might be negotiated. Our hope would be to organise similar bilateral discussions with the Germans thus paving the way to a scheme which would have the support of the three leading countries of the Community and could then be sold to the rest.

/Paragraph 5

CONFIDENTIAL

Paragraph 5

8. If the Prime Minister can secure the President's agreement in principle, Sir Robert Armstrong would be able to work out with Monsieur Attali how the discussions might best take place. We have far fewer problems of internal coordination than the French government. We should therefore fall in with their wishes. The most sensible arrangement might be:-

- (i) Macro-economic policy. Direct talks between the Treasury and the Tresor.
- (ii) Young unemployed. Direct talks between the Department of Employment and the Ministry of Labour in France.
- (iii) The Community budget problem. There are several possibilities, eg
 - (a) Talks confined to the Cabinet Office and the Elysee.
 - (b) A team drawn on each side from the Foreign Ministry, the Ministry of Finance and the Elysee/Cabinet Office.

After exploratory discussions at official level, the matter might be followed up in bilateral discussions at Ministerial level between the Foreign Secretary and Monsieur Cheysson and between the Chancellor and Monsieur Delors. There would be no need for the Prime Minister to become personally involved unless and until a proposition had been defined which could provide the basis for a solution.

D.H.

D J S HANCOCK

3 November 1982

DRAFT

CLOSER COLLABORATION BETWEEN THE FRENCH AND BRITISH
GOVERNMENTS

Speaking Note for the Prime Minister

1. Since we met in May, we have seen some successful cooperation between our two countries in Community affairs. We have settled the 1982 refund issue; we have worked together to secure a Common Fisheries Policy; and we have cooperated over commercial relations with the United States.

2. I believe that it would be beneficial to both our countries if we could build on this cooperation and establish even closer and better relationships. There will, of course, always be differences between us as between any two countries. But we need to resolve differences in a business-like way.

3. I do not wish to try to emulate or dilute the special relationship that exists between France and Germany. I am not suggesting anything dramatic like a treaty but rather an experiment in closer working relations. The experiment, if successful, could then be extended to other problems.

4. As a first step I suggest that we ask our officials to get together to consider two topical questions:-

- (i) What we should like to achieve at the Copenhagen Summit in December on the economic and social situation in the Community. We need clear results,

(not

not just another communique; but we must get the balance right. We share an interest in action to help the young unemployed.

- (ii) Possible ways of achieving a lasting solution to the Community budget problem so as to avoid confrontations like those that have damaged relations between us in the past.

5. If you agree to this suggestion, we might ask Sir Robert Armstrong and Monsieur Attali to agree a procedure for the discussions.

Line for Press after Summit if President agrees to the above proposal

The President and the Prime Minister have agreed to take steps to create closer working relationships between their two governments. The approach will be experimental and undramatic. The subjects to be treated will change from time to time according to need.

920 /
CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

3 November 1982

Dear John,

MB 4/11

Anglo/French Summit: 4-5 November

The Embassy in Paris have now reported that, contrary to earlier indications, the French Prime Minister may make a short speech at the lunch he is giving in Mrs Thatcher's honour on Friday 5 November. We have asked the Embassy this evening to seek further clarification. It may be that it will be light and insubstantial and not call for a weighty reply. But in case we hear at the last moment that M. Mauroy intends to touch on points of substance, we thought it might be helpful to you to have the enclosed notes which might form the basis for a reply. I will let you know the outcome of the Embassy's enquiries as early as possible tomorrow morning.

Yours ever,
R

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

QIC

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

2 November 1982

John [unclear]

*AR 9
h.c.*

Anglo-French Summit: Closer Cooperation
with the French

It was agreed at the Prime Minister's briefing meeting on 1 November that we should draft a possible line for the Prime Minister to take with President Mitterrand to encourage him to issue appropriate instructions to his officials that they should talk frankly and constructively with their British counterparts. I enclose a draft.

I am copying this letter to Sir Robert Armstrong.

[Handwritten signature]

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

ANGLO-FRENCH SUMMIT: CLOSER COOPERATION WITH THE FRENCH

POINTS TO MAKE

1. Bilateral Anglo-French consultation already well developed in many areas. But discussion at Summit level of particularly important or sensitive issues could benefit from more systematic preparation and follow-up. Encourage habit of consultation across the Channel and across the board.

2. For example, officials might now be asked to look at economic problems including inflation, unemployment and international commercial and financial relations including debt. Could also envisage official-level consultations on Community issues, including possible new ways of settling the Budget problem. Other subjects might emerge later. What do you think? Shall we each instruct our officials to work constructively with the other's?

BACKGROUND

3. We have had some indications from Elysée staff that President Mitterrand might respond favourably to proposals to strengthen bilateral consultation. There is an obvious interest on our part in reducing public confrontation where we can and in encouraging the French to develop their bilateral relationship with us so that it comes closer in spirit if not in structure to the relationship they have with the Germans.

SECRET



Mr. Coles ^{4.} ~~11~~ ²
Thank. I have shown
to Inspector Pease who confirmed
that Special Branch were aware of the
Foreign and Commonwealth Office assessment
and were acting
on it.

Prime Minister

London SW1A 2AH

To see. We will discuss
with the detectives.

2 November, 1982

FRB
3.11.

A.J.C. ²/₁₁

[Handwritten signature]

[Handwritten signature]

The Prime Minister's Security at the Anglo-French Summit

When Sir John Fretwell was in London last week he expressed concern about the Prime Minister's safety during the Anglo-French Summit in Paris on 4 and 5 November, in the light of recent terrorist incidents in the city. A threat assessment has now been carried out by the Security Service, a copy of which I attach. You will see that the assessment is that there is a 'substantial risk' to the Prime Minister and that 'the advance publicity which her visit is likely to receive increases that risk'.

I understand that the threat assessment will have been passed by Special Branch to Superintendent Cawthorne, the Prime Minister's Senior Protection Officer. It has also been sent to our Embassy in Paris. I understand that Chief Inspector Russell of the Prime Minister's Protection team has already left for Paris to liaise with the Embassy and the French authorities. Nonetheless, you may consider that the threat assessment should be brought to the Prime Minister's personal attention. I shall be showing it to Mr Pym, in tonight's box.

We shall of course keep a very close watch on the situation between now and the time of the Summit and shall let you know if there is any change in the assessment.

[Handwritten signature]
[Handwritten signature]

(R B Bone)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

SECRET

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1242</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Fall to Coles dated 1 November 1982</i>	
CLOSED FOR YEARS UNDER FOI EXEMPTION	
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Use the card for one piece/item number only

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e.g.

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PIECE/ITEM <i>49</i> (ONE PIECE/ITEM NUMBER ONLY)

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

1 November 1982

A J Coles Esq.
No.10 Downing Street
LONDON
SW1

Prime Minister has seen.

AC 3/11.

Dear John,

BRIGHTON, BUJUMBURA, AND THE ANGLO-FRENCH SUMMIT

The Chancellor would be grateful if you could ensure that the Prime Minister is fore-warned that President Mitterrand might, at this week's Summit, refer to a light-hearted passage in his Party Conference Speech at Brighton on 6 October.

I enclose the text of the passage in question, together with Paris telegram No. 951 of 7 October, which reports the reaction of the Elysee spokesman, then in Bujumbura. You will see that the spokesman saw the speech, rather curiously, in the Community Budget context.

Sir John Fretwell's advice at the time - Paris telegram No.950 - was as follows:-

"I do not think we need take the French reaction too tragically. If challenged, I propose to take the line that the Chancellor's comments were made on a Party Political occasion, and are part of the normal rough and tumble of political debate. It would, however, be helpful if you [the Foreign Secretary] or the Chancellor could find an opportunity to say something about French policy which Mitterrand could regard as redressing the balance after the Chancellor's strictures. Mitterrand tends to take this sort of thing to heart."

In an interview with "Les Echos" on 12 October, the Chancellor did in fact praise French efforts to control inflation.

I understand that, at last week's Foreign Affairs Council in Luxembourg, officials learnt that the Brighton Speech still rankled in Elysee circles. And the Embassy at Bonn have reported that during the Franco-German Summit on 21/22 October Mitterrand spoke at some length about the difficulties which the "British problem" over the Community Budget posed for France, and in this context surprised his hosts by referring to the Brighton Speech.

On Sir John Fretwell's advice, the Chancellor has written to Monsieur Delors, with a view to de-fusing the issue. (Sir John Fretwell will be seeing Monsieur Delors tomorrow and will hope to ensure that he sees the Brighton



speech in the proper prospective.) But the Chancellor thought that the Prime Minister should be fully in the picture, for it seems that if offence has genuinely been taken, it is in the Elysee.

A copy of this letter goes to Roger Bone.

Yours ever,
J. O. Kerr

J O KERR
Principal Private Secretary

CONQUEROR

V

+

CHANCELLOR OF EXCHQUER'S SPEECH AT BRIGHTON ON 6 OCTOBER

EXTRACT

Last year you may remember there was one exception. We were told that Socialist France had found the philosopher's stone - the answer to everybody's problem. From a government in which Mr Tony Benn and Mr Roy Jenkins might have found themselves equally at home. Communists in the Cabinet and claret on the Cabinet table.

Last year, France did what we have been constantly urged to do. More public spending. Higher wages. Bigger borrowing. More nationalisation. And what has happened?

Unemployment has continued to rise. And prices have gone up much faster than in Britain. The Franc has been de-valued twice. A triumph for Socialism!

Interest rates remain much higher than ours. And - TUC please note - a statutory pay freeze has been imposed. Another triumph for Socialism!

Social services are being cut. Taxation is being sharply increased. So are prescription charges. And I hear that they are putting up charges on hospital patients.

For Socialism, that must be the ultimate triumph :
the Arc de Triomphe!

Socialist economics are reaping their bitter harvest. Just as they always have here. And just as they would again if they ever had the chance.

GRS 150
UNCLASSIFIED
FM PARIS 071815Z OCT 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 951 OF 7 OCTOBER 1982
INFO PRIORITY UKREP BRUSSELS
INFO SAVINGATHENS BRUSSELS COPENHAGEN
THE HAGUE LUXEMBOURG ROME DUBLIN AND BONN

EC BUDGET: ELYSEE COMMENTS ON CONSERVATIVE PARTY CONFERENCE

1.

ACCORDING TO A REPORT IN THIS AFTERNOON'S LE MONDE, THE CHANCELLOR OF THE EXCHEQUER COMMENTED VERY CRITICALLY ON THE FRENCH GOVERNMENTS ECONOMIC POLICY, DESCRIBING IT IRONICALLY AS A TRIUMPH OF SOCIALISM, IN HIS SPEECH AT THE CONFERENCE ON 6 OCTOBER.

2. ASKED FOR HIS COMMENTS, VAUZELLE, THE ELYSEE SPOKESMAN IS QUOTED AS SAYING (FROM BUJUMBURA, WHERE HE IS ACCOMPANYING MITTERRAND): "IT IS UNDERSTANDABLE THAT AS A PARTY ACTIVIST THE CHANCELLOR OF THE EXCHEQUER CAN SPEAK AS HE WISHES. BUT, AS A MINISTER, HE WILL NO DOUBT HAVE TO CORRECT WHAT HE HAS SAID, IF HE REMEMBERS THAT MRS THATCHER STATED AT THE EUROPEAN COUNCIL THAT BRITAIN WAS ONE OF THE LEAST PROSPEROUS MEMBER STATES OF THE COMMUNITY". VAUZELLE IS SAID TO HAVE ADDED "HE (THE CHANCELLOR) WILL DOUBTLESS ASK FOR A REDUCTION IN THE AID WHICH FRANCE HAS GIVEN BRITAIN FOR THREE YEARS AND WHICH AMOUNTED TO MORE THAN 2 BILLION FRANCS IN 1982."

3. ADVANCE COPY TO PS /CHANCELLOR PLEASE.
FCO PLEASE PASS SAVINGS ALL
FRETWELL

(REPEATED AS REQUESTED)

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ERD
SIR J BOLLARD
MR MANNAY

COPIES TO:
H.M. TREASURY

FOBONN 27/28

OO BONN (FOR PM'S PARTY ON ARRIVAL)

GRS 260
CONFIDENTIAL
DESKBY FCO 281430Z
FM PARIS 281300Z OCT 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 1016 OF 28 OCTOBER 1982
INFO IMMEDIATE BONN(FOR PM'S PARTY ON ARRIVAL)

MIPT: ANGLO/FRENCH SUMMIT: 4 - 5 NOVEMBER

AGENDA FOR MINISTERIAL DISCUSSIONS

1. IN GENERAL THE QUAI DO NOT PROPOSE TO PUT FORWARD A PRECISE AGENDA FOR DISCUSSION BY EACH PAIR OF MINISTERS. THEY HAVE HOWEVER AGREED THAT THIS EMBASSY SHOULD ACT AS AN INTERMEDIARY WITH THE PRIVATE OFFICES OF THE FRENCH MINISTERS CONCERNED IN ORDER TO ENSURE THAT THERE IS GENERAL AGREEMENT ON THE GROUND TO BE COVERED AT EACH DISCUSSION.

2. SUBJECT TO THESE CONSIDERATIONS, THE QUAI HAVE THE FOLLOWING COMMENTS :

PRESIDENT MITTERRAND/PRIME MINISTER: THE QUAI HAVE NO FURTHER INDICATION OF THE PRESIDENT'S INTENTIONS. CHEYSSON/ SECRETARY OF STATE: THE QUAI SAY THAT THE MINISTER DOES NOT WISH TO BE BOUND BY ANY FORM OF AGENDA.

DELORS/CHANCELLOR OF THE EXCHEQUER: THE QUAI EXPECT A GENERAL DISCUSSION ON WORLD ECONOMIC AND MONETARY PROBLEMS.

CHEVENEMENT/SECRETARY OF STATE FOR INDUSTRY: THE QUAI HOPE THAT A NUMBER OF PRECISE BILATERAL PROBLEMS CAN BE DISCUSSED. THEY APPRECIATE THAT NOT ALL FALL DIRECTLY WITHIN THE FUNCTIONS OF THE SECRETARY OF STATE FOR INDUSTRY. NONETHELESS THEY HAVE PUT FORWARD THE FOLLOWING LIST:

CHANNEL FIXED LINK
CONCORDE
AIRBUS
NUCLEAR ENETGY:
(I) FAST - BREEDER REACTORS
(II) GUANGDONG NUCLEAR
(III) SIZEWELL
NON - NUCLEAR ENERGY
(I) NEW ENERGY SOURCES
(II) COAL
RESEARCH
TELECOMMUNICATIONS SATELLITES
SPACE

JOBERT/ SECRETARY OF STATE FOR TRADE: THE QUAZD AFDMJAVO CU DISCUSSION MIGHT FOCUS ON PREPARATION FOR THE GATT MINISTERIAL MEETING AND RELATIONS WITH JAPAN.

MME CRESSON/MINISTER OF AGRICULTURE: THE QUAI SUGGEST THAT DISCUSSIONS WILL COVER THE WHOLE RANGE OF AGRICULTURAL PROBLEMS, BOTH BILATERAL AND IN THE COMMUNITY.

3. PLEASE FORWAED ADVANCE COPIES TO NO 10 DOWNING STREET
AND PRIVATE OFFICES OF CHANCELLOR OF THE EXCHEQUER, SECRETARY
OF STATE FOR INDUSTRY, SECRETARY OF STATE FOR TRADE AND MINISTER
OF AGRICULTURE.

FRETWELL.

NNNN

Y

CONFIDENTIAL



FILE

RW
France

10 DOWNING STREET

From the Private Secretary

25 October, 1982

ANGLO/FRENCH SUMMIT

Thank you for your letter of 21 October. As I told John Holmes on the telephone this morning, the Prime Minister agrees that the proposed instructions to Sir John Fretwell should be despatched, subject to the amendment of line 14 of page 1 to provide that the words "and is determined that it should be a success" are deleted and that the sentence continues "and believes that it will strengthen still further the very close relationship which she and President Mitterrand already have".

The Prime Minister, in approving these instructions, commented that we shall be in difficulty with regard to the Channel Tunnel, since the French Government favour a restricted rail link which would not be suitable for us.

I am copying this letter to Richard Hatfield (Cabinet Office).

A. J. COLES

B.J.P. Fall, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

21 October 1982

Dear John,

Yes - but no

Prime Minister
Content will these instructions
to Sir John Fretwell?

Anglo-French Summit

A.S.C. 24/10.

At the meeting which the Prime Minister held on 18 October with Mr Pym, Sir Antony Acland and Sir John Fretwell, the Prime Minister agreed to consider draft instructions for a call by Sir John Fretwell on President Mitterrand to deliver an oral message from the Prime Minister on what she hoped to achieve from the Summit. I now attach, for the Prime Minister's consideration, some draft instructions in the form of a draft telegram to Sir John Fretwell in Paris.

There was discussion at the Prime Minister's meeting on whether or not it would be tactically right to give President Mitterrand advance warning of the subjects the Prime Minister wishes to discuss at the Summit. On balance Mr Pym thinks that it would be right to prepare for the Summit in this way. He thinks that the arguments on the EC budget are effectively put in the draft telegram, and that it would be worth mentioning the other subjects to President Mitterrand too.

I am copying this letter to Richard Hatfield (Cabinet Office).

Yours ever,
Brian

N.B. we shall be in

difficulty with the (B J P Fall)
Private Secretary

Channel Tunnel. They want
the restricted rail link and

AJ Coles Esq
10 Downing Street

that would not be suitable
for us not

OUT TELEGRAM

		Classification and Caveats	Precedence/Deskby
		CONFIDENTIAL	PRIORITY
ZCZC	1	ZCZC	
GRS	2	GRS	
CLASS	3	CONFIDENTIAL	
CAVEATS	4		
DESKBY	5		
FM FCO	6	FM FCO	OCTOBER 1982
PRE/ADD	7	TO PRIORITY PARIS	
TEL NO	8	TELEGRAM NUMBER	
	9	ANGLO-FRENCH SUMMIT: CALL ON PRESIDENT MITTERRAND	
	10	1. Please seek an early call on President Mitterrand and say	
	11	to him that the Prime Minister has asked you to call on him to	
	12	discuss the Anglo-French Summit on 4 and 5 November. You should	
	13	say that the Prime Minister is much looking forward to the meeting,	
	14	and is determined that it should be a success, and that it ^{will} should	
	15	strengthen still further the very close relationship which she	
	16	and President Mitterrand already have. The Prime Minister	
	17	believes it will be an important meeting, at which there will	
	18	be much to be discussed. While President Mitterrand is, of	
	19	course, the host, the Prime Minister has thought very carefully	
	20	about the subjects that might be covered and believes that	
	21	discussion might include the following points:	
///	22	(a)	Britain and France share a common approach to East/
//	23		West problems. The Prime Minister will want to talk
/	24		about their future, especially Poland, CSCE and
	25		Western European security issues, in particular INF.
		NNNN ends telegram	Catchword (b)
		BLANK	
		File number	Distribution
		Dept Private Office	Standard:
		Drafted by (Block capitals) BRIAN FALL	WED
		Telephone number	ECD(I)
			ECD(E)
			MAED
		Authorised for despatch	
		Comcen reference	Time of despatch

OUT TELEGRAM (CONT)

	Classification and Caveats		Page
	CONFIDENTIAL	PRIORITY	2

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 (b) The need to coordinate our approach to the US. The economic relationship with Eastern Europe is a key factor, with the pipeline the immediate issue. There is a common interest in Europeans working together.
 (c) The serious problems of international indebtedness, and other international economic issues.
 (d) Community problems will need full discussion. Again, we have a common interest in ensuring a sound basis for the community to develop and British Ministers have put forward a number of ideas in recent speeches. But we have a major problem in the Budget. The Prime Minister will want to explain the great importance she attaches to the Community's finding a lasting and equitable solution. She is very concerned that the true nature of the problems has not been fully understood by our partners: it is not a question of others paying Britain but our paying for expenditure in other member states.
 2. If Mitterrand seems disposed to enter into a discussion of substance on the budget you should ^{amplify} ~~amplify~~ the Prime Minister's thinking on the following lines:
 (i) the problem arises largely because of Budget expenditure on CAP and the relatively small size ? of British agriculture, neither of which is going to change much in the medium term.
 (ii) British citizens receive less benefit per head from Community spending than those of any other Member State, but are not among the more prosperous ^{while and} ~~and pay~~ ^{contributing more than} their full share to Community revenues.
 (iii) Britain's net contribution is now running at over 1500 mecu a year, nearly the size of our aid programme. That is a real transfer of resources from British taxpayers to the beneficiaries from

NNNN ends telegram	BLANK	Catchword Community
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OUT TELEGRAM (CONT)

Classification and Caveats

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PRIORITY

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Community expenditure in other Member States, including France. This cannot be defended to Parliament and the British people as equitable. It requires early and lasting correction and was foreseen in our accession negotiations. The Community has several times recognised the existence of an 'unacceptable situation'

(iv) This is not a transitional problem, nor a result of UK failure to adapt to the Community. We have adapted - 43% of our trade ^{is} with the Community now, compared with 30% before accession. Britain is not asking for a juste retour, nor is it seeking to undermine the own resources system or the CAP. What we are seeking is a budget arrangement which ensures that no Member State is asked to bear an intolerable and unfair burden.

(v) The Council agreed in May that such a solution should be found by the end of November and we are concerned by the lack of progress, both on settling the details of 1982 refunds, and on the wider problems.

3. You should conclude by asking whether the President would be content to see our discussions on 4/5 November concentrate on these topics. You might add that the Prime Minister attaches as much importance as ever to the bilateral collaboration projects. She discussed with the President at the last Summit and would like to check with him that he is content with progress on them. But she believes that the detail should be left for discussion between the Ministers directly concerned.

PYM

NNNN

NNNN ends telegram

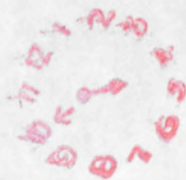
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Catchword

France, Anglo/French Summit

R-3

21 OCT 1982



v



10 DOWNING STREET

Prime Minister

UK agriculture $\frac{1}{2}$ is 2.1% of GDP

French " " 4.2% " "

A-F.C. $\frac{23}{10}$.

Faulk



Sir Antony Acland KCMG KCVO
Permanent Under-Secretary of State

Foreign and Commonwealth Office

London SW1A 2AH

21 October 1982

Sir Donald Maitland GCMG OBE
Permanent Under-Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

AR 23/10

h.a.

My dear Donald,

ANGLO/FRENCH SUMMIT, 4-5 NOVEMBER

Thank you for your letter of 15 October, which reached me on 19 October.

I enclose copies of the objectives for the Anglo/German Summit and the draft Steering Brief as it was considered at a meeting of Permanent Secretaries on 19 October. (A revised version is being prepared, which will also take account of the Prime Minister's meeting on 19 October with Dr Kohl.)

I agree that we should consider our approach to the Anglo/French and Anglo/German Summits in parallel. We have had this in mind in preparing drafts and most of those involved in preparing the Anglo/French Summit will have had a chance to look at the way we are proposing to tackle the Germans. We did not copy the Anglo/German Summit papers to you because, since this will be the first Summit with the new German Government, and will be fairly brief, we thought it unlikely that energy subjects would arise. They are not included on the list of subjects the Germans, as hosts, have suggested to us for discussion. But if any points strike you I should be very glad to know them.

I am copying this letter to the recipients of yours and I enclose copies of the German papers for those who have not already seen them.

Yours ever
Antony

Antony Acland



cc:

Sir Douglas Wass GCB
HM Treasury

Sir Frank Cooper GCB CMG
Ministry of Defence

Sir Brian Hayes KCB
MAFF

Sir Peter Carey KCB
Department of Industry

M D M Franklin Esq CB CMG
Department of Trade

Sir Peter Baldwin KCB
Department of Transport

R Butler Esq
10 Downing Street



France, Anglo/French Summit
P43

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TELEGRAM NUMBER 989 OF 20 OCT 82
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DUBLIN BONN

ANGLO/FRENCH SUMMIT PREPARATIONS: EC QUESTIONS

1. EVANS AND HANNAY VISITED PARIS ON 20 OCTOBER TO DISCUSS THE AGENDA FOR THE ANGLO/FRENCH SUMMIT. FOLLOWING IS AN ACCOUNT OF CONVERSATION ON EC QUESTIONS. FOR BILATERAL QUESTIONS, SEE MIFT (NOT REPEATED).
2. IN A GENERAL INTRODUCTION, PAYE MENTIONED FRENCH CONCERN THAT THE COMMUNITY HAD GOT STUCK. HE NOTED THAT MR PYM HAD SHOWN SOME SYMPATHY FOR CHEYSSON'S VIEWS ON THIS AT LA CELLE ST CLOUD LAST MONTH. THE SITUATION COULD BECOME MORE DIFFICULT IF NO CLEAR MAJORITY EMERGED IN THE FRG ELECTIONS AND THE GREENS HELD THE BALANCE IN THE BUNDESTAG. THERE WERE TWO GROUPS OF QUESTIONS FOR WHICH SOLUTIONS MUST BE FOUND,
 - (A) FINANCIAL AND BUDGETARY QUESTIONS, INCLUDING UK BUDGET REFUNDS, OWN RESOURCES AND THE BUDGETARY POWERS OF THE PARLIAMENT (WHICH MUST BE CLARIFIED BEFORE THE QUESTION OF OWN RESOURCES WAS RE-EXAMINED) AND
 - (B) ENLARGEMENT AND RELATED PROBLEMS - IN PARTICULAR, HOW COULD A COMMUNITY OF 12 FUNCTION EFFECTIVELY. THEY WERE TEMPTED TO ENVISAGE SOME FORM OF VARIABLE GEOMETRY DESPITE THE EVIDENT DIFFICULTIES OF BOTH PRINCIPLE AND PRACTICE.

ECONOMIC QUESTIONS

3. PAYE SUGGESTED THAT EC MEMBER STATES SHOULD AIM TO REACH A MINIMAL CONSENSUS ON ECONOMIC POLICIES, TO ENABLE THE EC TO ACT AS A CATALYST IN THE WEST - OTHERWISE THE CURRENT CRISIS COULD DEEPEN. THIS COULD NOT HAVE BEEN CONTEMPLATED LAST YEAR, AND WAS NOT ACHIEVED AT VERSAILLES. BUT NOW EVEN THE US WAS SHOWING A MORE PRAGMATIC APPROACH. HE HAD SUGGESTED TO ORTOLI THAT THE TIME WAS RIPE FOR A COMMISSION INITIATIVE WITHIN THE EC.
4. EVANS COMMENTED THAT THE BRITISH GOVERNMENT'S CONCEPT OF THE EC WAS A DYNAMIC ONE (SEMI-COLON) WE FAVOURED EARLY ENLARGEMENT AND THE DEVELOPMENT OF NEW EC POLICIES. THE BRITISH GOVERNMENT SHARED FRENCH PREOCCUPATIONS ON THE INTERNATIONAL ECONOMIC SITUATION. EVANS MADE IT CLEAR THAT NO CHANGE IN THE BRITISH ECONOMIC STRATEGY COULD BE EXPECTED. IT REMAINED THE BRITISH GOVERNMENT'S FIRST PRIORITY TO BRING DOWN INFLATION, WHICH SHOULD HELP TO ACCELERATE RECOVERY.

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/BUDGET

BUDGET QUESTIONS

5. HANNAY SAID THAT THE COMMUNITY'S BUDGET PROBLEMS - NOT ONLY UK ASPECTS - LOOMED LARGE. MR HURD HAD MADE IT CLEAR THAT BRITAIN WAS PREPARED TO RECONSIDER THE WIDER ASPECTS OF COMMUNITY FINANCING. THE EUROPEAN PARLIAMENT'S POWERS IN RELATION TO THE BUDGET WOULD DOUBTLESS HAVE TO BE CONSIDERED IN THE CONTEXT OF THE BROADER FINANCIAL REVIEW. IN THE MEANTIME, THE AGREEMENT BETWEEN THE EC INSTITUTIONS REACHED IN JUNE HAD BEEN USEFUL AND IT WAS IMPORTANT TO STICK TO IT.

6. ON THE 1982 UK BUDGET REFUND, HANNAY SAID THAT THE FRENCH SHOULD RECOGNISE THAT THIS WAS A SENSITIVE AND DIFFICULT PROBLEM FOR THE BRITISH GOVERNMENT, AND SHOULD NOT UNDERESTIMATE THE STRENGTH OF THE FEELING IN THE UK. THE SITUATION WAS NOT IRRETRIEVABLE, HOWEVER, PROVIDED THAT THERE WAS AGREEMENT TO RESPECT THE 25 MAY DECISION AT NEXT WEEK'S COUNCIL. LEGRAS COULD GIVE NO INDICATION OF THE LINE THE FRENCH WOULD TAKE THEN.

7. HANNAY SAID THAT FOR 1983 AND LATER THE UNDERTAKING ON 25 MAY HAD BEEN CLEAR IF IMPRECISE. A SATISFACTORY LONG-TERM SETTLEMENT WAS A MATTER OF GREAT IMPORTANCE TO BRITAIN AND THE GOVERNMENT WAS DISTURBED AT SLIPPAGE IN THE TIMETABLE. PUBLIC RECRIMINATIONS WERE IN NO-ONE'S INTEREST. LEGRAS ASSERTED THAT THE 1980 'OVER-PAYMENT' PROBLEM MUST BE SETTLED BEFORE ANY FURTHER REFUNDS COULD BE CONSIDERED. HANNAY DEALT FIRMLY WITH THIS. THE UK HAD NO LEGAL OBLIGATION TO MAKE ANY REPAYMENT, THOUGH WE HAD AGREED ON A POLITICAL BASIS THAT IT COULD BE TAKEN INTO ACCOUNT IN SETTLING REFUNDS FOR 1983 AND LATER. THE TWO MATTERS MUST BE DISCUSSED IN PARALLEL. UNLESS SERIOUS NEGOTIATIONS WERE ENGAGED VERY SOON, THE COMMUNITY WOULD DRIFT TOWARDS A MAJOR CONFRONTATION. PAYE SAID THAT IN THE CURRENT FRENCH FINANCIAL AND ECONOMIC SITUATION THE FRENCH GOVERNMENT COULD NOT BE AS FORTHCOMING IN THEIR APPROACH AS THEY HAD BEEN IN 1980. MOREOVER THE PRESENT FRENCH GOVERNMENT WAS CONSTRAINED BY ITS CRITICISM OF THE MAY 1980 MANDATE.

ENLARGEMENT

8. HANNAY SAID THAT BRITAIN WAS COMMITTED TO ENLARGEMENT WITHOUT UNDUE DELAY (AS RECORDED IN THE PRIME MINISTER'S LETTER TO THORN). IT WAS TIME FOR THE EC TO ENGAGE IN SERIOUS NEGOTIATIONS ON THE PRACTICAL ASPECTS. BRITAIN BELIEVED IN A TRADITIONAL APPROACH: TRANSITIONAL ARRANGEMENTS SHOULD BE NEGOTIATED UNLESS THERE WAS A REAL REQUIREMENT TO MAKE MORE LASTING CHANGES TO EC REGIMES.

9. BRITAIN WAS PARTICULARLY CONCERNED ABOUT THE IMBALANCE IN INDUSTRIAL TRADE UNDER THE 1970 EC/SPAIN AGREEMENT CAUSED BY THE ASSYMMETRY IN TARIFFS AND SPANISH MANIPULATION OF THEIR TAX SYSTEM. IT WAS TIME TO BRING THE SPANIARDS UP AGAINST THEIR RESPONSIBILITIES IN RELATION TO THE 1970 AGREEMENT, AND BRITAIN WOULD HAVE PROPOSALS TO MAKE. THE TRANSITIONAL ARRANGEMENT SHOULD

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/TAKE

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TAKE ACCOUNT OF THESE PROBLEMS: IF THE TRANSITIONAL PERIOD FOR INDUSTRIAL PRODUCTS EXCEEDED THREE YEARS, IT MUST INCLUDE MEASURES FOR THOSE PRODUCT AREAS WHERE SPAIN HAD EXPORT POTENTIAL. LEGRAS SUGGESTED THAT THE TRANSITIONAL REGIME COULD PROVIDE FOR SUBSTANTIAL REDUCTION IN SPANISH TARIFFS SOON AFTER ACCESSION.

10. ON AGRICULTURE, BRITAIN'S MAIN CONCERN WAS THAT ANY CHANGES IN REGIMES TO MEET ENLARGEMENT SHOULD NOT REPEAT THE MISTAKES OF EXISTING REGIMES FOR TEMPORATE PRODUCTS, EG BY ENCOURAGING SURPLUSES. LEGRAS COMMENTED THAT FOR MEDITERRANIAN PRODUCTS, FRANCE DID NOT WANT TO ENCOURAGE SURPLUS PRODUCTION(SEMI-COLON) BUT DID REQUIRE MEASURES TO OPERATE IN CASE OF CRISIS AND INCREASED PRODUCER DISCIPLINE, WHICH SHOULD NOT SIGNIFICANTLY INCREASE BUDGETARY COSTS.

11. ALTHOUGH LEGRAS CLAIMED THAT UK PROPOSALS ON OLIVE OIL WOULD BE UNACCEPTABLE TO SPAIN AND ITALY, HE SHOWED INTEREST IN FURTHER DISCUSSION OF THEM . HANNAY MADE IT CLEAR THAT THE FRENCH PROPOSAL FOR A VEGETABLE OILS TAX WAS UNACCEPTABLE TO THE UK.

12. ON FISHERIES, HANNAY COMMENTED THAT ONCE A CFP HAD BEEN AGREED, IT SHOULD NOT BE DIFFICULT TO DEFINE A COMMUNITY POSITION FOR NEGOTIATIONS WITH SPAIN.

13. HANNAY AGREED THAT THE INSTITUTIONAL ASPECTS OF ENLARGEMENT WOULD POSE PROBLEMS, BUT HE DOUBTED THAT FURTHER CONCEPTIONAL STUDIES BEFORE ENLARGEMENT WOULD BE WORTHWHILE - IT WOULD PROBABLY BE BEST TO SEE HOW THINGS WORKED OUT IN PRACTICE.

GIBRALTAR

14. BRITAIN INTENDED IF POSSIBLE TO KEEP THIS ISSUE OF THE FRONTIER WITH SPAIN OUTSIDE THE ACCESSION NEGOTIATIONS(SEMI-COLON) BUT HOPED FOR FRENCH UNDERSTANDING IF IT PROVED NECESSARY TO RAISE THE QUESTION IN BRUSSELS.

FCO PLEASE PASS SAVING TO ALL

FRETWELL

(REPEATED AS REQUESTED)

FRAME GENERAL
ECD (1)

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CONFIDENTIAL

Cabinet Office
70 Whitehall,
London, SW1

PS(82) 25

15th October 1982

Dear Private Secretary,

Anglo-French Summit: 4th-5th November 1982

This letter sets out the briefing arrangements for the Anglo-French Summit which is to take place in Paris on 4th-5th November 1982.

The objectives for the visit have not yet been approved by the Prime Minister but her office have agreed that briefing arrangements should be put in hand on the basis of the list of objectives at Annex A. The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex B. Instructions on format are at Annexes C and D. Those preparing briefs should note carefully the details on the format of briefs set out in Annex C. Departments should, therefore, aim to ensure that, apart from the Steering Brief, individual subject briefs do not exceed two sides of paper.

70 copies of each brief should be sent to the Cabinet Office as soon as they are ready. They should reach the Cabinet Office by 5.00 pm on Wednesday, 27th October. They should be addressed to Mr. R. D. Roscoe in Committee Section, who should be consulted (tel. no. 233 7343) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Sir Douglas Wass, Sir Frank Cooper, Sir Peter Carey, Sir Brian Cubbon, Sir Brian Hayes, Sir Kenneth Couzens, Mr. Michael Franklin, Sir Kenneth Barnes and Mr. John Sparrow, and to John Coles at No.10.

Yours sincerely,

(Signed) LINDSAY WILKINSON (MISS)

CONFIDENTIAL

ANGLO-FRENCH SUMMIT: 4th-5th NOVEMBER 1982

UNITED KINGDOM OBJECTIVES

Primary

1. Community Affairs. To make very clear that a fair and lasting budget settlement must be achieved while avoiding a public row on this issue. To impress on the French the United Kingdom's determination to play its full part in shaping the future of the Community. To explore French thinking on future developments, including enlargement.
2. United States/European Relations. To reach an understanding on the right approach, taking into account such factors as defence and East/West economic relations.
3. Collaborative Projects. To convince the French that our different approaches to major projects like the Channel Fixed Link, the Airbus and Concorde must not be interpreted as a lack of British interest in such co-operation.

Subsidiary

4. East/West Relations. To explain British views with particular regard to arms control and to the situation in Poland.
5. International Economic and Monetary Situation. To discuss developments since the Versailles Summit. To co-ordinate positions on forthcoming international trade negotiations.
6. The Falklands. To secure French diplomatic support both in general and at the UNGA. To urge the French not to resume sales of sensitive weapons.
7. International Affairs. To put across British views on the Middle East and Africa (especially Southern Africa).
8. Defence. To show continuing willingness to achieve closer co-operation on nuclear and non-nuclear defence and arms control questions.

PROBABLE FRENCH OBJECTIVES

Primary

1. Community Issues. To lower British expectations about a solution to the Budget problem; to put across the French case that European Community common policies in various sensitive areas should be completed before enlargement and that enlargement will result in a cost to the United Kingdom.

2. International Issues (East/West, Poland, Arms Control). To align the United Kingdom with French views, in particular where these diverge from those of the Americans.
3. Collaborative Projects. To demonstrate that lack of progress since the last Summit is primarily due to the United Kingdom. In this context:
 - (a) to press for United Kingdom participation in the early launching of the Airbus A320 project;
 - (b) to urge the United Kingdom to join them in terminating Concorde services;
 - (c) to press for United Kingdom collaboration over fast breeder reactors.

Subsidiary

4. To enlist British understanding for French economic policies.
5. To achieve maximum mutual understanding on policies towards Japanese trade and on European interests in United States trade and monetary policies.
6. The Falklands. To avoid agreeing to anything which might be an obstacle to France's bid for better relations with Argentina and Latin America as a whole, including arms sales.

LIST OF BRIEFS FOR ANGLO-FRENCH SUMMIT
4th-5th NOVEMBER 1982

	<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
1.	Steering Brief	FCO	As appropriate
2.	European Questions		
	a. European Community Steering Brief	FCO	As appropriate
	b. EC Budget	FCO	Treasury, MAFF
	c. Agricultural Questions	MAFF	FCO, Treasury
	d. Enlargement	FCO	Tsy, Trade, MAFF Employment, DOI
	e. EC/US Steel	FCO	DOI, Trade
	f. Common Fisheries Policy	MAFF	FCO
	g. European Act	FCO	As appropriate
3.	Transatlantic Relations and related aspects of East/West Economic Relations, including Siberian Gas Pipeline	FCO	As appropriate
4.	East/West Political Relations (including Afghanistan)	FCO	
5.	Poland	FCO	Treasury, Trade
6.	CSCE	FCO	
7.	International Economic and Monetary Questions		
	a. Prospects for the World Economy (including United States economic policy)	Treasury	FCO
	b. International Debt Problems	Treasury	FCO, Trade
	c. International Trade Problems (including Protectionism, Japan GATT Ministerial)	Trade	FCO, Treasury
8.	Economic Summits		
	a. 1983 Summit	FCO	Treasury, Cabinet Office
	b. Working Group on Technology, Growth and Employment	Cabinet Office	FCO, Industry

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	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
9.	Defence Matters	MOD	FCO
10.	Arms Control and Disarmament	FCO	MOD
11.	World Political Issues		
	a. Arab/Israel and Lebanon	FCO	
	b. Europe/Latin America (including the Falkland Islands)	FCO	
	c. Southern Africa/Namibia	FCO	
	d. China	FCO	
	e. North/South Dialogue	FCO	
	*f. Iran/Iraq and the situation in the Gulf	FCO	
	*g. UNLOSC	FCO	
	*h. International Terrorism	FCO	Home Office
12.	Bilateral Questions	FCO	As appropriate
*13.	French Scene		
	a. Political	FCO	
	b. Economic	Treasury	

* Denotes Background Brief

INSTRUCTIONS ABOUT FORMAT

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex D. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.

Layout

- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) As shown in the specimen at Annex D, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (e.g. PMVY(82) 10) with the date of circulation below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on white paper, with each page bearing a security classification at top and bottom (as in Annex D). Care should be taken that the reproduction method employed results in clear readable copies.

- (h) It is important that on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the form described at (e) above, with the brief number (e.g. PMVY(82) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation. Revised briefs and corrigenda should be similarly treated.
- (j) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.

CLASSIFICATION

ANNEX D

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVY(82) Serial Number as specified in Annex B COPY NO. in red

Date

ANGLO-FRENCH SUMMIT
4-5 NOVEMBER 1982

Leave 1½"
margin

SUBJECT Insert subject in capitals

Brief by name of originating Department, eg Foreign and Commonwealth Office

At the foot of the last page:-
left-hand side

Originating Government Department, eg Foreign and Commonwealth Office or Department of Industry, not a subordinate section or division

Date of origin

CLASSIFICATION



DEPARTMENT OF ENERGY
Thames House South
Millbank
London SW1P 4QJ

Tel: 01-211 4391

With the Compliments of
the
Permanent Under-Secretary of State's
Private Secretary

I. O. FITZPATRICK



SIR DONALD MAITLAND GCMG OBE
PERMANENT UNDER SECRETARY OF STATE

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

01-211 4391

15 October 1982

CONFIDENTIAL

Dear Antony,

AM 18/10

f.a.

ANGLO-FRENCH SUMMIT: 4-5 NOVEMBER

I have no comments on the paper on UK tactics and objectives attached to your letter of 11 October to Robert Armstrong.

We will wish to add two briefs to the list in Annex C - one on the fast reactor and the other on Framatome's interest in tendering for the Sizewell PWR.

The recent change of Government in Germany obviously has implications for the Paris-Bonn axis and our interests both in the Community and in the Alliance. For these reasons I wonder whether it would not be helpful to Ministers in preparing for the Anglo-French Summit if they could also have a list of objectives and tactics for the next Anglo-German Summit. Having the two lists of objectives side by side might suggest where there might be opportunities for us to exploit the changed circumstances to the national advantage.

I am copying this letter to the other recipients of yours.

Yours ever,

Donald

Sir Antony Acland KCMG KCVO
Permanent Under Secretary of State
Foreign and Commonwealth Office
LONDON SW1A 2AH

FRANCE: PM VISITS TO FRANCE PT 3.

18 OCT 1962

18 OCT 1962
18 OCT 1962
18 OCT 1962

SIR ROBERT ARMSTRONG

ANGLO/FRENCH SUMMIT: 4-5 NOVEMBER

Thank you for your minute of 14 October.

The Prime Minister has approved the description of United Kingdom and French objectives for the Summit, contained in Annex A, and also the paper on tactics, contained in Annex C. Mrs. Thatcher is content for preparations for the Summit to proceed on that basis.

AJC

15 October 1982



FWS

RW

10 DOWNING STREET

From the Private Secretary

MISS WILKINSON

PRIME MINISTER'S BRIEFING MEETING FOR ANGLO/FRENCH

SUMMIT

Thank you for your minute of 14 October. I agree with the arrangements which you suggest for this meeting.

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED

14 October, 1982

V

SW



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Ref. A09757

MR COLES

Prime Minister's Briefing Meeting for Anglo-French Summit:

4th-5th November 1982

I should be grateful for your agreement to the following Ministers being invited to attend the Prime Minister's briefing meeting at 4.00 pm on Monday 1st November 1982: the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Secretary of State for Defence, the Secretary of State for Industry, the Secretary of State for Trade, the Minister of Agriculture, Fisheries and Food and also the following officials: Sir Kenneth Couzens (Treasury), Sir Antony Acland (Foreign and Commonwealth Office), Sir John Fretwell (HM Ambassador, Paris), Sir Frank Cooper (MOD), Sir Peter Carey (Department of Industry), Mr Michael Franklin (DOT), Sir Brian Hayes (MAFF), Sir Robert Armstrong (Cabinet Office), Mr D J S Hancock (Cabinet Office) and Mr A D S Goodall (Cabinet Office).

Lindsay Wilkinson

J L WILKINSON

14th October 1982



CONFIDENTIAL

Prime Minister
Content with Annexes A and C?

A.J.C. 14/10

MR. COLES

Yes not

Anglo-French Summit: 4th-5th November

The Prime Minister's visit to Paris for talks with the French President on 4th-5th November 1982 will be the second such Summit meeting with President Mitterrand. There is some useful work to be done both by the Prime Minister and by other Ministers participating in the Summit.

2. The French have not yet decided whom they would wish to participate in the meeting, nor what the agenda should be. When I was in Paris last week, I said that the Prime Minister had it in mind to bring the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretaries of State for Industry and Trade. Monsieur Attali was proposing to recommend accordingly to the President. It will be for consideration whether the Prime Minister should also be accompanied by the Secretary of State for Defence. I will let you have details when they are available.

3. As things stand at present I would expect the Prime Minister to leave London after Question time on Thursday, 4th November, returning to London sometime during the following afternoon. President Mitterrand would hope for a short tete-a-tete after the Prime Minister's arrival in Paris and before dinner at the Elysee. Working meetings between the individual Ministers would start early the following morning and be followed by a plenary session. The Press Conference would be fitted in either before or, more likely, just after lunch. Time for talks will be fairly short, given the requirements in most cases for consecutive translation.

4. I enclose British and French objectives at Annex A. At Annex B is a suggested list of briefs including the lead Departments. Those items which we would not expect the two principals themselves to tackle have been marked. The Cabinet Office official group on Anglo-French relations has approved the paper at Annex C on United Kingdom tactics and objectives for the Summit. It covers topics which we would expect to be covered at the Summit.

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5. The briefs will be co-ordinated in the usual way by the Cabinet Office and I propose that we should aim to submit these to No. 10 on Thursday 28th October in time for the Prime Minister's weekend box on return from the Anglo-German Summit in Bonn.

6. I should be grateful if you would seek the Prime Minister's approval for preparations for the Summit to go ahead on the basis of the proposals outlined above.

ROBERT ARMSTRONG

14th October 1982

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ANGLO-FRENCH SUMMIT: 4th-5th NOVEMBER 1982

UNITED KINGDOM OBJECTIVES

Primary

1. Community Affairs. To make very clear that a fair and lasting budget settlement must be achieved while avoiding a public row on this issue. To impress on the French the United Kingdom's determination to play its full part in shaping the future of the Community. To explore French thinking on future developments, including enlargement.
2. United States/European Relations. To reach an understanding on the right approach, taking into account such factors as defence and East/West economic relations.
3. Collaborative Projects. To convince the French that our different approaches to major projects like the Channel Fixed Link, the Airbus and Concorde must not be interpreted as a lack of British interest in such co-operation.

Subsidiary

4. East/West Relations. To explain British views with particular regard to arms control and to the situation in Poland.
5. International Economic and Monetary Situation. To discuss developments since the Versailles Summit. To co-ordinate positions on forthcoming international trade negotiations.
6. The Falklands. To secure French diplomatic support both in general and at the UNGA. To urge the French not to resume sales of sensitive weapons.
7. International Affairs. To put across British views on the Middle East and Africa (especially Southern Africa).
8. Defence. To show continuing willingness to achieve closer co-operation on nuclear and non-nuclear defence and arms control questions.

PROBABLE FRENCH OBJECTIVES

Primary

1. Community Issues. To lower British expectations about a solution to the Budget problem; to put across the French case that European Community common policies in various sensitive areas should be completed before enlargement and that enlargement will result in a cost to the United Kingdom.

2. International Issues (East/West, Poland, Arms Control). To align the United Kingdom with French views, in particular where these diverge from those of the Americans.
3. Collaborative Projects. To demonstrate that lack of progress since the last Summit is primarily due to the United Kingdom. In this context:
 - (a) to press for United Kingdom participation in the early launching of the Airbus A320 project;
 - (b) to urge the United Kingdom to join them in terminating Concorde services;
 - (c) to press for United Kingdom collaboration over fast breeder reactors.

Subsidiary

4. To enlist British understanding for French economic policies.
5. To achieve maximum mutual understanding on policies towards Japanese trade and on European interests in United States trade and monetary policies.
6. The Falklands. To avoid agreeing to anything which might be an obstacle to France's bid for better relations with Argentina and Latin America as a whole, including arms sales.

LIST OF BRIEFS FOR ANGLO-FRENCH SUMMIT
4th-5th NOVEMBER 1982

	<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
1.	Steering Brief	FCO	As appropriate
2.	European Questions		
	a. European Community Steering Brief	FCO	As appropriate
	b. EC Budget	FCO	Treasury, MAFF
	c. Agricultural Questions	MAFF	FCO, Treasury
	d. <u>Enlargement</u> - <u>Spain</u>	FCO	Treasury, Trade, MAFF, Employment
	e. <u>EC/US Steel</u>	FCO	DOI
	f. <u>Common Fisheries Policy</u>	MAFF	FCO
	g. European Act	FCO	As appropriate
3.	Transatlantic Relations and related aspects of East/West Economic Relations, including Siberian Gas Pipeline	FCO	As appropriate
4.	East/West Political Relations (including Afghanistan)	FCO	
5.	Poland	FCO	Treasury, Trade
6.	CSCE	FCO	
7.	International Economic and Monetary Questions		
	a. Prospects for the World Economy (including United States economic policy)	Treasury	FCO
	b. International Debt Problems	Treasury	FCO, Trade
	c. International Trade Problems (including Protectionism, Japan GATT Ministerial)	Trade	FCO, Treasury
8.	Economic Summits		
	a. 1983 Summit	FCO	Treasury, Cabinet Office
	b. Working Group on Technology, Growth and Employment	Cabinet Office	FCO

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	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
9.	Defence Matters	MOD	FCO
10.	Arms Control and Disarmament	FCO	MOD
11.	World Political Issues		
	a. Arab/Israel and Lebanon	FCO	
	b. Europe/Latin America (including the Falkland Islands)	FCO	
	c. Southern Africa/Namibia	FCO	
	d. China	FCO	
	e. North/South Dialogue	FCO	
	*f. Iran/Iraq and the situation in the Gulf	FCO	
	*g. UNLOSC	FCO	
	*h. International Terrorism	FCO	Home Office
12.	Bilateral Questions	FCO	As appropriate
*13.	French Scene		
	a. Political	FCO	
	b. Economic	Treasury	

* Denotes Background Brief

TACTICS FOR THE ANGLO-FRENCH SUMMIT:
4th-5th NOVEMBER 1982

1. This paper suggests what the United Kingdom approach might be to the forthcoming Summit. It has been drafted on the assumption that by the time of the Summit a settlement has been achieved on the 1982 Budget Refunds Question and that the French have not already shown themselves determined to be completely intransigent on the issue of the Community Budget for 1983 and beyond.

United Kingdom Strategy and Objectives

2. Two themes are almost certain to dominate the Summit: Community Issues and transatlantic relations (including relevant aspects of East/West relations). Recent French pronouncements suggest that we may be heading for a confrontation over the Budget. Our aim must therefore be to make very clear to the French that a fair and lasting Budget settlement must be achieved while avoiding a public row on this issue. Broad agreement on transatlantic relations and other international questions may be attainable and could be a useful balance to disagreement over Community issues. There will be little progress to register on specific bilateral projects since the last Summit. The Prime Minister will wish to build on and exploit her good personal relations with President Mitterrand (on balance enhanced by the Falklands crisis) to persuade him that individual problems should not undermine the general improvement at political level in Anglo-French relations over the past 18 months.

French Aims and Constraints

3. The Foreign and Commonwealth Secretary's meeting with Monsieur Cheysson on 22nd September was more encouraging in tone than Monsieur Chandernagor's presentation at the Council on 20th September, but unyielding on the Budget issue. The difficult economic situation in France at the rentrée and an uneasy relationship with the United States are likely to put President Mitterrand in a tough mood. While wishing to preserve the improved climate in relations, President Mitterrand will not wish to be pinned down, especially on the Budget, partly because of the cost to France. Despite this he too will be looking for a broad measure of agreement on wider international issues, and may be receptive to the argument that a confrontation over the Budget is against the wider French interest in Western European solidarity. On collaborative projects we can expect him to press for United Kingdom participation in the Airbus A320 and he may come forward with further proposals for co-operation.

4. United Kingdom and probable French objectives are at Annex A.

Tactics

5. From the United Kingdom point of view it might be best for the Prime Minister and President to concentrate initially on the broader themes where they can expect to reach a measure of agreement. This suggests starting with international issues, in particular transatlantic relations. There should be no difficulty in agreeing the extent of the problem but there may still be disagreement over the best way of solving it. Discussion might be more constructive if preceded by a broad review of East/West relations where the two leaders see eye to eye, and where French robustness on security matters remains an asset in United States eyes. Agreement may be possible on the basis for and limits of the European approach to trade with Eastern Europe. Moving on to European differences with the United States over the Siberian pipeline, the Prime Minister will wish to avoid giving any impression she is arguing on behalf of the Americans, but (depending on whether developments in October show the United States Administration is looking for a way out) she may still have to impress on the President the need for a solution which allows the Americans to exempt our existing contacts from United States measures without losing face.

6. The timing of the Summit is likely to mean that neither side will be in a mood for compromise on European Community issues. In any case, the Summit provides a crucial opportunity to put across our views and remove any misunderstandings at the highest level about the Budget for 1983 and beyond. It is not in French interests for the Budget to become a purely Anglo-French quarrel. The change of government in Germany may make the German attitude of critical importance if only in the sense that the French may not be certain what policies the CDU/FDP coalition will follow. (The Franco-German Summit is due to take place on 21st-22nd October and the Anglo-German one on 28th-29th October.) Whether or not the French are less confident of German support than in the past the Prime Minister will wish to emphasise that the Government's firm commitment to the Community includes an immediate concern to ensure its financial health. Settlement of Britain's Budget contribution for 1983 and later years cannot be put off until a general review of Community finances takes place. Unless the French recognise the urgency, Britain and France look to be set on a collision course which will damage the relationship as a whole as well as the

prospects for European co-operation. The Prime Minister will wish to urge the President not to allow the Budget issue to fester. Ministers and officials should be directed to adopt a constructive approach that presupposes that a Budget settlement which reconciles French and British interests for 1983 and beyond is both possible and desirable. It would be useful to be able to invoke an identifiable commitment of this kind from the top over the coming months, though we should be under no illusion about the difficulty of avoiding confrontation with the French as negotiations proceed.

7. Defence is unlikely to play a major part in the discussions. The French seem to wish to move cautiously towards a closer dialogue on defence issues, but their ideas do not appear to have crystallised. The Prime Minister will wish to endorse the exchanges already under way, and to make it clear that we are willing to develop them further when the French are ready.

8. There has been little or no progress towards implementing the major collaborative projects which were such a public feature of the success of the last (1981) Summit which could counter-balance difficulties over other issues. There is indeed potential for discord over some items particularly perhaps Concorde and a danger that the French may conclude from what has happened over others such as the Channel Fixed Link (the Banks' Study will probably not have been completed) and aero-engine co-operation, that Britain's heart is not in working together with the French. The Prime Minister might, therefore, to advantage take the initiative in telling President Mitterrand we regret that we have not between us made swifter progress but that this is because of genuine problems in the individual projects rather than any bias on our part. We shall have to resist any French pressure for a politically rather than commercially-based decision on the Airbus A320 or the Channel Fixed Link but we should also not give the French any excuse for launching the potentially important A320 projects without us in advance of Her Majesty's Government's future decision on launch aid.

9. The prospects for wider, multilateral co-operation may be better though French attempts to exclude us from European discussion on direct broadcasting by satellite are not encouraging. But we should be able to maintain the habit of close consultation on trade with Japan, GATT, textiles, international monetary questions, United States/European Community trade relations, the Siberian gas

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pipeline (see paragraph 5 above) and United Nations matters. We should make an across-the-board effort to intensify bilateral co-ordination at official and Ministerial level with the French for all international gatherings.

10. Suitable arrangements for monitoring progress on Summit follow-up should be agreed at the Summit itself. The mid-term review by Foreign Ministers should be confirmed.

CONCLUSION

11. Unless circumstances make a confrontation over the Community Budget inevitable, this Summit is not likely to be particularly newsworthy. There is no scope for a great leap forward in the relationship. It will be difficult enough to ensure a business-like atmosphere in which personal relationships are consolidated, policy differences kept within bounds and progress on substantive issues made where that is possible. We must make very clear to the French that a fair and lasting Budget settlement must be achieved while avoiding a public row on this issue. We shall need to persuade them that failure to reach agreement on the Budget issue soon will set our two countries on a collision course and damage the relationship as a whole, and that our common interest in that relationship and in European solidarity should make them, in their own interests, work together with us for a workable solution. We must not allow French allegations that we are unforthcoming on major Anglo-French projects to stick.



Foreign and Commonwealth Office

London SW1A 2AH

13 October, 1982

Dear Sir,

The Prime Minister is to see Mr Pym at 1430 on Monday, 18 October to discuss the forthcoming Anglo-French Summit (your letter of 28 September refers).

/ I enclose an annotated agenda which could serve as a
/ framework for discussion. I also enclose as background a
copy of Sir J Fretwell's first impressions despatch of
13 August.

Yours sincerely,

(R B Bone)

Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street



Anglo-French Summit: Points for Discussion at the Prime Minister's Meeting with the Foreign and Commonwealth Secretary on 18 October

1. Summit likely to be difficult because:
 - (i) The French will be unhelpful over the Community budget, particularly given their own economic problems;
 - (ii) There is little to show on collaborative projects, to follow up the good Summit last year.

2. It will therefore need careful handling. Our tactics (having in mind that the French are hosts) might be:
 - (i) To begin by discussing those subjects on which a broad measure of agreement is possible:
 - (a) the international economic situation
 - (b) transatlantic and East/West relations
 - (ii) To move on to the more contentious Community issues, especially the Budget. We must persuade the French that we have a real case and are determined to reach a fair solution.
 - (iii) To explain that lack of progress on collaborative projects stems from genuine difficulties not lack of will.

3. The good relations between the Prime Minister and President Mitterrand will greatly help. They might be made closer still if the Prime Minister were to send to President Mitterrand before the Summit a personal message stressing the importance the Prime Minister attaches to the meeting.



SUMMARY

1. The despatch offers some first impressions of France a year after the election of a Socialist government (para 1).

Political

2. Mitterrand intends to use the extensive powers of the Presidency and his full seven year mandate to make long-term changes in France. So far he has tried to stand apart from day-to-day politics. He now needs to display a tighter grip on economic realities (para 2).

3. The Opposition's confidence and unity have partially recovered but they face a long wait to the National Assembly elections in 1986 (para 3). The French trade unions are unlikely to engage in an all-out confrontation with the government when the wage and price freeze expires on 31 October (para 4).

4. The government is now seeking to consolidate the main structural reforms adopted since Mitterrand's election. Decentralisation should reduce the authority of the state, but nationalisation will reinforce it (para 5). Further reforms may tend to reduce individual initiative in favour of the state (para 6).

/The Economy



The Economy

5. Economic prospects are gloomy. Inflationary pressures are building up; the trade figures show a record deficit; investment has weakened and unemployment has risen (para 7).

6. The Mitterrand faithful claim the economy is under control and that nationalised industry will pull France out of recession. But the critics foresee mounting difficulties. The government was guilty of serious mishandling of the economy in its first year and the consequences will not be easily overcome. Pressures for import controls could grow (paras 8 and 9). Arms sales remain buoyant (para 10).

Foreign policy

7. Mitterrand appears to be genuinely concerned about the East-West balance. Relations with the US have recently deteriorated, but the French are aware of the need to keep disagreements within bounds. Some normalisation of the chilly relations with the Soviet bloc seems likely (paras 11 and 12). Mitterrand has an unusual style of conducting foreign affairs (para 13). The French relationship with Germany has become a little less special than it was under Giscard. The "socialist" element in foreign policy is most evident in relation to Latin America (para 14).

UK/French relations

8. As a result of his war-time experiences, Mitterrand has a more helpful attitude to Anglo/French relations than Giscard

/(para 16).



(para 16). Since his election British and French viewpoints on some international issues have moved closer together (para 17). A warmer total relationship could help towards a solution of UK/French differences in the European Community, but the task will not be easy given the distorted view of the differences in France. The French sense of rivalry with Britain in foreign affairs will not disappear, but a closer dialogue may be useful in overcoming past suspicions (paras 18 and 19).

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BRITISH EMBASSY,
PARIS.

13 August 1982

The Rt Hon Francis Pym MP
Secretary of State for
Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
London SW1

Sir,

FIRST IMPRESSIONS OF FRANCE

1. The sixties and the seventies were two exceptionally good decades for France. The country established for the first time a prosperous consumer society. Sustained economic expansion and, in the later years, an unusual run of political stability enabled the French to consolidate a position of authority in the European Community and to pursue to advantage an independent line, slanted towards short term national interests, in foreign policy. Washington learned to live with its wayward ally; Moscow still thought it worthwhile to woo. One year after the election of a Socialist government many Frenchmen now believe the prospect is at best for economic stagnation, at worst for steep national decline. Others still remain convinced that changes in the structure of French society were long overdue and that, despite temporary setbacks, the government has set the right course to achieve future prosperity. Political controversy is growing sharper as the Opposition diagnose mounting popular dissatisfaction and try to

/think

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think of ways in which political change could be secured before the National Assembly elections in 1986; whilst the Socialist Party in return voices suspicion that its opponents have still not accepted last year's verdict by the electorate and contemplate unconstitutional means of overturning it. In short, France shows no sign of settling down quietly to seven years of socialism under the Mitterrand presidency. It is of this uneasy scene that I have the honour to submit some first impressions in this despatch.

Political

2. The constitution of the Fifth Republic vests such far-reaching powers in the hands of the President that his ideas and personality dominate the political stage. In the last resort he can by-pass Parliament and govern by decree. By comparison a US President, with a four-year term and an obstreperous Congress, is far more at the mercy of events and of the opinion polls. Mitterrand waited long and worked assiduously to secure the Presidency. There can be little doubt that he firmly intends to serve his full seven years and to use them to make long-term changes in France. An astute politician, he knows the value of radiating serene confidence. He likes to present himself, as did his predecessors, as the President of all the French. He seeks to convey the impression of the reflective statesman, a little apart from the swirl of current events, with the concomitant risk of appearing at times complacent and slightly out of touch with reality. He prefers to set a political course and let others get on with the problems of economic management, a formula which has not proved entirely successful so far. When he has intervened directly and openly, as over the question of wage compensation for reduced

/working



working hours, he has revealed an imperfect grasp. He has a growing need to convince public opinion that he has a tighter grip on economic realities than has yet been apparent.

3. After the bitter disappointment and resentment engendered by the 1981 electoral defeats, the Opposition has edged towards united action; and Chirac has emerged more clearly as its potential leader, helped by the government's ill-conceived attack on his Parisian power-base. But Giscard is biding his time in the wings; and the breach between the two men still stands in the way of the Centre and Right eventually mounting a genuinely unified challenge to Mitterrand. The Opposition were encouraged by their success in the cantonal elections; they confidently believe that the tide of opinion is running their way, and look forward to the municipal elections next March. A success then will add to their feeling of frustration at their inability to block by parliamentary means a further dose of socialism and - as they would see it - of mismanagement. They would not be unduly distressed if popular discontent with unemployment and wage restraint, or traditional agricultural grievances, led to direct action which could force on the government a change of course or, in an extreme case, could bring about a loss of will by the government to go on ruling the country.

4. France has a long tradition of taking to the streets in the pursuit of political objectives; and there is a tendency to treat a certain level of disorder, especially by disgruntled peasants, as an unfortunate fact of life, calling for conciliation not /repression.



repression. The power of French trade unions seems to stem as much from fear of their capacity to go on the rampage as from respect of their ability to take sustained industrial action. In terms of their numbers the French unions are no match for their British counterparts: only some 20% of the work-force is unionised; and the Transport and General Workers' Union, for instance, far outnumbers the whole of the Communist-led CGT. The French unions compete fiercely for membership and more often work against each other than against the employer. They could nonetheless give the government a great deal of trouble if they chose to use their muscle to back demands for high wage increases when the wage and price freeze ends on 31 October. At the moment the indications are that the leadership of two of the main confederations, the CGT and CFDT, tied as they are to the Communist and Socialist Parties respectively, will exercise restraint so as not to damage the government: there will be pressure through collective bargaining and perhaps demands for increased trade union rights, but not an all-out confrontation. Some trouble is to be expected from parts of the trade union movement and from small employers, who are in an increasingly militant mood, but there is as yet no real prospect of the more lurid scenarios which some have forecast for the autumn.

5. If it is right to assume that Mitterrand and his government will come through the rough water which lies ahead in the next year or so and will retain control of the National Assembly at least until 1986, there is room for much speculation about how

/stiff



stiff a dose of socialism they will administer to France over that period and with what effect. The main structural reforms - nationalisation and decentralisation - have already reached the statute book, but Mitterrand certainly has in mind a further round of changes beyond those adopted in his first year, though the direction and context are not yet clear. We seem now to be in a period of consolidation, which may be quite prolonged, while the newly nationalised banks and industries sort themselves out, the decentralised system of regional and local government gradually comes into operation, and legislation is put through to strengthen workers' rights in industry and workers' control in the Social Security system. The measures taken so far are in a sense contradictory. Decentralisation should in time weaken the authority which the state has hitherto exercised over all aspects of life in the provinces, whereas the various acts of nationalisation reinforce the government's control over important segments of the economy. Decentralisation is in some ways a greater break with French tradition than nationalisation. Right and Left in France do not appear to disagree so much over the principle that the state should play a major role in economic decision-making as over the degree and form of control. French industry has a long tradition of looking to the state for support, protection and guidance. Initial resentment of nationalisation seems to have focussed more on damage done to individual owners and managers than on fear that the dead hand of the state would paralyse initiative. However, voices are now being raised warning against the use of the nationalised industries for short term political

/purposes



purposes in relation to employment and workers' rights; and some on the Right believe that the state is now acquiring an excessive degree of control which will ultimately have destructive consequences for the mixed economy. Decentralisation probably makes sense in the long run, though it is inevitably creating some administrative confusion. However, the socialists have had the galling experience of seeing their opponents enjoy the first fruits of the reform through their electoral gains in this spring's departmental council elections: this may perhaps have begun to dilute their enthusiasm for decentralisation as a cause.

6. On balance it seems likely that the thrust of the government's policy will be in the direction of increasing the authority of the state at the expense of the independence and power of initiative of the individual. This will almost certainly be accompanied by further efforts to shift the balance of wealth and income towards the less well-off. The more the Socialist Party's own supporters and the government's Communist allies are called on to accept sacrifices, for instance through wage restraint, the harder they will press in return for action against the privileged strata of French society, who have hitherto suffered noticeably less from 20th century egalitarianism than their counterparts in most European countries. In all of this one can expect Mitterrand himself to continue to set the tone and give the direction. His government is commonly charged with incoherence. This is true in the sense that individual policies and decisions emerge without adequate preparation and then have to be hastily revised, which gives the critics a field day and

/damages



damages the government's standing. There are also deeper unresolved conflicts of priority in the government's economic policies. But one could not conclude that Mitterrand himself has lost confidence in his policies or his sense of where he is trying to go; and as long as that is true his government can be expected to retain broadly its present sense of direction.

The Economy

7. I commented on the economy and its prospects in a despatch of 24 May. Since then the news has been gloomy and the outlook is unpromising. The four-month wage and price freeze will not in itself ensure that French industry benefits fully from the devaluation. A sustained effort will be needed to bring down the rate of inflation from 14% to the 8% projected for next year. There is already a lot of suppressed inflationary pressure, not only in delayed wage claims and reduced profit margins but also in artificially low nationalised industry prices, especially for electricity and gas. The surge in public spending this year will be very hard to bring under control in 1983. The adverse trade balance is at record levels and foreign currency reserves are not being re-built. Two devaluations of the franc have added to the cost of servicing the massive foreign borrowings of the old nationalised industries. The weakness of the franc in relation to the dollar makes imported oil increasingly expensive. In 1981-82 industrial investment has declined by an estimated 18% in volume terms, and unemployment is moving slowly higher. It is a catalogue of woes, relieved only a little by the unions' grudging acceptance of the wage freeze. The government have

/a



a string of excuses almost as long: their unfortunate heritage from Giscard's regime, high US interest rates, the failure of other countries to respond to their reflationary moves and so on. They claim that their policies have at least secured a better growth rate than in most OECD countries, but this may not last.

8. The optimistic view which one hears from some of Mitterrand's closest advisers is that the government has the whole problem firmly under control. The reflationary policies applied in the first year of office were correct; a minor adjustment has now been made to take account of adverse external circumstances; the inflation rate will be brought down rapidly and the government's broad strategy can then resume. This strategy relies heavily on the role of the newly nationalised industries to stimulate investment and act as the spearhead of technological progress. In particular, massive investment is planned in the electronics field in order to put France in the same league as Japan. Similar concentrated programmes under previous presidencies gave France a pre-eminent position in nuclear energy and in telephone communications equipment. Investment in the selected sectors is not expected in itself to do much to alleviate unemployment, but it is hoped that it will stimulate confidence, investment and growth in the private sector, which in turn will create new employment. The government's critics take a far more pessimistic view of the likely course of events. They foresee continuing high inflation, potential social unrest, a deteriorating trade balance, a weakening franc and a continued failure by private

/industry



industry to invest, due to the lack of profitability and to the hostility of the government to the private ownership of capital. The pessimists therefore see a likelihood of a continuing downward spiral in the economy.

9. Reality will no doubt lie somewhere between the two extreme points of view. But I think there is validity in the charge that the government seriously mishandled the economy in its first year of office by greatly increasing the budget deficit and failing to get a grip on inflation at a time when the international climate was very unpropitious for experiments in quick consumption-led growth. The inflationary forces which were allowed to run unchecked will not be easily repressed, and the struggle to get the economy back on an even keel will be longer and harder than the government has as yet openly acknowledged. There is a risk that if the trade deficit continues at its present level the government will come under mounting pressure from within the Socialist Party to exercise some form of direct control over imports. If the franc were to continue to weaken and confidence in its management of the economy to erode, one could not be certain that the government would in all circumstances resist such pressures.

10. In the meantime, one side effect of France's economic problems is worth noting. One of the major successes of French industry in recent years has been in the field of armaments. Arms sales make a major contribution to the balance of trade and often play a part in the conduct of foreign policy, for instance in relations with

/Iraq,



Iraq, Saudi Arabia and India. This may not in itself explain the intensity with which French arms salesmen pursue their targets, but it helps to explain why they receive so much sympathy and support from the government. The reservations voiced by the Socialist Party in opposition about the arms trade have rapidly been stilled. We have to assume that few considerations of policy or morality, including respect for British or other allied interests, will stand for long between a French arms merchant and a potential client. That is one reason why the French believe we are particularly indebted to them for their action over the Falklands and why we cannot expect much restraint now the armed conflict is over.

Foreign policy

11. There has so far been little which one could describe specifically as socialist in the foreign policy of the Mitterrand government. Mitterrand appears to be genuinely concerned about the strategic imbalance between the forces of the Warsaw Pact and the Western Alliance. He is also highly critical of Soviet policy in Afghanistan and Poland. It is sometimes argued that his harder line towards the Soviet Union is a function of the political game he is playing against the French communists within his own government, since one effect is to make life harder for them, but I think it is right for the moment to accept that Mitterrand means what he says. His stance has brought France somewhat closer to its partners in the North Atlantic Alliance. Direct collaboration with NATO forces remains shrouded in secrecy but

/appears



appears to be somewhat closer than in the past. The French have given strong support to the NATO decision on installing Pershing rockets and cruise missiles in Western Europe and have probably had a favourable influence on German opinion. France's own defence expenditure continues at a very respectable level by European standards. Little has been heard recently of French ideas for some form of closer defence cooperation within Europe, but I expect them to surface again in due course: the subject is a political minefield in France, but there is evidently a disposition to try to feel a way forward and to find an alternative to pure Gaullist doctrine which, for instance, would in theory require French tactical nuclear weapons to be used against an invading Soviet army only when it approached the Rhine. A realisation of the absurdity of this strategic doctrine seems slowly to be spreading, though a move of French tactical missiles is not in sight.

12. The cooling of Franco/Soviet relations was matched in the first year of Mitterrand's government by a flowering of goodwill between Paris and Washington. The trans-atlantic relationship has taken a few knocks in the last two months, mainly because of clashes of economic interest which seem to have been accentuated rather than resolved by the Versailles summit. But Cheysson's talk of a progressive divorce was a characteristic exaggeration; and although tempers may well rise from time to time over specific conflicts of interest, there seems to be a realisation on both sides of the need to keep disagreements within bounds. Relations

/have



have for the moment returned to something like normality, with continuing consultation and cooperation in some areas and conflicts and confrontations, sometimes given sharp verbal expression, in others. On the other side of the balance some steps have been taken to restore a dialogue with the Soviet Union and eastern Europe; and I think it right to assume that Mitterrand's opening to Hungary will in due course lead towards the resumption of high level contact with Moscow.

13. Whether through inexperience or by a peculiarity of temperament Mitterrand has an unusual style of conducting foreign affairs. In the course of goodwill visits he likes to spell out views which he knows to be unwelcome to the other side. In the Knesset he spoke up about Palestinian rights. In Madrid he emphasised the conditions to be met before Spain could adhere to the European Community. In London he took a particularly uncompromising line on the Community budget. He despatched his foreign minister to Seoul, heralded by talk of a move to recognise North Korea. There is in all this a sense of calm assurance in projecting his own views, which one might well admire, and a trace of Canute-like arrogance and detachment from reality which could cause Mitterrand himself and his partners a lot of difficulty. One wonders, for instance, what he now thinks of his decision to brush aside the Venice Declaration and the idea of joint action by the Ten in the Middle East and to express approval of the Camp David approach: does he perhaps now wonder whether this may have given encouragement to Begin rather than, as he had hoped, stimulating a great debate in Israel

/about



about the future of the West Bank? We may never know, but on the whole he does not seem to be a man much given to second thoughts.

14. Two other areas stand out as fields in which Mitterrand's election has brought some change in France's foreign relations. (I will refer separately to relations with Britain below.) The relationship with the Federal Republic has become a little less special and exclusive than it was under Giscard. There is still much contact and consultation under the Treaty arrangements, but something of the collusive intimacy seems to have gone out of it. This may be due in part simply to the fact that Mitterrand and Schmidt have no common language in which to converse; and it may also owe something to the absence of a long period of working together, going back in the case of Giscard and Schmidt to their time as finance ministers. But it may be that Mitterrand takes a more pluralist view of western Europe and is less attracted by notions of Franco-German hegemony. Time will tell. Another area of interest is that of French policy towards Latin America. The Socialist Party has long had links with left-wing movements in Latin America. Régis Debray, friend of Cuba and inspirer of revolutionary sentiments amongst French students, now sits in the Elysée. Madame Mitterrand was also in touch over the years with various Central American revolutionary movements. The French socialists may have had to moderate their old ideological views about US imperialism as far as the main East/West relationship is concerned, but they have been able to cling to

/them



them in relation to Latin America. Such sentiments have motivated the French government to develop a warm relationship with the Sandinista regime in Nicaragua, allegedly in order to help keep it out of the hands of the Cubans and Russians, though that objective is perhaps belied by the efforts being made at the same time to get alongside Castro. US policy in Central America is seen as wrongheaded; and in principle there is no sympathy for any right-wing regimes in Latin America which enjoy the favour of Washington. This ideologically motivated policy conflicts, however, with two other elements in French thinking: the wish to assert French influence on the basis of "latinity" -- a sort of common cultural, linguistic, even racial heritage; and the drive to sell arms to anyone with the money to buy them, except the blackest of right-wing dictators. It seems that where ideology clashes with practical interests, ideology loses out. The Argentine regime is now well on the way to rehabilitation: a distant glimpse of a possible return to democracy outweighs the thousands of "disappearances"; and the arms salesmen wait like greyhounds in their traps for the word to go. The Socialist ideologues will presumably have to make do with a continuing restriction on arms for the hated Pinochet.

UK/French relations

15. The change from Giscard to Mitterrand should in principle be helpful for British relations with France. Giscard was imbued with a sense of rivalry towards the UK -- an attitude inculcated into generations of Frenchmen long before de Gaulle. He saw the

/60s



60s and 70s as a period when France at last came out on top and overcame the centuries of imperial defeat and relative economic backwardness. But if he believed this was a French victory, he certainly did not think it was time for magnanimity. His objective seemed to be rather to keep the UK on the sidelines of European and world events. Mitterrand starts out from an altogether different position. From his days in the French resistance he derived a sense of gratitude towards Britain; and it seems that for him the comradeship in arms during the two world wars is a matter of lasting importance. He referred to it frequently both in private and in public during the Falklands conflict. It was for him the determining factor in deciding where France should stand when Britain faced an act of armed aggression.

16. There are other factors which should help us towards a more satisfactory relationship with France than we have enjoyed in recent years. Given that Mitterrand does not seem to share the traditional French sense of rivalry with Britain, the fact that we now have economic successes to record while France is running into difficulties should tend to facilitate cooperation: one of the problems in dealing with Mitterrand's predecessors was their excessive confidence in their own success and the corresponding disdain for their declining neighbour. The move towards greater realism in evaluating Soviet policy and the bid - even if not wholly consistent - for a better relationship with the United States both tend to bring British and French viewpoints closer together. Frenchmen are finding it harder now to justify

/accusations



accusations that the United Kingdom has been and might again be the trojan horse of the United States in Europe, since France itself, for much of the time, takes satisfaction in the quality of its relations with the US. The French government now welcomes collaboration with the UK in various international groupings alongside the United States; and there is a readiness to use such occasions to discuss international questions and interests more frankly than in the past. On the bilateral front the French seem to be at least as keen as we are for practical cooperation on the airbus, the fast breeder reactor and the Channel tunnel. Even within the European Community the issues which bring us into conflict with the French, primarily the budget and certain aspects of the common agricultural policy, are relatively few in number, though of economic importance. Overshadowing all else in the last three months, the French response over the Falklands was spontaneous and immediate; and although they wobbled a little at times, under pressure from Latin American governments, the arms manufacturers and the Socialist Party, they stayed with us on economic sanctions and the arms embargo to the end of the actual conflict.

17. The question arises whether, against this background, we could now look for a much warmer total relationship which could, for instance, contribute to a solution of the difficulties between us in the European Community. I believe that the objective is worth pursuing, but that the path may be a more rocky one than the positive factors outlined above might lead

/one



one to hope. Mitterrand himself would certainly not accept that his friendly feelings towards Britain, arising from the shared experience of war, could be translated into French concessions at the negotiating table in Brussels. He and many of his advisers seem to have absorbed a distorted idea of the nature of the disagreement between Britain and other member states over the budget and over agricultural matters, which leads them to believe that it would not only be costly to France but also damaging to the foundations of the Community to move far in our direction. It is a primary purpose of this Embassy to try to change these convictions, but we cannot count on early success. We must therefore expect the French to remain our leading adversary in Brussels on the Budget. Whatever others would be prepared to agree to, the French will agree to something less. They probably take a similar view of our policies on agriculture, where they will be pressing for expensive changes to benefit French farmers and we, in turn, will be aiming to impose limits. Some sort of deal ought to make sense, but it is not yet apparent how we could reach a tolerable one.

18. In other areas the French will not always be easy partners. Their desire to cut a dash on the international stage, combined with Cheysson's sudden enthusiasms, changes of course and over-emphatic policy declarations will make cooperation a chancy business. None of this is entirely new in French diplomacy, but under Cheysson it is particularly marked. Much of the French

/foreign



foreign policy apparatus at home and abroad will continue to work on the assumption that a major aim of all international activity remains the need to confound perfidious Albion. It is sometimes suggested that this game is played with equal venom by British and by French officials; and that the sense of rivalry exists in similar measure on both sides of the Channel. I have not personally found this to be the case: the French factor seems if anything to rank rather low in British eyes when viewed against the totality of British interests. But since nothing would annoy the French more than to be considered irrelevant it is perhaps as well that they assume the contrary. In any event we should expect that those who execute French foreign policy in the United Nations, in Brussels, and in most of the world's capital cities will regard it as a continuing priority to get the better of the British, rather than to reflect whatever more amiable disposition the President himself may have.

19. This does not mean that relations should remain stuck in the pattern of suspicion and of virtual hostility which they have at times taken in the past. I think the French will welcome and respond to positive indications from us about our ideas on foreign policy and that a dialogue on many subjects will be possible and useful. Where there are major differences, as over the Community budget, they will be interested in exploring a deal bilaterally. The going will be fairly rough and we should not expect too much. Some French ministers and officials will continue to pour sand in the works. But we can hope gradually to make progress.

CONFIDENTIAL

- 18 -



20. I am sending copies of this despatch to Her Majesty's Ambassadors at Washington, Moscow and Bonn and to the UK Representatives to the European Community.

I have the honour to be, Sir,
your obedient servant

A handwritten signature in dark ink, appearing to read 'John Fretwell', written in a cursive style.

John Fretwell

CONFIDENTIAL

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15 OCT 1982

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CONFIDENTIAL



Sir Peter Carey GCB
Permanent Secretary

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

TELEPHONE DIRECT LINE 01-212 7003
SWITCHBOARD 01-212 7676

13 October 1982

Sir Antony Acland KCMG KCVO
Foreign & Commonwealth Office
Downing Street
LONDON SW1

A-J-C. 44.
/10.

Dear Antony,

ANGLO-FRENCH SUMMIT: 4-5 NOVEMBER

with ASE?
✓

I am generally content with the line proposed in Annexes A and B of your letter of 11 October to Robert Armstrong and am glad that we intend to use the occasion to give a clear exposition of our Community budget problem to the French.

I am less happy about the proposed handling of the aerospace issue, and think that the handling of this could be reexamined in the light of the outcome of the Franco/German and Anglo/German summits and the industrial meetings planned for later this month. These will help us determine how much the French wish to make of aerospace issues, and decide if collaborative projects in the aerospace sector will be a primary French objective (paragraph 3 of Annex B).

You are right in thinking we need to be consulted over brief 2E. We would also hope that Brief Nos 2D, and 8B (where we are working closely with the Cabinet Office) and 12 could be prepared in consultation with us.

We would also be grateful for an early sight of the drafts of Brief Nos 2A, 2B and 3.

I am sending copies of this letter to the recipients of yours.

Yours ever

Peter

Peter Carey

4 OCT 1982

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v



Sir Antony Acland KCMG KCVO
Permanent Under-Secretary of State

Foreign and Commonwealth Office

London SW1A 2AH

11 October 1982

Sir Robert Armstrong KCB CVO
CABINET OFFICE

A. J. C. 5/3

My dear Robert,

ANGLO-FRENCH SUMMIT: 4-5 NOVEMBER

1. As you know, the Prime Minister is to visit Paris for talks with the French President on 4-5 November. It will be the second such Summit meeting with M. Mitterrand and will have some difficulty in matching the public success of last year's Summit in London. However, there is some useful work to be done, both by the Prime Minister and by other Ministers participating in the Summit.
2. The French have not yet decided whom they would wish to participate in the meeting, nor what the agenda should be. I shall let you and the other recipients of this letter have these details as soon as they are available. At official level it was thought that M. Cheysson and his junior Minister responsible for European Affairs, M. Chandernagor, might participate, together with the Minister of Research and Industry (M. Chevenement), Transport (M. Fiterman) and the Economy (M. Delors), with perhaps the Minister of Agriculture (Mme Cresson) as well. We have made known the Prime Minister's views to the French, namely that consideration should be given to the participation, in addition to the Foreign and Commonwealth Secretary, of the Chancellor of the Exchequer, the Secretaries of State for Trade, for Industry, and, perhaps, for Defence, and the Minister for Agriculture.
3. The programme is a little clearer. The Prime Minister has said that she would like to leave after the Front Bench speeches on Thursday 4 November. President Mitterrand would hope for a short tête-à-tête after her arrival in Paris before dinner at the Elysee. Working meetings between the individual Ministers would start early the following morning and be followed by a plenary session. The press conference



would be fitted in either before or, more likely, just after lunch. Participants would then be free to return to London during the afternoon. Time for talks will be fairly short given the requirements in most cases for consecutive translation. I hope nonetheless that these arrangements will be acceptable to all concerned.

4. The Cabinet Office official group on Anglo-French relations has approved the attached paper on UK tactics and objectives for the Summit, which covers topics we would expect to cover at the Summit. The traditional statements of British and French objectives are at Annexes A and B respectively of that paper. At Annex C is a suggested list of briefs including the lead departments. Those items which we would not expect the two principals themselves to tackle have been marked.

Yours ever
Antony

Antony Acland

cc: Sir Douglas Wass GCB
HM TREASURY

Sir Frank Cooper GCB CMG
MINISTRY OF DEFENCE

Sir Donald Maitland GCMG OBE
DEPARTMENT OF ENERGY

Sir Brian Hayes KCB
MAFF

Sir Peter Carey KCB
DEPARTMENT OF INDUSTRY

M D M Franklin Esq CB CMG
DEPARTMENT OF TRADE

Sir Peter Baldwin KCB
DEPARTMENT OF TRANSPORT

R Butler Esq
10 DOWNING STREET



TACTICS FOR THE ANGLO-FRENCH SUMMIT: 4-5 NOVEMBER 1982

1. This paper suggests what the UK approach might be to the forthcoming Summit. It has been drafted on the assumption that by the time of the Summit a settlement has been achieved on the 1982 Budget Refunds Question and that the French have not already shown themselves determined to be completely intransigent on the issue of the Community Budget for 1983 and beyond.

UK Strategy and Objectives

2. Two themes are almost certain to dominate the Summit: Community Issues and transatlantic relations (including relevant aspects of East/West relations). Recent French pronouncements suggest that we may be heading for a confrontation over the Budget. Our aim must therefore be to make very clear to the French that a fair and lasting Budget settlement must be achieved while avoiding a public row on this issue. Broad agreement on transatlantic relations and other international questions may be attainable and could be a useful balance to disagreement over Community issues. There will be little progress to register on specific bilateral projects since the last Summit. The Prime Minister will wish to build on and exploit her good personal relations with President Mitterrand (on balance enhanced by the Falklands crisis) to persuade him that individual problems should not undermine the general improvement at political level in Anglo-French relations over the past 18 months.

French Aims and Constraints

3. The Foreign and Commonwealth Secretary's meeting with M Cheysson on 22 September was more encouraging in tone than M Chandernagor's presentation at the Council on 20 September, but unyielding on the Budget issue. The difficult economic situation in France at the

rentrée and an uneasy relationship with the United States are likely to put President Mitterrand in a tough mood. While wishing to preserve the improved climate in relations, President Mitterrand will not wish to be pinned down, especially on the Budget, partly because of the cost to France. Despite this he too will be looking for a broad measure of agreement on wider international issues, and may be receptive to the argument that a confrontation over the Budget is against the wider French interest in Western European solidarity. On collaborative projects we can expect him to press for UK participation in the Airbus A320 and he may come forward with further proposals for cooperation.

4. UK and probable French objectives are at Annexes A and B.

Tactics

5. From the UK point of view it might be best for the Prime Minister and President to concentrate initially on the broader themes where they can expect to reach a measure of agreement. This suggests starting with international issues, in particular transatlantic relations. There should be no difficulty in agreeing the extent of the problem but there may still be disagreement over the best way of solving it. Discussion might be more constructive if preceded by a broad review of East/West relations where the two leaders see eye to eye, and where French robustness on security matters remains an asset in US eyes. Agreement may be possible on the basis for and limits of the European approach to trade with Eastern Europe.

Moving on to European differences with the US over the Siberian pipeline, the Prime Minister will wish to avoid giving any impression she is arguing on behalf of the Americans, but (depending on whether developments in October show the US Administration is looking for a way out) she may still have to

impress on the President the need for a solution which allows the Americans to exempt our existing contacts from US measures without losing face.

6. The timing of the Summit is likely to mean that neither side will be in a mood for compromise on EC issues. In any case, the Summit provides a crucial opportunity to put across our views and remove any misunderstandings at the highest level about the Budget for 1983 and beyond. It is not in French interests for the Budget to become a purely Anglo-French quarrel. The change of government in Germany may make the German attitude of critical importance if only in the sense that the French may not be certain what policies the CDU/FDP coalition will follow. (The Franco-German Summit is due to take place on 21-22 October and the Anglo-German one on 28-29 October.) Whether or not the French are less confident of German support than in the past the Prime Minister will wish to emphasise that the Government's firm commitment to the Community includes an immediate concern to ensure its financial health. Settlement of Britain's Budget contribution for 1983 and later years cannot be put off until a general review of Community finances takes place. Unless the French recognise the urgency, Britain and France look to be set on a collision course which will damage the relationship as a whole as well as the prospects for European cooperation. The Prime Minister will wish to urge the President not to allow the Budget issue to fester. Ministers and officials should be directed to adopt a constructive approach that presupposes that a Budget settlement which reconciles French and British interests for 1983 and beyond is both possible and desirable. It would be useful to be able to invoke an identifiable commitment of this kind from the top over the coming months, though we should be under no illusion about the difficulty of avoiding confrontation with the French as negotiations proceed.

7. Defence is unlikely to play a major part in the discussions. The French seem to wish to move cautiously towards a closer dialogue on defence issues, but their ideas do not appear to have crystallised. The Prime Minister will wish to endorse the exchanges already under way, and to make it clear that we are willing to develop them further when the French are ready.

8. There has been little or no progress towards implementing the major collaborative projects which were such a public feature of the success of the last (1981) Summit which could counter-balance difficulties over other issues. There is indeed potential for discord over some items particularly perhaps Concorde and a danger that the French may conclude from what has happened over others such as the Channel Fixed Link (the Banks' Study will probably not have been completed) and aero-engine co-operation, that Britain's heart is not in working together with the French. The Prime Minister might, therefore, to advantage take the initiative in telling President Mitterrand we regret that we have not between us made swifter progress but that this is because of genuine problems in the individual projects rather than any bias on our part. We shall have to resist any French pressure for a politically rather than commercially-based decision on the Airbus A320 or the Channel Fixed Link but we should also not give the French any excuse for launching the potentially important A320 projects without us in advance of HMG's future decision on launch aid

9. The prospects for wider, multilateral cooperation may be better though French attempts to exclude us from European discussion on direct broadcasting by satellite are not encouraging. But we should be able to maintain the habit of close consultation on trade with Japan, GATT, textiles, international monetary questions, US/EC trade relations, the Siberian gas pipeline (see para 5 above) and UN matters. We should make an across-the-board effort to intensify bilateral coordination at official and Ministerial level with the French for all international gatherings.

10. Suitable arrangements for monitoring progress on Summit follow-up should be agreed at the Summit itself. The mid-term review by Foreign Ministers should be confirmed.

Conclusion

11. Unless circumstances make a confrontation over the Community Budget inevitable, this Summit is not likely to be particularly newsworthy. There is no scope for a great leap forward in the relationship. It will be difficult enough to ensure a business-like atmosphere in which personal relationships are consolidated, policy differences kept within bounds and progress on substantive issues made where that is possible. We must make very clear to the French that a fair and lasting Budget settlement must be achieved while avoiding a public row on this issue. We shall need to persuade them that failure to reach agreement on the Budget issue soon will set our two countries on a collision course and damage the relationship as a whole, and that our common interest in that relationship and in European solidarity should make them, in their own interests, work together with us for a workable solution. We must not allow French allegations that we are unforthcoming on major Anglo-French projects to stick.

ANGLO-FRENCH SUMMIT, 4-5 NOVEMBER 1982

A. PRIMARY UNITED KINGDOM OBJECTIVES

1. Community Affairs. To make very clear that a fair and lasting budget settlement must be achieved while avoiding a public row on this issue. To impress on the French the UK's determination to play its full part in shaping the future of the Community. To explore French thinking on future developments, including enlargement.
2. US/European relations. To reach an understanding on the right approach, taking into account such factors as defence and East/West economic relations.
3. Collaborative Projects. To convince the French that our different approaches to major projects like the Channel Fixed Link, the Airbus and Concorde must not be interpreted as a lack of British interest in such cooperation.

B. SUBSIDIARY BRITISH OBJECTIVES

4. East/West relations. To explain British views with particular regard to arms control and to the situation in Poland.
5. International economic and monetary situation. To discuss developments since the Versailles Summit. To coordinate positions on forthcoming international trade negotiations.
6. The Falklands. To secure French diplomatic support both in general and at the UNGA. To urge the French not to resume sales of sensitive weapons.

7. International affairs. To put across British views on the Middle East and Africa (especially Southern Africa).

8. Defence. To show continuing willingness to achieve closer cooperation on nuclear and non-nuclear defence and arms control questions.

A. PROBABLY PRIMARY FRENCH OBJECTIVES

1. Community Issues. To lower British expectations about a solution to the Budget problem; to put across the French case that EC common policies in various sensitive areas should be completed before enlargement and that enlargement will result in a cost to the UK.
2. International Issues (East/West, Poland, Arms Control). To align the UK with French views, in particular where these diverge from those of the Americans.
3. Collaborative Projects. To demonstrate that lack of progress since the last Summit is primarily due to the UK. In this context:
 - (a) to press for UK participation in the early launching of the Airbus A320 project;
 - (b) to urge the UK to join them in terminating Concorde services;
 - (c) to press for UK collaboration over fast breeder reactors.

B. PROBABLE SUBSIDIARY FRENCH OBJECTIVES

4. To enlist British understanding for French economic policies.
5. To achieve maximum mutual understanding on policies towards Japanese trade and on European interests in US trade and monetary policies.
6. The Falklands. To avoid agreeing to anything which might be an obstacle to France's bid for better relations with Argentina and Latin America as a whole, including arms sales.

ANGLO-FRENCH SUMMIT: 4-5 NOVEMBER

PROPOSED LIST OF BRIEFS

* = Background Brief

	<u>Lead Dept</u>	<u>In consultation with</u>
1. Steering Brief	FCO	As appropriate
2. European Questions		
A. European Community Steering Brief	FCO	As appropriate
B. EC Budget	FCO	Treasury, MAFF
C. Agricultural Questions	MAFF	FCO, Treasury
D. Enlargement	FCO	Treasury, Trade, MAFF, Employment
E. EC/US Steel	FCO	DOI
F. Common Fisheries Policy	MAFF	FCO
G. European Act	FCO	As appropriate
3. Transatlantic Relations and related aspects of East/West Economic Relations, including Siberian Gas Pipeline	FCO	As appropriate
4. East/West Political Relations (including Afghanistan)	FCO	
5. Poland	FCO	Treasury, Trade
6. CSCE	FCO	
7. International Economic and Monetary Questions		
A. Prospects for the World Economy (including US economic policy)	Treasury	FCO
B. International Debt Problems	Treasury	FCO
C. International Trade Problems (including Protectionism, Japan, GATT ministerial)	Trade	FCO, Treasury
8. Economic Summits		
A. 1983 Summit	FCO	Treasury, Cabinet Office
B. Working Group on Technology, Growth and Employment	Cabinet Office	FCO

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9.	Defence Matters	MOD	FCO
10.	Arms Control and Disarmament	FCO	MOD
11.	World Political Issues		
	A. Arab/Israel and Lebanon	FCO	
	B. Europe/Latin America (including the Falkland Islands)	FCO	
	C. Southern Africa/Namibia	FCO	
	D. China	FCO	
	E. North/South Dialogue	FCO	
	*F. Iran/Iraq and the situation in the Gulf	FCO	
	*G. UNLOSC	FCO	
	*H. International Terrorism	FCO	Home Office
12.	Bilateral Questions	FCO	As appropriate
*13.	French Scene		
	A. Political	FCO	
	B. Economic	Treasury	

cc Williamsberg Leon Summit
PT 11

Prime Minute

A.F.C. 8/10

Ref. A09677

MR COLES ✓

cc PMS Update France : Part 3
Anglo French Summit

[Handwritten signature]

- I attach a note of a conversation which I had with Monsieur Attali in Paris on 5th October.

2. I am sending copies of this minute and the note to the Private Secretary to the Foreign and Commonwealth Secretary. Monsieur Attali spoke with great candour, and I hope that this record may be treated accordingly: specifically, I would ask that copies should not be circulated in the Foreign and Commonwealth Office beyond those with a strict need to know.

3. I am also sending a copy of paragraphs 3 to 11 to the Private Secretary to the Chancellor of the Exchequer, with a similar request.

RA

ROBERT ARMSTRONG

7th October 1982

CONFIDENTIAL AND PERSONAL

NOTE FOR RECORD

I went to see Monsieur Jacques Attali, Special Adviser to the President of the French Republic, at his invitation, in the Elysée on Tuesday, 5th October 1982. Our discussion took place over lunch. Monsieur Bianco, the new Secretary General at the Elysée, was also present. Before Monsieur Bianco arrived, Monsieur Attali explained that he had now added to his responsibilities for international economic matters new responsibilities on the political side of the President's work. The Secretary General was responsible for "running the house". But Monsieur Bianco contributed to our discussion in a way that made it clear that he was well informed over a wide range of the President's business.

Visit of the Federal Chancellor

2. It appeared that Monsieur Attali had not been there when Monsieur Mitterrand saw the new Federal Chancellor at the Elysée the previous evening; but Monsieur Bianco was there. He said that the discussion had been mainly about security issues (not including terrorism). Other issues had been mentioned but not discussed; these would no doubt be pursued at the next Franco German bilateral meeting on 21st and 22nd October. Monsieur Bianco said that the Federal Chancellor had told the President that there would be new Federal elections in Germany in the first or second week of March 1983; they would coincide with two or three Land elections.

Economic Summit 1983

3. Monsieur Attali said that the French President had been "very angry" at President Reagan's attempt to obtain a commitment to an Economic Summit on 10th to 12th June 1983 at 48 hours' notice. It was no way to do business among Heads of State or Government. On the President's instructions Monsieur Attali had told the new United States Personal Representative, Mr. Allen Wallis, that the French President could not and would not attend an Economic Summit before July. If the date was fixed before that, they could hold it but he would not come. Monsieur Attali and Monsieur Bianco explained that the President's schedule for the first half of the year was already full. He would have to stay in France during the run-up to the Municipal elections in March; and, as he had been

criticised for travelling abroad too much, he had decided to limit his trips abroad to one a month.

4. I said that one disadvantage of leaving the Summit over until after the end of June was that the European Community would once again have to be represented by a Prime Minister of a country not otherwise represented at the Summit: in this case, Greece. Monsieur Attali looked rather thoughtful about this, and thought that he might be able to prevail upon the French President to accept a date towards the end of June.

5. Monsieur Attali asked why the Prime Minister was proposing that the Summit should be brought forward to earlier in the year. It was clear that he thought that domestic political considerations might have prompted this suggestion. I said that the Prime Minister was keeping her own counsel about the date of the next General Election, but I thought it unlikely that her suggestion for an earlier Summit reflected domestic political considerations. She was increasingly concerned about the international financial situation, and she thought that its management might well require an input from the Heads of Government of the industrialised countries before June. She recognised that it might be difficult to hold the Summit before the Federal elections in Germany, but hoped that a date towards the end of March or early April might be possible.

Monsieur Attali once again recalled the instructions he had received from his President.

6. I asked Monsieur Attali whether he was satisfied with progress on the work to follow up the President's report on technology at Versailles. Monsieur Attali said that he was optimistic about that, and hoped that it would lead to proposals for a number of co-operative projects and initiatives. He was grateful for the contribution that the United Kingdom representatives had made to this work.

Community Budget

7. I said that the British Government was hoping that it would be possible at the next meeting of the Council of Ministers to reach agreement on the implications of the 25 May 1982 agreement on compensation to the United Kingdom for 1982. I knew that the French had raised problems at the last meeting about the contribution to the German payments. I recalled that at the meeting on

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25th September the French delegation had argued that the question of the United Kingdom's gross contribution to the German payments should be linked with the "corrections" in respect of 1980 and 1981; but that was contrary to the terms of the 25th May agreement, which made it clear that corrections for 1980 and 1981 would be taken into account when negotiating the solution for 1983 and subsequent years. Monsieur Attali said that the French Government agreed that the United Kingdom compensation should be fixed at 850 million ecus net, and he agreed that "corrections" for 1980 and 1981 were to be dealt with in relation to the long-term solution and not in relation to the settlement for 1982. But there was no way in which France would pay a dollar or a penny towards the German contribution. German agriculture had done incredibly well out of the Common Agricultural Policy, and considerably better than French agriculture. If there was any question of France paying for part of the German contribution, the agreement for 1982 would be void. This was not a Franco-British problem, because France agreed that compensation for the United Kingdom for 1982 should be 850 million ecus net, and would pay her due contribution for that; but no more. It was a Franco-German problem. The President had mentioned this when he saw the Federal Chancellor the previous evening but there had been no discussion. I wondered whether it might be possible to resolve this problem by drawing upon the surpluses on the Community budget for previous years which I understood to be substantial. Monsieur Attali agreed that that might be possible, but emphasised again that it was a question of principle that France would not contribute to the relief of Germany.

8. Turning to the longer term problem, Monsieur Attali asked what our position was. I said that it remained what it had been. We were not asking for "juste retour", and we were prepared to continue to pay a modest net contribution. But it was unacceptable that a country which was relatively less prosperous should be required to be a net contributor on the scale of our unadjusted net contribution. The Community was committed to find solutions to unacceptable situations. We were still looking for a solution that lasted as long as the problem. Monsieur Attali said that in that case he feared that the Community was in for a very difficult time. As he had told me on a previous occasion, the President recognised the need for a short-term solution to deal with the immediate political

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problem in Great Britain, and would be ready to help; but there would have to be a private or public understanding that that was "the beginning of the end of the transitional period". The problem would have to be resolved in the context of the extension of the "own resources" system. The French balance of payments was such that France could not afford the balance of payments consequences of continuing arrangements like those of 30th May 1980.

Monsieur Attali reminded me that he had said to me before that Monsieur Mitterrand, when in opposition, had criticised the settlement of 30th May 1980 as over-generous. It was for him a political imperative that France should not have to pay more, and should pay less, for the relief of the United Kingdom than was implied in the 30th May 1980 settlement. This remained a political imperative, and was one of the reasons why France would make no payments in respect of the German contribution in 1982.

9. Monsieur Attali hoped that it would be possible to limit as far as possible the extent to which this matter gave rise to difficulties and misunderstandings between France and Britain. He suggested that he and I should keep in close contact over these matters over the coming months. He agreed that it would be useful for Mr. Hancock to meet Monsieur Morel to go over the ground in more detail before the Anglo-German bilateral and before the Prime Minister's visit to Paris at the beginning of November.

10. I handed Monsieur Attali an aide-memoire on the 25th May 1982 agreement on compensation to the United Kingdom for 1982. I said that I thought that he should also know that the Government thought that the real nature of the Community budget problem and the reasons for Britain's position were not yet fully understood by the public in many European countries, and had, therefore, arranged to produce a pamphlet on the subject which was being made available to industrial and trade associations and other interested bodies. I said that Monsieur Attali would himself, of course, need no elucidation on the matter; but I thought that he should know of what was being done, and might like to see the pamphlet which we were issuing. Monsieur Attali said that he had heard about the pamphlet, and he accepted a copy of the French version of it.

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11. We did not discuss any other Community issues. Monsieur Attali, with a smile, made a passing and light-hearted reference to British turkeys; I said that I thought that it had been very tactful of him to serve neither turkey nor lamb at our lunch.

Composition of Team and Agenda for the Franco-British Bilateral Summit in November

12. It was clear that neither Monsieur Attali nor the President had yet given much thought to these matters. Monsieur Attali asked what Ministers the Prime Minister had in mind to bring with her. I said that I thought she would hope to be accompanied by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Industry and the Secretary of State for Trade. It was for question whether it would be also useful for the Secretary of State for Defence to come; there were perhaps matters which Defence Ministers could usefully discuss together. Monsieur Attali said that he would like to think further about the suggestion that Defence Ministers should come, but for the rest he thought that the composition was perfectly suitable, and he would propose accordingly that the President should match that.

13. As to the agenda, we agreed that the President and the Prime Minister would want to discuss developments in the international financial and economic situation since Versailles, and problems of transatlantic relations. They would also no doubt need to have some discussion on the Community problems that we had just been discussing; though that might not be for any communiqué it would be important that they should understand one another's positions. For the rest, it would be useful to find something more positive in the area of bilateral relations. I said that it seemed doubtful whether the Airbus or the fixed Channel link would be ripe for discussion by Heads of State or Government by the beginning of November. We wondered whether there might be any scope for agreement on co-operation on the development of new technology. In the course of the discussion it emerged that the French Government was working up to decisions about a wide extension of cable in

CONFIDENTIAL AND PERSONAL

France. I said that we were in the same position in Great Britain. We thought that this might be an area on which there could be scope for some bilateral activity, perhaps even in the form of studies of a cross-channel cable link.

Robert Armstrong

7th October 1982



SC: Pm TOURS: ANGLO/
GERMAN BILATERAL: MAY
1982.

10 DOWNING STREET

From the Private Secretary

4 October 1982

SPEECHES IN EUROPE

You wrote to Michael Scholar on
24 September.

The Prime Minister is willing to appear on German and French TV at the time of the Anglo/German Summit on 28/29 October and the Anglo/French Summit on 4/5 November. She would also see no difficulty, in principle, about giving press interviews and signing press articles to coincide with these Summits. The Prime Minister's Press Secretary will wish to consider these matters further and will doubtless be in touch with News Department.

The Prime Minister does not, however, in the foreseeable future, wish to devote a speech, or part of a speech, to European issues.

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

R.

CONFIDENTIAL

ff CS OR. *France*



10 DOWNING STREET

From the Private Secretary

28 September 1982

Anglo/French Summit

Thank you for your letter of 21 September.

The Prime Minister will be glad to have a talk with the Foreign Secretary and Sir John Fretwell before the next Summit. Caroline Stephens will be in touch with you about the timing.

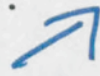
Mrs. Thatcher has, however, commented, that she has some doubts about the idea of meetings between President Mitterrand and our Ambassador in Paris. She has pointed out that she does not see the French Ambassador for such talks. This matter could be discussed at the meeting which we are arranging.

JC

Francis Richards, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

14.30
Monday
18 Oct.
cf.
. 1/10.



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SC: PM TOURS.

Press Office

ANGLO/GERMAN BILATERAL:

MAY 1982.

2 Euro Policy - European Council Copenhagen.

Foreign and Commonwealth Office

London SW1A 2AH

Original on European Policy Budget Pt 17



24 September, 1982

Ms Coles OIR

Dear Michael,

Speeches in Europe

At OD on 22 July it was agreed that there would be value in a series of Ministerial speeches during the autumn, which would both firmly state our case on the budget but would, at the same time, set out in a positive fashion our views on the future development of the Community. Our principal aim would be to influence Community opinion in the context of the budget negotiations.

The first two speeches in this series - Mr Pym's in Copenhagen on 10 September, and Mr Hurd's in Brussels on 20 September - have now been delivered. The rest of the programme is shaping up as follows:

Mr Baker	Paris	28 September
Mr Tebbit	The Hague	4 October
Mr Walker	Paris	5 October (not yet confirmed)
Mr Prior	Rome	12 October
Mr Rees	Bremen	Mid-October (not yet confirmed)
Sir Geoffrey Howe	Frankfurt	28 October (not yet confirmed)
Mr Heseltine	Antwerp	3 November
Mr Rifkind	Luxembourg	11 November
Mr Lawson	Bonn	29 November

The first two speeches have set the stage for a more detailed elaboration of positive British thinking in the fields for which the individual Ministers concerned are responsible. Mr Pym does not suppose that such a programme of speeches will make the budget negotiations/tough and difficult than they would otherwise be; but he remains convinced that we should do all we can to influence European opinion if we are to achieve our aims. As the going on the budget gets rough, as it certainly will, it will become all the more important to bring out the positive role we wish to play in the Community as an antidote to the negative response which the budget negotiations will certainly arouse.

less

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/Mr Pym

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Mr Pym feels that the exercise would pay much greater dividends if the Prime Minister were seen to be personally involved in it. He therefore hopes that she will agree to appear on German and French TV at the time of the Anglo-German Summit on 28/29 October and the Anglo-French Summit of 4/5 November. Press interviews and signed articles for the press, to coincide with these Summits, would also be most valuable. In addition the Prime Minister may wish to consider using a speech - or part of a speech - to bring together the various themes and ideas developed by other Ministers. This could be done either in Europe or at home. Late November must be the ideal time to wrap up the programme of speeches before the Copenhagen Summit on 3/4 December; but there would be value in such a speech even after the Copenhagen Summit - perhaps to mark the 10th anniversary of British Community membership (which falls in the new year), in a way which lays emphasis on the challenges of the future.

Yours ever,

A handwritten signature in dark ink, appearing to be 'B J P Fall', written in a cursive style.

(B J P Fall)
Private Secretary

M Scholar Esq
Private Secretary
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AH

21 September, 1982

Prime Minister:

Dear John,

*Agree to meet
Sir John Fretwell before
the Anglo-French Summit as
proposed? J 21/9.*

Yes

The Prime Minister will be aware of the extent to which President Mitterrand personally dictates French policy, both foreign and domestic. One of our difficulties in the past has been arranging access to him (and his predecessors). The Prime Minister does of course speak to him on the telephone from time to time, but this should in our view be reserved for special occasions. There would be obvious advantage to us if the Ambassador at Paris were able to arrange the occasional meeting with the President (in the same way as our Ambassador at Bonn used to have meetings with Chancellor Schmidt) either for a general tour d'horizon or to take up individual matters, eg the Budget. The dialogue at that level between Britain and France should be more regular.

Sir John Fretwell is well qualified to make the best use of such opportunities: he is not only an expert in Community Affairs but also a fluent French speaker. But he really needs a card of entry. The most effective way of providing this would be for the Secretary of State and Sir John Fretwell to have a discussion about Anglo-French relations with the Prime Minister, after which the Ambassador would be able to seek an interview with President Mitterrand on the grounds that he had come back fresh from top-level conversations in London.

The most convenient peg for such a meeting is the forthcoming Anglo-French Summit on 4/5 November. President Mitterrand might be prepared to receive the Ambassador in October if he came with a personal message from the Prime Minister about the Summit. The President would no doubt by then himself be beginning to think about how to tackle the meeting. Once Sir John has seen him it ought to be easier to arrange a second and subsequent meetings.

*I have doubts
about it:
there will
be a
dis. I do not
think
French
ambassadors
for such letters
not*

If the Prime Minister is content with this general approach, the Secretary of State wonders whether it would be possible to arrange a meeting with himself and Sir John Fretwell immediately after lunch on Monday, 18 October. Mr Pym is already lunching with the Prime Minister and it could be convenient to enlarge the discussion at say 2.30 pm to include the Ambassador.

Yours ever,

A J Coles Esq
10 Downing Street

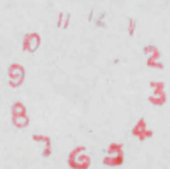
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(F N Richards)
Private Secretary

20 SEP 1982



20 SEP 1982



PART 2 ends:-

Bulk Complete to MODBA 6/0

PART 3 begins:-

FCU to ABC 2/19
RTA All for Record A09658

7/10