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PREM 19/1243

Confidential File

Prime Minister's visits to
France

FRANCE

4 May 1984

29/30 November 1984.

Part 1 May 1984

Part 4 May 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
1.5.84							
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PART 4 ends:-

DTI to CDP 11/12/84

PART 5 begins:-

CR to CDP 21/10/86



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C.P.K.

From the Minister of State
for Industry and Information Technology

GEOFFREY PATTIE MP

Charles Powell
10 Downing Street
LONDON
SW1

C.P.K.
- 12/11

11 December 1984

Dear Charles

ANGLO-FRENCH SUMMIT

We spoke yesterday about the record of the Plenary Session attached to your letter of 5 December.

I have also spoken to our Embassy in Paris, and have confirmed with them that the paragraph at the bottom of p.6 and top of p.7 of your note starting:

"The Community's stake in world trade

and ending

"The suggestion that officials should pay a joint visit to Peking was welcome"

was erroneously attributed to Mme. Cresson rather than Mr Pattie. To avoid any confusion in the future I would be grateful if you and copy recipients would amend the note accordingly.

I am copying this to Private Secretaries to Ministers who attended the Summit, to Ivor Llewellyn (MAFF) and Richard Hatfield (Cabinet Office).

Yours

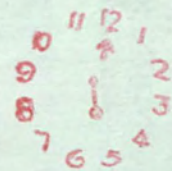
N.M.

N M McMILLAN
PRIVATE SECRETARY

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EDP

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

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10 December 1984

Charles Powell Esq
10 Downing Street
LONDON SW1

Dear Charles

ANGLO-FRENCH SUMMIT

- .. For the record, I enclose a copy of the extended record of the discussions between the Chancellor and M. Bereznevoy in Paris on 29-30 November, prepared by Roger Garside from the Paris Embassy, who attended the discussions.

I am sending copies to Len Appleyard (FCO), Callum McCarthy (DTI), Richard Hatfield (Cabinet Office) and Roger Garside in the Paris Embassy.

Yours ever

David

D L C PERETZ
Principal Private Secretary



FRANCO-BRITISH SUMMIT, PARIS, 29-30 NOVEMBER 1984
NOTE OF MEETINGS BETWEEN THE CHANCELLOR OF THE EXCHEQUER
AND THE FRENCH MINISTER OF FINANCE

Present:

British

The Chancellor of the Exchequer,
Rt Hon Nigel Lawson MP

Mr J B Unwin, Deputy Secretary, HM Treasury

Mr D L C Peretz, PPS to the Chancellor

Mr R R Garside, Financial Counsellor, Embassy

French

M. Pierre Berezgoy, Minister of Economy,
Finance & Budget

M. Daniel Lebeque, Directeur du Tresor

M. Jean-Claude Prevel, Secretary General, SGC

M. Francois Laumonier, Chef du Cabinet

M. Daniel Dumont, Conseiller Technique,
Minister's Cabinet

M. Gilles Guitton, Conseiller Technique,
Minister's Cabinet

M. Jean-Francois Stoll, Conseiller Technique,
Minister's Cabinet

M. Bertrand Schneiter, Conseiller Financier,
French Embassy, London

Budget Discipline

After M. Berezgoy had welcomed the Chancellor and his officials, it was agreed to start by discussing Community matters. M. Berezgoy recalled that he had attended the last two meetings of ECOFIN which had discussed budget discipline. Before the meeting with the delegation from the European Parliament after the latest



ECOFIN, he had proposed to the Irish Minister of Finance that he should be firm on substance and flexible on form, and he had accepted this advice. The meeting had been inconclusive.

The Chancellor observed that although the Italians had been difficult they were not very firm. ECOFIN had reached agreement on a text and its form, but it was then decided that the text should be adopted by the Foreign Affairs Council, with the outcome that we all knew. The moral was: Finance Ministers should handle such matters themselves. The failure to agree meant that the issue must now go to the European Council. This was sad: the European Council should not have to do this. It was of the first importance that the European Council should adopt the text in precisely the form in which ECOFIN had adopted it. The UK had made the increase in own resources dependent upon adoption of a satisfactory text on budget discipline. However we could agree to one procedural innovation to please Parliament: a letter from the Council to Parliament undertaking to consult them before the reference framework for the budget was set annually.

M. Beregovoy said that he had been able to agree the ECOFIN text but it was the position of the French Government that the last word should come from the General Affairs Council. The Chancellor would hear this view expressed at the political level the next day. The French Ministry of Finance was in favour of budget discipline but the Ministry of Agriculture had expressed reservation. In France when such a political conflict arose it was settled by the Council of Ministers or the Prime Minister; in the Community it was for the General Affairs Council to resolve. This was not necessarily satisfactory to M. Beregovoy but that was the situation.

The Chancellor said that the text could be adopted at the European Council by the Foreign Ministers deciding it quickly amongst themselves. M. Beregovoy said this was the French view also but could France and Britain persuade other countries to adopt the



text? The Chancellor repeated that the Council could undertake that a letter should be sent by the Presidency to the Parliament undertaking to consult them before the reference framework was fixed, but should give no substantive role to the Parliament; it was for the Council to decide how it was going to conduct itself in the future. Unless the present text were adopted the UK could not agree to release the additional finance under the inter-governmental agreement for the 1984 supplementary budget. This was also the German position. Beregovoy added that it was the French position too. In his view, the Council's best argument was that the text governed the execution but not the elaboration of the budget by the Council. The Chancellor recalled that the Council's legal services had confirmed that the text accorded with the Treaty.

1985 Budget

The Chancellor observed that French and British views on the 1985 budget were close. It was essential that we should resist the amendment proposed by the European Parliament, and stick to the 1 per cent VAT ceiling for own resources. At some stage it would be necessary to get the Germans off the political hook on which they had fastened themselves, so that they could agree to an increase in own resources before 1 January 1986. This was difficult to handle politically, but if anyone could persuade the Germans it was the French. Their role in this was crucial.

M. Beregovoy said that so far the Germans had always linked the increase in own resources to enlargement. Their position might evolve towards agreeing that own resources could be increased as soon as there was agreement in principle on enlargement. At the last Franco-German Summit they had allowed this to be understood. On the 1985 budget, execution would be difficult. Parliament would create trouble.



The Chancellor underlined the importance of sticking to the 1 per cent ceiling. We could not countenance the devices now being put forward to exceed it. M. Beregovoy foresaw a possible crisis with the European Parliament. The Chancellor said that, if the Parliament adopted a budget that exceeded the 1 per cent ceiling, the UK and France could consider taking legal action in the European Court of Justice jointly. The Council's legal grounds for court action against Parliament on the 1985 budget was clear; on the 1984 budget it was much less clear. In the latter case the issue was whether the Parliament had powers on the revenue side. M. Beregovoy commented that it was not healthy for the Parliament to vote expenditure but to have no responsibility for revenue. This was absurd.

IMPs

The Chancellor said that a head of steam had built up behind expenditure on IMPs. He was concerned about this. This Greeks were setting the pace and the Italians had a strong interest. The French had some interest in the matter but not much, as far as the Chancellor could see. If we were not careful there would be a massive commitment to spending on IMPs. The risk of such a development was evident from the evolution of expenditure on wine and Mediterranean agriculture over the last 5 years: expenditure on wine had increased 17-fold and on Mediterranean agriculture by 250 per cent. The Chancellor added that he had some ideas on how to curb this growth.

M. Beregovoy said that he agreed with the UK on 3 points concerning IMPs. (a) The Commission's proposal did not respect the position of the European Council because it did not take account of the consequences of enlargement, (b) it did not integrate IMPs into the existing structural funds and (c) the amount proposed was too high.



The French thought that 400 to 600 mecu spend over 4 years on IMPs would be appropriate. There was one point on which French and British positions differed somewhat, although they were not far apart: in the French view, once an appropriation had been made for IMPs expenditure in a country, that country should be able to decide on the application of the funds. Individual countries should enjoy some flexibility in the matter. This was a pragmatic approach and the pragmatic British should be able to agree to it. It was socialists who were supposed to be dirigiste but M. Beregovoy was putting forward a pragmatic proposal. He was a non-dirigiste socialist.

The Chancellor said that a ceiling on FEOGA guidance expenditure should be established for the next 5 years.

M. Prevel said that a new budget line for FEOGA guidance spending must be established. The Chancellor said that a new FEOGA guidance ceiling must be set to succeed the one which expired this year. We should bear in mind the amount to be spent on IMPs, within this ceiling. The new FEOGA guidance ceiling should be set at some 5 billion ecus over 5 years. Mr Unwin added that if no maximum figure was set there would be strong pressures to push up FEOGA guidance expenditure. Hence the importance of the ceiling. M. Beregovoy commented that the French Government had not taken a decision on the level of this ceiling. The Ministry of Finance favoured 5 billion ecus and the Ministry of Agriculture 5.5 billion. The Chancellor said that if the FEOGA guidance ceiling were too generous it would be very difficult to contain the IMPs figure within it. We were opposed to a separate envelope for the IMPs. Substantial money for IMPs would feature already in each of the 3 structural funds. M. Beregovoy asked when the ceiling for FEOGA guidance should be set, and M. Prevel replied that it would be set by the end of this year. Perhaps the word "ceiling" should not be used: to the Parliament it was like a red rag to a bull.



EIB Capital Increase

M. Beregovoy said that the President of the EIB had called on him the previous day, and M. Beregovoy had told him that he would find a doubling of EIB's capital acceptable.

The Chancellor recalled a meeting of the EIB Governors in June of 1984, just before he became Chairman of the EIB Governors. He had said then that the EIB had been growing too fast and needed a period of consolidation. A 15 per cent per annum growth rate would be too fast, which was what doubling the capital of the bank over five years would imply. The Chancellor thought that a 7 per cent per annum nominal increase would be more appropriate. Some increase would be justified by enlargement. Perhaps there should be discussion between British and French officials on this?

M. Beregovoy noted that there was disagreement between the two governments on this question. France wanted a large capital increase because it wanted the EIB to finance industrial development in the Community. It was with that in mind that he had spoken to the President of the Bank yesterday. This was a matter of consolidating the Community.

The Chancellor remarked that the matter would be discussed at the EIB Board on 11 December. Although he could not agree with the French on doubling the capital of the bank he did agree with the French emphasis on loans within the Community. In some quarters there was a wish to turn the EIB into a second version of the World Bank. M. Beregovoy confirmed his wish to see the EIB continue to lend principally within the Community, even in the UK! Mr Unwin added that the Board would discuss this question on 11 December and would make recommendations to the Governors next June. M. Beregovoy thought it would be good if French and British officials could reach agreement on these issues.

EMS

M. Beregovoy asked the Chancellor to clarify UK policy on the participation of sterling in the exchange rate mechanism. The Chancellor said that the policy with which M. Beregovoy would be familiar, remained unchanged. The question was kept under review, but there was no immediate prospect of sterling joining. The reports about this which had recently been featured in the press had not come from official sources.

M. Beregovoy remarked that Herr Schmidt, the former German Chancellor, and M. Giscard d'Estaing had both said recently they believed the US government was moving in favour of sterling's participation. The Chancellor said he did not know on what this belief was based. The UK was, however, in favour of some measures to strengthen the EMS, such as the proposal on mobilisation in the package put forward by the Committee.

M. Beregovoy observed that the Germans, who participated in the EMS, were very committed to the deutschmark, which the British showed a great interest in the ECU but did not want to join the ERM. He took due note of the UK's position.

M. Beregovoy added that he had raised the subject in particular because it could come up again with Spanish entry into the EEC. If Spain wanted the peseta to be in the ECU the French would agree only if the peseta were to enter the exchange rate mechanism at the same time. There might be a delay of several years between Spanish accession to the Community and this monetary development, but the French would not agree to the peseta joining the sterling in being in the ECU and not in the ERM.

(Discussion was suspended here and resumed the next day).

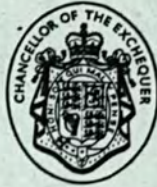
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Special Fund for Africa

M. Beregovoy raised this subject and sought the Chancellor's views. The Chancellor said that there was general concern about the problems of Sub-Saharan Africa. No-one could see the pictures of starvation in Ethiopia without being moved. Britain like France had historical links with some countries on the continent. The French had made a proposal for a Special Fund for Africa, and the British Government would be happy to give it consideration but there were problems. In multilateral aid it was important to achieve gearing in order to push up total contributions. In this case many countries, for example United States, had shown no interest in the proposed Fund, so there was not likely to be much gearing. The UK had supported the IDA supplementary fund where there would have been such gearing, but unfortunately it had not been possible to gain support for a substantial sum. Mr Qureshi, Vice President of the World Bank, would be visiting the United Kingdom soon for discussions and Ministers would talk to him about the proposal. M. Beregovoy took note of the UK's position but asked the Chancellor to bear in mind that if the United Kingdom agreed to contribute to the Special Fund for African then the Netherlands and Italy would almost certainly do so and the Germans would probably reconsider their position. President Mitterrand had announced a commitment by France to contribute \$150 million over three years to the Fund and the 1985 budget contained provision for the first tranche. The Chancellor asked if this \$150 million was additional to previous plans for aid expenditure, and M. Lebeque confirmed that it was.

M. Beregovoy added that he had written the Chancellor a letter, which had not yet been despatched, to propose that M. Camdessus, Governor of the Bank of France and former Directeur du Tresor,



accompanied by M. Lagayette, former Directeur du Cabinet of M. Delors, should visit him to discuss further the proposed Fund. If there was agreement in principle, a meeting could be held to discuss it multilaterally. M. Beregovoy did not expect the US to take part in such a meeting. The Chancellor said that nevertheless every effort should be made to get the United States to participate in such proposals, because of the extra gearing a US contribution would give. The subject could be discussed at the 17 January meeting in Washington.

World Economy

M. Beregovoy said that Herr Stoltenberg, the German Minister of Finance, foresaw GDP growth for Germany in 1985 of 2½-3%. France expected to achieve 2%. Both growth rates would depend heavily on exports. If there were a recession in the United States, then the consequences for Germany and France would be serious. When in Washington the European Minister should try to discover the intentions of the Americans concerning their Federal deficit in FY 85/86. Conversations which M. Beregovoy had had in Washington with bankers and others such as Dr Kissinger had convinced him of the renewed economic dynamism of the US, and he was surprised at the recent decline in US growth. He did not believe the US was going into recession.

The Chancellor said that UK GDP growth in 1984 would be about 2½% and in the following year 3½%. If there had been no coal strike in 1984 the rate of growth this year would have been 3½%. Next year's figure contained some 1% pushed forward from this year. The recovery in the UK was now broadly based with industrial investment especially strong and consumer spending still quite strong. The Chancellor shared M. Beregovoy's admiration for the dynamism of the US economy. He regarded



the slowdown there as inevitable and was not too worried about it. Growth could not have continued at the previous high rate. He was more worried by the risk of serious dislocation arising from the failure to correct an unsustainable position of a budget deficit, which was causing US official debt to assume enormous and rapidly growing proportions, combined with its counterpart of a huge balance of payments deficit. If steps were not taken in time to correct this, and he was not too optimistic that they would be, then a correction of a dramatic and damaging kind would be forced upon the US economy. So he agreed with M. Beregovoy that they should try to find out American intentions when they visited Washington in January, and they should also try to persuade the American to cut their deficit. 1985 provided the only political window for doing this: the President had just received a great popular mandate and the next round of elections was still some way ahead. If the President did not act soon he would not act until forced to do so by a crisis.

M. Beregovoy commented that if the US did not take steps to correct the situation now, it would become more protectionist. The Chancellor agreed. Considering the enormous pressures upon it, the Administration had been very robust, but if the deficit were not corrected, the pressures would indeed grow. A reduced budget deficit would reduce the import of capital into the US and lead to lower interest rates. That would be good for world recovery.

M. Beregovoy said he was struck by the fact that at present US interest rates were coming down when the Dollar was going up. The Chancellor agreed that this was puzzling, but there was a market explanation. The momentum powering the Dollar was still there but would not last forever. So many people had expected the Dollar to fall for so long, had been wrong and had lost money thereby, that they were reluctant to take



the risk of being wrong again and losing more money. But this was a time to remember the old adage "trees don't grow to the sky".

Mixed Credits

Turning to the question of what could the Europeans do to prevent protectionism taking hold in the US, the Chancellor drew attention to one particular area where Europe could be exposed to US action: mixed credits. If the EC Governments could not reach agreement on mixed credits first amongst themselves and then with the United States in the OECD Consensus group; then there was a real risk that the US would leave the Consensus and adopt the technique of mixed credits to an extent that would far outrun anything possible for the UK or France. There were strong reasons for them to do so, as the Chancellor and M. Beregovoy had already agreed.

M. Beregovoy explained that the French had refused to endorse the Commission's text for a mandate for discussions in the OECD Consensus group. In the French view this was a subject which was appropriate for discussion in OECD rather than the Community. There were two points of principle for them in considering the subject of mixed credits:

- (a) all forms of credit should be transparent; and
- (b) they would refuse any new constraints in this area.

President Mitterrand would tell the Prime Minister that the French would not accept the Presidency text as it stood. There must either be a new text or discussion in OECD only. The Chancellor said this was not quite the right approach. The only way now, as in the past and in the future, was for the EC to reach a common position for negotiation with the US and



Japan. If the Community could not achieve a common position then the OECD meeting on 11/12 December was most unlikely to reach agreement. The UK fully agreed with France on the need for transparency. If the French had proposals for improving transparency, then he would welcome a discussion on them, but he did not understand what the French meant by accepting no constraints. If there were no Consensus, there would be a free-for-all in which the Americans would be the most powerful player.

M. Beregovoy said that what the French could not accept in the Commission and Presidency demarche was that French mixed credits should be the only ones under fire. France's handicap was total transparency. It was difficult to know what other countries were doing. When he said he was against a tightening of constraints, M. Beregovoy meant a tightening of constraints applied only to France. The French Government were people of goodwill but they found that their East European trade had been brought to a standstill, and their trade with the Developing Countries likewise. The Community text gave them a feeling of being got at and no agreement was possible as things now stood.

The Chancellor said there was no question of constraints being applied only to France. They would be applicable to the UK as well as France. The UK's transparency was as complete as that of France. Both countries should insist on knowing what everyone else was doing. The Commission was simply proposing an attempt to reach a common Community position and M. Beregovoy had suggested a few moments ago that this was undesirable. The Chancellor hoped that the French would make a serious attempt to reach agreement in Brussels on 10 December. If private discussions between French and British officials to agree modifications to the Community text could make that text



acceptable to the French then he would favour such discussions being held. M. Beregovoy agreed that discussions could be held. Sovereignty loomed large in this matter, specifically sovereignty over aid policy. The Chancellor said there was no question of sovereignty being compromised. It was important to exercise restraint in subsidising exports, otherwise those companies whose exports were not supported by subsidies would get into difficulties.

Guangdong Nuclear Project

M. Stoll said that the commercial negotiations over the Guangdong project had ended and financial negotiations were about to begin. They would have to be concluded very quickly. The two Ministries of Finance should work in closest co-ordination. The Chancellor said he remembered this project from his days as Secretary of State for Energy. He was happy to see the negotiations had made such progress. He knew the Chinese were keen. The future sales of electricity at Hong Kong were an important element and the Chinese did not wish to upset the agreement reached over Hong Kong. They wished to demonstrate reliability. But they would try to play the French and British off against each other. M. Beregovoy agreed. M. Stoll said that ECGD and COFACE were in frequent contact on the project. Mr Unwin said it was indeed important that the French and British should keep very closely in touch on these negotiations. The terms were already very generous. If there were any thought of changing them, the two Ministries of Finance should consult first. The Chancellor said that he was sure there should be no change, and the Chinese should not be allowed to drive any wedges between the French and the British. M. Beregovoy asked if there were any difficult apparent at this stage and was told by M. Stoll that none had appeared. M. Beregovoy added that the French



had thought that the matter was largely settled but the President's wife had returned from a semi-private visit to China with the impression that nothing was settled. Mr Unwin commented that the terms already offered to the Chinese were an exception to the OECD Consensus and we should, if necessary, remind the Chinese of this.

Washington Meetings

M. Beregovoy said there were meetings in prospect in Washington on 17 January and then in the spring when the IMF Interim Committee and the World Bank Development Committee would meet. It had been agreed to discuss international debt questions. The largest debtors were in Latin America but the needs of Africa were acute. The productive capacity of Latin American countries was relatively developed but that of the African countries was little developed. They must not be forgotten. Perhaps he and the Chancellor should meet before the Interim and Development Committees, to discuss.

The Chancellor said that M. Beregovoy's preoccupations were similar to his. The US had originally contemplated a meeting to deal with the problems of Latin American debt only. He had not suggested that. The UK had to think of the Commonwealth, and France had to think of Francophone countries. Both had acute needs even though they did not pose an acute threat to the international banking system. There was another aspect of the subject which should be remembered: it was important to open up these countries to private development capital. Greater flows of such capital were needed. The implications of such a policy were that the West must allow the outflow, and the developing countries must allow the inflow.

The Chancellor went on to say that he was aware of the French proposal for World Bank country loans. He had not studied it



closely but he thought that it was an idea worth pursuing.

M. Beregovoy agreed with the Chancellor's remarks about flows in general but said that private aid alone was not enough. Should they try to reach a common Community position before the Washington meetings, bringing together official development assistance, private flows and country-to-country agreements? The Chancellor thought that it would be an appropriate topic for discussion at an ECOFIN lunch. Thereafter they could talk it over with the US Treasury Secretary. It was important not to arouse great expectations before the spring meetings in Washington. Although the Managing Director of the Fund had exaggerated the risks of this somewhat, the need to avoid a sense of anti-climax was important.

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BRITISH EMBASSY
PARIS

3 December 1984

C D Powell Esq
Private Office
10 Downing Street

CM

Dear Powell

ANGLO/FRENCH SUMMIT 29 - 30 NOVEMBER

... 1. I enclose a draft record of the plenary session.

Yours ever

A handwritten signature in blue ink, appearing to read 'P W Ford'.

for P W Ford

... Enc

cc: RSG Clarke Esq, WED, FCO

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slzaac

10 DOWNING STREET

From the Private Secretary

1 December 1984

Dear Len,

ANGLO-FRENCH SUMMIT

I enclose records of the Prime Minister's two tete-a-tete conversations with President Mitterrand during the Anglo-French Summit. I should be grateful if care could be taken to restrict distribution only to those with a clear need to know.

The first conversation dealt almost entirely with European Community affairs. I am copying the record to David Peretz (H M Treasury), Callum McCarthy (Department of Trade and Industry), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), and Richard Hatfield (Cabinet Office).

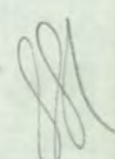
The second conversation was more wide-ranging. The whole record goes to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office). The section on Guangdong is copied to David Peretz (H M Treasury), Callum McCarthy (Department of Trade and Industry) and Michael Reidy (Department of Energy). The section on the channel fixed link is copied to Dinah Nicholls (Department of Transport), Callum McCarthy (Department of Trade and Industry) and David Peretz (H M Treasury).

Yours sincerely,

C D POWELL

Len Appleyard Esq
Foreign and Commonwealth Office

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10 DOWNING STREET

cc. HMT
MOD
DTP
DEN
CDLO
MS(DTI)

From the Private Secretary

5 December, 1984

ANGLO-FRENCH SUMMIT

I enclose a record of the plenary session of the Anglo-French Summit held in Paris on 29/30 November.

I am copying this letter and enclosure to the Private Secretaries to Ministers who attended the Summit, to Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and to Richard Hatfield (Cabinet Office).

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office

SUBJECT
cc Master.

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Note of a Meeting between the Prime Minister and the President
of the French Republic at the Elysee Palace at 0900 hours
on Friday, 30 November 1984

Present:

Prime Minister
Mr. F. E. R. Butler
Interpreter

President Mitterrand
M. Vedrine
Interpreter

Guangdong Nuclear Project

The Prime Minister said that she foresaw problems with the Chinese in the financial negotiations over the credit terms for the Guangdong project. If the British and French Governments did not take a joint position, the Chinese were likely to play off one against the other and reduce terms to a point at which it would not be worthwhile to undertake the project. She therefore hoped that the French Government would agree to stick to the consensus rates for credit or agree terms with the British Government in advance.

President Mitterrand said that, during Madame Mitterrand's recent visit to China, Deng Xiaoping had spoken a lot about terms of trade with Europe. Madame Mitterrand had the impression that histone was a little threatening. The President therefore agreed that it would be desirable for the British and French Government to decide soon what position they were to take: he would have a message sent immediately to Madame Cresson so that discussions could take place during the present meeting. The British and French position would need to be settled very precisely 'to the second decimal point'. He did not want to lose the Guangdong contract, both because it had been publicly signed with the Chinese government and because the business was very / useful.

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useful. On credit more generally, he commented that some countries, particularly the Japanese, manipulated their terms so as effectively to evade the consensus rate.

The Prime Minister commented that she thought that the Chinese were reluctant to commit too much of their business to the Japanese for both political and historical reasons. There was a reasonable chance of the Guangdong project going ahead, but hard bargaining would be required. Her experience over the Hong Kong negotiations was that the Chinese showed no flexibility until the eleventh hour of the negotiations.

Defence Co-operation

The Prime Minister said that her general impression was that defence cooperation was going well, but she would welcome more bilateral and multilateral cooperation in Europe in meeting our defence commitments. Without such cooperation, European defence industries would be picked off by the Americans who had a much greater market base. Such cooperation would involve difficult choices on specialisation. Cooperation was going ahead on a number of projects, but she was keen to do more, following the start which had been made on the Airbus project.

President Mitterrand welcomed the Prime Minister's approach. It was for Defence Ministers to discuss specific projects and he hoped that progress could be made on this matter during the present meeting.

Out of Area Cooperation

The Prime Minister said that both France and Britain undertook security commitments outside NATO and she wondered whether the two countries cooperated enough. There had been

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good cooperation in the Gulf of Suez/Red Sea minehunting exercise but the British Government had a wide spread of forces through the world, as the French did. She believed that Britain and France might often be more effective if they cooperated than they could be separately.

President Mitterrand said that he did not think that there was sufficient out of area cooperation at present but it was important for Britain and France not to be carried away by United States initiatives outside the NATO area. Within the NATO area, the partners in the Atlantic Alliance retained their freedom of judgment, but the arrangements were clearer there. Outside the area, there were a number of instances in which the United States only told their Western allies after they had started actions. This was often too late. The Prime Minister commented that there was also a danger that the United States would turn its attention more to the Pacific and less to Europe unless the European countries showed that we were interested in areas outside Europe. In the recent situation in the Gulf, Britain had been quick to make contact with both the United States Government and our friends in the Gulf. We had agreed to move minesweepers nearer to the scene and this had helped us to have an influence over American policy. This had helped prevent the United States Government from making mistakes. An area in which the British Government might well have recently had to ask for help from the French was in Ethiopia, when we were having difficulty in getting our relief aircraft into Addis Ababa. We were discussing with our Commonwealth partners the problem of the defence of small islands, which were both threatened externally and from subversion within, often promoted by Colonel Gaddafi.

/President Mitterrand

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President Mitterrand said that there was a tendency to see Colonel Gaddafi's hand in trouble everywhere. His own impression was that Gaddafi now had slightly less money to play with; and because of the difficulty of his internal situation and opposition within the Libyan army, he was now a little less dangerous. There had been recent reports that he was fostering trouble in Guadeloupe but he had given an assurance that, although the revolutionaries there had been to see him, he was ^{not} giving them help because he did not want trouble in France. He had also placed 17 agents in New Caledonia, but the French Government knew who they were and had told Gaddafi that they would be carefully watched. President Mitterrand continued that he recognised the strategic problems in the Caribbean of those who wanted to use the small islands like aircraft carriers from which to threaten the United States. Even so, he did not regard people like Gaddafi or Castro as being as dangerous as the USSR, because they lacked a real strategy. The Cubans would, however, be looking for somewhere else to deploy the forces which they were going to have to bring out of Southern Africa because they would not want them at home.

President Mitterrand said that he was worried about the situation in Africa. With relatively few exceptions such as Zaire, Cameroon and possibly Nigeria, there was not ^{an} army in Africa which could resist 500 properly trained mercenaries. This was a worrying situation, especially for a country like France which had many agreements with African countries and could easily be drawn into a situation in which it was not clear whether the threat was genuinely an external one or a result of internal rivalries. The United States took an interest in some African countries and not in others, principally for strategic reasons of their own. The Russians

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operated similarly, usually without success; but it was dangerous that Africa should be a bone of contention between the two superpowers, who knew much less about the individual countries than Britain and France. In these circumstances, it was important that Britain and France should not be prevented by traditional rivalries surviving from colonial days from recognising that their joint interests were today far greater than their differences. He had therefore extended the theme which the Prime Minister had launched because he thought that greater political cooperation would be useful.

The Prime Minister said that she regarded the situation in Africa as a battle between the free world and Communism and there was no doubt about where her support lay. She believed that the situation in central and southern Africa was going well since the countries there had seen what life was like under Communism. President Mitterrand agreed that Britain and France were close to the United States and not to the Soviets in relation to Africa and France had contributed to pushing back Russian influence. But he still felt that the United States tried to do too much by themselves in Africa. In Chad, for example, they had interfered without any invitation and were organising anti-American decisions.

P. R.

The President of Niger, who was a personal friend of his, would be visiting Washington. He hoped that the American Government would not take decisions in this area which would be unwelcome to the Government of France.

Chad

The President said that he would like to give the Prime Minister a personal account of the background to the present situation in Chad. France had undertaken three military operations in Chad in the last eighteen years, the first under General De Gaulle and President Pompidou, the second in 1978 under President Giscard d'Estaing and the third recently under his own Government. When he had become the President he had found the Libyans in control of Chad. He had made clear to Mr. Goukouni that the French would only be willing to continue their aid to Chad if they got the Libyans out. Goukouni had agreed to this. The French Government had entered into a treaty under which both their troops and Libyan troops would withdraw from Chad. Taking advantage of the absence of both the Libyans and the French, Habre had seized power. Habre had then fallen out with Gaddafi, who had sent his army back into Chad. The President had therefore decided to return a French force of 3,000 and they had pushed the Libyans back to the North. In the course of a stay of six months, the French had only lost one aircraft and they had contained the Libyans to the North of Libya which was both the most sparsely inhabited and least productive part of the country. In this way they had placed a cordon between Gaddafi and other parts of Africa but Habre retained himself in power by means which caused him to be detested, and his unpopularity rubbed off onto the French. It had caused Amnesty International to produce a report critical of French support for the Habre regime. The Prime Minister commented that she knew that Amnesty International were no friends of democracy and freedom.

President Mitterrand continued that Habre wanted the French to recover the North of the country. They had indeed pushed the Libyans 100 kilometres further North but they could not undertake a campaign in the North of the country and there was no need to do so. They maintained constant reconnaissance over the North and if necessary French troops could be conveyed there within thirty six hours. Gaddafi knew that if he made any move to the South, the French would stop him. Nevertheless, the Americans had taken and published reconnaissance pictures of their own which had caused difficulties for the French Government with Habre. President Mitterrand wanted the Prime Minister to know that the situation was much more complex than popular opinion had represented it.

The Prime Minister commented that there was every reason to be grateful to the French Government for what they had done to contain Gaddafi. Their strategy had been successful, at the cost of incurring a commitment which was likely to last as long as Gaddafi did. President Mitterrand commented that it was hard to make either the Pentagon or French public opinion understand the reasons for the French Government's position. When he had sent in the French forces, opinion polls showed that the majority of the French people were critical: when Habre had criticised him for not doing more to expel the Libyans from the North of Chad French public opinion was also critical. Part of the irony of the situation was that the previous French Government had sold 120 Mirages to Libya and France had trained pilots who were now being used to bombard Chad. The Prime Minister said that the British Government also trained Libyan pilots, but only for civil purposes.

East/West Disarmament Negotiations

The Prime Minister asked President Mitterrand for his views on the influence which Britain and France should be

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exerting on President Reagan as the United States approached the new disarmament negotiations. She commented that President Reagan's proposals about an "umbrella approach" were still vague. Her own view was that it was necessary for the Americans to keep negotiations going and not to neglect chemical weapons, about which she was very worried. President Mitterrand commented that, when he had visited Chernenko, he found him very worried about both bacteriological warfare and about space. The Prime Minister said that the Americans were using their lead in space as a lever on the Russians to undertake negotiations.

President Mitterrand said that Britain and France could not determine what the Americans could do. But we should urge them to take an approach which did not bring the British and French deterrents into the negotiations. He believed that the best way of doing this was to urge them to negotiate over the totality of nuclear weapons, since it was evident that the British and French deterrents were only a tiny proportion of the whole. Nevertheless, the argument that the British and French must be prepared to negotiate about their own nuclear weapons had made considerable headway with public opinion. He had encountered criticism over this in Sweden, Holland and Belgium.

The Prime Minister said that she shared President Mitterrand's approach and had argued that, since British weapons amounted to only 2 - 3% of those of the USSR, disarmament negotiations should concentrate first on the 97%. She would be seeing President Reagan on her return from Peking and might find out then something about his approach. President Mitterrand said that, while the Americans would no doubt have to make some concessions for the negotiations to make progress, the message should be that other Western countries wanted conciliation, but not at the expense of their security.

Channel Fixed Link

President Mitterrand suggested that he and the Prime Minister should say at their Press Conference something to encourage work on the Channel Fixed Link, especially since this was a project which captured people's imaginations. The Prime Minister agreed. She understood that Ministers of Transport were negotiating an agreed form of words. She thought that British people would greatly prefer a link which enabled them to drive directly to the Continent. She did not know whether this would be possible, but she thought that the Euroroute option should not be ruled out at this stage.

F.E.R.B.

F.E.R. Butler

30 November 1984

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PLENARY SESSION, ANGLO-FRENCH SUMMIT, 30 NOVEMBER, 1984

Present:

Prime Minister	President Mitterrand
Foreign Secretary	M. Cheysson
Chancellor of the Exchequer	M. Dumas
Secretary of State for Defence	M. Bérégovoy
Secretary of State for Transport	M. Hernu
Secretary of State for Energy	M. Quiles
Chancellor of the Duchy of Lancaster	M. Malvy
Minister of State for Industry and Information Technology	M. Lang
	Mme Cresson

and officials

After initial courtesies President Mitterrand invited Ministers to report on their respective discussions.

M. Cheysson said that he and the Secretary of State had begun by examining the Co-ordinators' report, which they had approved including the appended list of projects for publication. The Secretary of State had asked for one item on the list to be amended. The two of them had examined the proposal for the creation of a Franco-British Research Council and agreed to commission a report. On security co-operation he and Sir Geoffrey Howe had noted the frequency and quality of existing working level contacts. They had agreed that consideration could usefully be given to the possible improvement of procedures and were going to ask their officials to make recommendations.

M. Cheysson said that Sir Geoffrey Howe had reminded him of the British wish to examine the impact of the amended no-passport excursion scheme: they had agreed that the statistics would need to be looked at in a few months' time and that in the meantime the scheme should continue as at

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present. M. Cheysson had explained why the French did not wish to attend a follow up at Ministerial level to discussion of the environment at the last Economic Summit: the French were set again institutionalisation of the machinery of the Seven. He had expressed deep concern at the prospect of Britain's leaving UNESCO: in France's view giving notice to leave was not the best way of exercising pressure for reform. The French agreed, however, that reform was necessary. France and Britain had the same problems vis-à-vis the US on East/West relations.

Reporting on discussion of EC questions, M. Dumas said that both sides had welcomed the overnight developments in Brussels on the 1985 budget. He had been glad to see that France and Britain, which had identical views on this matter, had been able to bring along the others. Views on the general need for budgetary restraint were also identical.

On enlargement it had been agreed that only wine should have to be discussed in Dublin. Once that was settled the other issues ought to slot more easily into place. On Spanish industry agreement ought to be reached at Ministerial level. Views on tariffs were convergent. It had been agreed that integrated Mediterranean Programmes should be carried forward.

Both sides had agreed on the need for discussion of the Dooge Committee report at the highest level: however, while the UK preferred discussion at the March Summit, France thought that it would be timely in Dublin to take note of certain convergences which were already apparent.

Sir Geoffrey Howe said he had little to add. He fully agreed that the impressive list of projects should be published. In defence matters he noted the close collaboration which already existed. On no-passport excursions he wished to register the need for a review early next year. On UNESCO he had explained why Britain had felt it necessary to give notice, but he wished to emphasise Britain's wish to continue to work alongside others to achieve reform.

He had been pleased to note the willingness to continue to discuss arms control together: this was important not least because France and Britain were both nuclear powers. He agreed on the importance of finalising in Dublin the Community's position on enlargement. The differences on institutions and Dooge were not so much of substance as of procedure.

M. Bérégovoy said that he and the Chancellor agreed on the budgetary discipline document. It had been laborious to draft: its balance should not now be changed. The problem with the 1985 budget would now be Parliament, which was exceeding its powers under the Treaty: he hoped France and Britain would have the same position. The Commission's proposals on Integrated Mediterranean Programmes were excessive: 400-600 million ECU might be reasonable. The Chancellor wanted a ceiling on the Agricultural Guidance Fund of 5-5½ bn ECU; France wanted an "indicative envelope". France favoured doubling the capital of the EIB: there was disagreement on the rate of annual growth: the UK wanted it to be under 15 per cent. Both welcomed the more important role the ECU was now playing. The question of Britain joining the EMS had been raised: the Chancellor had recalled the UK position: M. Bérégovoy had taken note.

M. Bérégovoy said that he and the Chancellor were apprehensive about the prospects for the US economy and the danger of protectionist tendencies growing if the federal deficit was not curbed. It would be useful to have exchanges with the FRG and Japan.

M. Bérégovoy reported differences on the special fund for Africa. France believed that one billion dollars should be made available through the fund over three years and was ready itself to provide 150 million dollars over the next three years. On the handling of LDC debt France wanted pressure put on the World Bank. Mr. Lawson had not disagreed, but had pointed out the need to overcome FRG and US reservations.

M. Bérégovoy had recalled France's position on mixed credits and in particular its rejection of the Commission's mandate. France was ready to accept transparency provided examination was not limited to French "crédit mixte". The French did not rule out the possibility of a European position but the right forum for discussion was the OECD.

Finally M. Bérégovoy said that he and the Chancellor had agreed that the respective Ministries of Finance should co-ordinate carefully on financial conditions for Guangdong in order not to fall for Chinese wedge-driving tactics.

The Chancellor wished only to add two points of detail: first the budget discipline text would need to be endorsed in Dublin, and second on mixed credits, OECD was indeed the right forum but it was of the first importance to agree on a Community position and the deadline of 11/12 December was now close. Mr. Lawson added that he could not recall an occasion on which the two sides had been in fuller agreement.

Picking up with some irritation M. Bérégovoy's reference to budget discipline President Mitterrand noted that the Finance Council had complained about the General Affairs Council. This was a bad way of working. The specialised Councils should not try to usurp the General Affairs Council. Differences should be settled within governments. There had to be a hierarchy of problems and of institutions.

The Prime Minister asked where the Agriculture Council stood in the hierarchy. President Mitterrand said that its position was variable. Today it was first; at other times it was in another position. The Prime Minister thought it essential to bring the Agriculture Council under control. She was not sure that Foreign Ministers were the right people to do it. However the President had put his finger on a delicate problem which it would be dangerous to go into now. President Mitterrand said that the issue would have to be discussed in Dublin. He was not attacking M. Bérégovoy but the inherent tendencies of Finance Ministers had to be curbed:

Finance Ministers did not run Europe.

The Chancellor recalled that at Fontainebleau ministers of Finance had been specifically charged with carrying out a mandate. Britain would be very happy to see the text which had now been elaborated adopted in its entirety in Dublin. Sir Geoffrey Howe said that the General Affairs Council could enthusiastically endorse the text agreed in ECOFIN.

Reporting on his discussions with Mr. Heseltine, M. Hernu said that both had noted with satisfaction the good relations between their departments and affirmed their intention to enhance exchanges across the board. This was especially true of arms co-operation. They had reviewed the conclusions of the recent IEPG meeting in The Hague and considered specific measures that could be taken to give them full effect. The intention was to improve the commonality and quality of European arms products and at the same time to contribute to a more balanced defence trade with the US. They had therefore agreed to instruct their officials as a matter of routine fully to examine co-operative possibilities as regards timescales and characteristics before individual weapon projects were approved. He and Mr. Heseltine had also decided to start discussions with senior representatives of defence industries in order to stimulate opportunities for co-operation. All these measures would be pursued in full consultation with their European counterparts.

Finally, M. Hernu said that he and Mr. Heseltine had decided to invite their staff to pursue exchanges on politico-strategic issues.

Mr. Heseltine fully endorsed M. Hernu's report. The discussion had provided a timely opportunity to follow up the talks in The Hague. France and Britain were the two largest arms producers in Europe and had to be able to look at the detail of their own bilateral arms collaboration. The details of follow-up on which he and M. Hernu had agreed represented an important potential advance. So far there had just been

statements of good intentions: now we had a blueprint for action.

Reporting on her discussions with Mr. Walker and Mr. Pattie, Mme Cresson said there was general agreement on the danger of US protectionism as exemplified by US behaviour on steel tubes. Now that the US elections were over the Europeans would need to be very firm. The US-Japanese proposals on new technology in GATT were potentially worrying. It would be important to maintain a united front. The same applied to COCOM, which the US tended to use as a commercial instrument for its own advantage.

Mme Cresson seconded M. Bérégovoy's statement of French reservations on the US Proposal on mixed credits.

Running rapidly over areas in which French and British views converged she mentioned the Italian proposal on exports of scrap (similar views on quotas), enlargement (the French agreed on the need for sizeable cuts in Spanish industrial tariffs on accession but disagreed with UK views on car quotas), and imports of Japanese video recorders.

Turning to collaborative projects Mme Cresson registered French disappointment over the failure to reach agreement on a common direct broadcasting standard; both sides nevertheless agreed that some cooperation would be possible. Agreement had been reached to support industrial collaboration in electronics and to set up a committee of senior officials to consider robotics. Both sides agreed that a common European position on space would be desirable. It had been agreed to give further study to the proposal for a Franco-British Research and Development Association.

The Community's stake in world trade was sufficient reason for France and Britain to encourage work in the GATT to roll back protection and to be ready to extend the dialogue with their trading partners into all areas of trade. However, both agreed that it was not easy to sustain a positive

attitude towards liberal practices in the face of unilateral protectionism such as the US action on steel imports. Both also agreed to work towards an agreed Community position on export credits, and to consult closely on credit terms for Guangdong. The suggestion that officials should pay a joint visit to Peking was welcome.

Mme Cresson said that she and her interlocutors had noted with pleasure the constructive collaboration between British and French enterprises exemplified by that between Rolls Royce and Turbomeca, within Airbus Industrie, and between GEC and Framatome on Guangdong.

France and Britain agreed on the need to use the EC framework to strengthen the competitiveness of French and British industries of the future. The developing cooperation in telecommunications and information technology was therefore particularly welcome. It had been agreed that a high level working group on Advanced Manufacturing Technology should be set up in Brussels. This was a field where establishing Community standards was particularly important. Both France and Britain intended to continue consultation to ensure that funding of EC R&D programmes was directed to cost-effective activities.

M. Quilès said that he and Mr. Ridley had concentrated on the Channel Fixed Link. He recalled that it had been agreed on 14 November that certain political guarantees would be necessary. Today it could be announced that the summit was giving the project a new push, that the project was important for Europe, and that it appeared to be technically and financially feasible. It could also be announced that a Working Group was being set up to define the "cahier de charges" and to determine the nature of the government commitments that might be necessary and the forms they might take, such as a treaty to define the rules of operation and the fare structure. The group should meet within a fortnight and submit a report within three months.

Mr. Ridley was pleased to confirm M. Quilès' account. Establishing a working group was clearly the correct next step. The Summit had succeeded in giving a new note of urgency. He and M. Quilès were agreed that the commercial promoters should not be given any financial guarantees of government aids: the project would be funded by the private sector alone. He detected a new optimism among the competing groups.

The Prime Minister commented that the project was the most obviously exciting thing that France and Britain were doing together. It was important to have something visible to show the public. It should be clear soon whether the private sector really could finance the project. The finance could only come from that source.

President Mitterrand said he agreed completely.

M. Malvy reported that he and Mr. Walker had welcomed the progress made in implementing the cross-Channel electricity link. It should enter service in Autumn 1985. He and Mr. Walker had agreed to ask their respective gas corporations to assess the feasibility of a cross-Channel gas link. There had been a broad exchange of views on nuclear power. The delegations agreed on the importance of their joint action at the international level to promote the image of the nuclear industry. Both were keen to complete by 15 January 1985 the Guangdong negotiations. Finally it had been agreed to strengthen links between the French Agence pour la Maîtrise de l'Energie and the Energy Efficiency Office. It might be possible to organise at the end of 1985 a Franco-British conference on energy efficiency.

Mr. Walker, agreeing with M. Malvy's report, commented that in the gas and electricity fields there was clearly much that France and Britain could do together.

Reporting on his talks with Lord Gowrie, M. Lang paid tribute to the UK's contribution to "cultural Europe".

Cultural contacts between the two countries were in good repair. He instanced cooperation between the national libraries and between Cambridge University Press on the one hand and the Musée de l'Homme on the other. France would figure prominently in the Edinburgh Festival next summer. There were also promising television and cinema coproductions in the pipeline including the filming of a Dostoyesky play.

There were just two particular concerns on the French side: the need to improve the balance as regards translations, and to give more support to television and cinema coproductions.

Lord Gowrie said that he and Mr. Lang had agreed that the best way to move forward was to cooperate in practical ways wherever possible. The Edinburgh Festival was particularly important. He was happy to mention that the Arts Council would be supporting the European Music Year in 1985. He would try to encourage more translations of French literature. Britain had been honoured by President Mitterrand's visit to Henry Moore.

Summing up briefly, President Mitterrand said he took note of all the reports. There seemed to have been an unparalleled number of agreements.

The Prime Minister thought that the summit's discussions had been the most constructive and cooperative ever. She had been struck by the happy atmosphere and warm hospitality. The progress achieved at the summit would stand Franco/British relations in good stead for the future.

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND
PRESIDENT MITTERRAND AT THE ELYSEE AT 1830 ON THURSDAY,
28 NOVEMBER 1984

Present:

Prime Minister
Mr. C. D. Powell
Interpreter

President Mitterrand
M. Attali
Interpreter

President Mitterrand outlined his ideas on the organisation of the discussions between him and the Prime Minister during the Summit. He suggested that they should begin by looking at the prospects for the European Council in Dublin next week. He had seen Dr. FitzGerald that morning and was therefore fully up to date on the problems, notably enlargement of the Community. Then there were a number of bilateral matters, mostly technical, industrial or scientific, which might be discussed with other Ministers over dinner. The Channel Link fell into this category. His Minister of Transport was obsessed with this and would want to stand up for his cause. At their second tete-a-tete session tomorrow they might deal with more general international matters. He himself had recently visited the Middle East. East/West questions were of particular importance; he believed that both he and the Prime Minister had recently received messages from President Reagan about the US/Soviet meeting in Geneva in January. The Prime Minister agreed with this agenda.

Enlargement

President Mitterrand said that the Community faced difficult problems in the final phases of the enlargement negotiations. It had given commitments which made it unthinkable that the negotiations should not succeed. But equally, France could not be a party to settling the outstanding issues at any price.

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The main remaining problems were wine, fish, fruit and vegetables and industrial tariffs. In practice, he believed that the fruit and vegetables dossier was close to a solution. He recognised that the industrial tariff transition was of special concern to Britain. France had no particular claims in this area. On fish, the objective of the Community's negotiators was to leave the problem to their successors to settle in 15 years time.

President Mitterrand continued that the most difficult problem was undoubtedly wine. It was not so much a problem between the Community and Spain as one within the Community between France and Italy and, to some extent, Germany. It was essential to reform the Community's wine regime before enlargement. If no system of quotas was in place by the time Spain joined, it would double its production in a very few years. The Community had managed to tackle the problem of limiting surpluses of milk. A similar solution would have to be found for wine. He had the impression that the necessary decisions to deal with this problem could be taken at the European Council. Most of the countries involved had only one trump left to play. A way had to be found to make them play it.

The Prime Minister said that she understood that France was satisfied generally with the proposals made by the Commission. President Mitterrand confirmed that this was the case. But there were problems over the level at which quotas should be set and the basis for calculating them. France wanted quotas set on a country basis, Italy on a regional basis. In his view, the regional basis would never work. Each government must be responsible for the application of quotas, with sanctions if they exceeded permitted limits. The Prime Minister said that we supported France in her efforts to restrain production. She understood that there were also problems with Germany over enrichment of table wine. President Mitterrand confirmed that this was so. But Germany was lying very low in the discussions in the Community. The Prime Minister said that she thought it would be very difficult to move Chancellor Kohl. He came from a big wine producing region and he would not want to let his people down. It would be better to recognise that this was a battle we were not going to win.

The Prime Minister said that high Spanish industrial tariffs were both a political and an industrial problem for the UK. At present the tariff on cars imported into Spain was 36.7 per cent. We also had only a very small reduced duty quota. Spain, on the other hand, could export as much as it liked to the UK over a very low tariff barrier. She understood that Viscount Davignon was engaged in negotiations with the Spaniards for accelerated reduction of high tariffs and a bigger reduced duty quota for cars. But he had not yet reached a satisfactory agreement. As regards fish, Britain and France had a strong common interest as fishing nations in keeping the large Spanish fishing fleet out of their waters. Portugal also felt strongly on that point.

The Prime Minister continued that she believed that an acceptable agreement on all these points was quite near, but it would only come as a package. Did President Mitterrand think that the package could be sewn up at the Dublin European Council? She knew from Dr. Soares that Portugal was very worried at the prospects. Moreover, she had to admit that when she looked at the overall package that was on offer to Spain, it was hard to see what was in it for them. Britain would be ready to work for an overall settlement at Dublin, not least because of the important link with the introduction of new own resources. Germany would not agree to bring forward the date for the introduction of new own resources until there was agreement on enlargement. President Mitterrand said that he did not think that the difficulties were unsurmountable. A solution could be found at Dublin without brutalising anyone. Some way had to be found to get the Italian Government off the hook politically over wine. Italian Ministers recognised that what was being proposed was sensible but could not summon up the political courage to agree to it. Wine producers were volatile people and there would be riots in France as well as in Italy. But he was ready to take the necessary decisions. The Prime Minister said that it would be a great achievement for the Community if enlargement could be agreed at the Dublin European Council. It would make 1984 one of the most significant years in the history of the Community, with a great deal owed to President Mitterrand, who had not flinched from tackling really difficult problems.

Common Agricultural Policy

The Prime Minister said that problems over wine brought her to a more general proposition: the need to deal with agricultural surpluses. People had to be presented with a choice. Either money went to financing surpluses or to more desirable and constructive purposes. At present, the financing of surpluses produced distortions in the Community which could not be tolerated indefinitely. President Mitterrand said that he was a keen supporter of the Common Agricultural Policy. It was one of the foundations of the Treaty of Rome. But he admitted its weaknesses. The Prime Minister said that the Community was at last in a period when it was tackling these problems. But a great deal remained to be done.

Future of the Community

The Prime Minister said that she was concerned by some of the ideas which were being put up in the Dooge Committee and elsewhere. Many of them were, when you looked at them closely, quite impracticable. For instance, there was Article 38 of the Spinelli Draft Treaty dealing with consultation between Parliament and the Council, which would make it quite impossible for the Community to take any decisions at all. There were also various suggestions for giving the European Assembly more powers at the expense of national Governments and Parliaments, for instance powers over revenue. She understood that in France there had been a decision of the Constitutional Council which would rule out the transfer of such powers. She was concerned that the discussion initiated in the Dooge Committee would get out of hand. President Mitterrand observed that many of the ideas which had been mentioned were a very long way from being realised. The Prime Minister said that she recognised that there was a basic difference of approach between her and President Mitterrand. He was very patient and prepared to let things evolve. She preferred to get things clear at the outset, ruling out this or that and identifying the areas where practical progress could be made. President Mitterrand said that he did not know which method was better. He favoured a stronger European structure. As it was,

the way in which the European Parliament was behaving was complicating matters badly and could end up by seriously weakening Europe. The Parliament had behaved irresponsibly, particularly in the way in which it had handled the decisions reached at the Fontainebleau European Council. It had simply put to one side all the hard work done by Heads of Government. The Prime Minister said that the Assembly was a body without gravitas, a debating chamber not a decision making body. President Mitterrand agreed. The problem was that the Assembly thought it was a decision making body. One could imagine that one day but only in the distant future. With an irresponsible Parliament and a weak Commission - and the present Commission had been very weak - all problems landed on the shoulders of the Member States.

The Prime Minister commented that at least the Member States had shown themselves capable of making decisions as at Fontainebleau. Some of the proposals now being discussed concerning the role of the Parliament and extension of majority voting would slow down decision making. President Mitterrand said that he was not looking for miracles, though he was in principle in favour of moving towards greater powers for Parliament and more majority voting. But the Community would not build a new world in thirty-six hours at the Dublin European Council. Heads of Government could have a first discussion of the Faure Report. But the Committee on a Citizens Europe had only just been set up and had so far devoted all its energies to choosing a Chairman. It would not be able to make any substantive report. But this latter was an area where there were prospects for interesting initiatives. For instance, France's open frontier arrangements with Germany were working well and now Italy wanted the same, though there were problems to be overcome with migrant workers from outside the Community.

The Prime Minister said that she wanted to see recommendations for practical improvements emerge from both committees. But she did not want the Community to waste time on mere rhetoric which sounded well but only created rather than solved problems. She did not think much could be achieved at the Dublin European Council in this area. She wondered what President Mitterrand thought of the prospects of progress in political co-operation? Could he accept majority voting there? President Mitterrand - appearing to believe that the question was addressed to majority voting in the Community - said that he was

ready to consider extension of majority voting in some areas. The Luxembourg Compromise was invoked too often. This seemed to be an area of genuine difference between France and Britain. The Prime Minister said she suspected that the difference was greater in theory than in practice. When France or Britain had a fundamental interest at stake they would both insist upon unanimity to defend it. She was, however, prepared to envisage a requirement to explain the reasons for invoking the Luxembourg Compromise in writing. President Mitterrand said that the problem was that use of the Luxembourg Compromise risked becoming the rule rather than the exception. The Treaty of Rome laid down certain matters on which unanimity was required and others where majority voting was the rule. The Prime Minister recalled that it was France which had been responsible for the Luxembourg Compromise. President Mitterrand acknowledged this but said that he personally had opposed it. Other countries had made too many concessions to France at that time. General De Gaulle was rather British. The Prime Minister doubted whether Sir Winston Churchill would have agreed with that. The only point which she was trying to make was that where strong national interests existed there had to be a mechanism which allowed them to be defended. President Mitterrand agreed that some kind of formula should be found.

Budgetary Discipline

The Prime Minister said that final agreement still had to be reached on budgetary discipline at the European Council. It was essential that no amendments should be made to the text agreed by Foreign and Finance Ministers. President Mitterrand recalled that it had been the Prime Minister who had first raised the concept of Budgetary discipline with him. France would respect the agreement which had been reached. Britain and France must stand together on it at the European Council.

The New Commission

The Prime Minister said that President Mitterrand had shown great leadership as President of the Community in the first half of 1984.

/ With Delors

With Delors as President of the Commission, there was a prospect that we should see more leadership from that quarter in future. President Mitterrand commented wryly that M. Delors was already causing problems for him. The Prime Minister said that there appeared to be some difficulty over the distribution of portfolios. Chancellor Kohl had been in touch with her to urge the importance of avoiding an Italian or Greek Agricultural Commissioner. However, she understood that this post would go to Mr. Andriessen.

Integrated Mediterranean Programmes

President Mitterrand said that Greece would undoubtedly make an issue of this at the European Council. They must have integrated Mediterranean programmes, but not too much of them. The Prime Minister assented.

Vehicle Emissions

The Prime Minister said that Britain and France had to work together to deter the Germans from their insistence on mandatory introduction of US vehicle emission standards. The three-way catalytic converter was expensive, inefficient, depended on Soviet and South African supplies of platinum and, worst of all, did not work. Its introduction would break up the internal market. The most that could be accepted were regulations which were permissive only. President Mitterrand said that there had been some discussion of this problem at the last Franco/German Summit. There seemed a prospect of compromise, with catalytic converters being used only for cars above a certain size. President Mitterrand continued that the environment had become a major political problem in Germany - virtually a psychosis. One had to be realistic. 'If you dig holes it spoils the grass'. The Prime Minister said that perhaps hysteria would be a better word. The pressure was coming from the Greens. President Mitterrand commented that the Greens were getting votes not because they were Green but because they were against everything. One needed to analyse the reasons for their contrariness. The Prime Minister and President Mitterrand agreed that the psychology of Germany was likely to become a growing problem for the rest of Europe.

/ East/West Relations

East/West Relations

President Mitterrand proposed that this subject should be discussed the next day. He had received a letter from President Reagan and assumed that the Prime Minister had also. He had not yet replied in substance. He thought that President Reagan wanted to present himself during his second term as a man of peace.

The meeting ended at 1930 hours.

C.D. Powell
29 November 1984

CONFIDENTIAL

PRIME MINISTER

YOUR PRESS CONFERENCE

This note sets out various considerations for your joint press conference with President Mitterrand. It is scheduled to last for thirty minutes from 1145 am immediately after the Plenary.

These occasions, as you know, are rather formal affairs by our standards. This will be filmed and recorded. Since there is no guarantee that you will give radio and TV interviews, British radio and TV reporters can be expected to try to ask questions.

It is a long time since there was so much entente cordiale around and the media will therefore be more than usually on the alert for differences whether of emphasis or tone.

There is, however, a lot to be said for France and Britain working well together and you should make the most of it at the Press Conference in Paris where your latest broadcast has gone down well and they are anxious to know what you want to make of Europe now that the Budget issue is, to all intents and purposes, settled.

You will, however, be developing your thoughts on the future of Europe in Avignon and this will be the story tonight and tomorrow. My advice at lunchtime is not to anticipate that speech but instead to trail it - eg 'I shall be developing my ideas on European co-operation in Avignon this evening but I can assure you now that I want more of it'.

For the Press Conference, I would suggest you try to make the most of your talks with Mitterrand ^{and} the extent of Anglo-French co-operation. This will make the lunchtime and afternoon bulletins.

I attach:

- a) An aide memoire for your opening statement at the Press Conference;
- b) a list of co-operative projects which are to be approved at the Plenary;

/ c)

CONFIDENTIAL

- c) Speaking note on the Channel Link; and
- d) the paragraph in Mr. Heath's speech with which you could have some fun.

Radio and Television Interviews

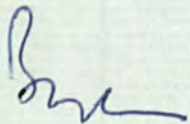
You could give BBC TV, ITN and BBC Radio interviews at the Residence immediately after your Press Conference, provided you start no later than 1230 pm. There will be no opportunity to give interviews to all of them later because the journalists have to get to Avignon.

On balance, I would recommend you to give lunchtime interviews.

I shall try to keep you up to date with events in the UK which might crop up at the Press Conference and subsequently over and above student grants, Mr. Heath's speech and the coal strike and the NUM/Labour Party rally tonight which we want to run and run on radio and television.

N.B.

We shall be issuing the text of your Avignon speech under embargo after your Press Conference. I have built up the speech in advance as a positive and interesting development of your thinking about the future of Europe.



Bernard Ingham
30 November 1984

AIDE MEMOIRE ON OPENING STATEMENT FOR PRESS CONFERENCE

This has been my first meeting with a French President which has not been dominated by the European Community's Budget.

The reason we have substantially put that behind us is largely because President Mitterrand, as President of the European Community in the first half of this year, identified the crucial issues and set about resolving them with great determination.

I would like to record my appreciation for what he did and achieved at Fontainebleau and to say that his role in resolving the long-standing problem standing in the way of development of the European Community is appreciated in Britain. I said last night that the Fontainebleau settlement in the 80th year of the entente cordiale had made 1984 one of the most significant in the history of the European Community. It would be truly historic if at Dublin next week we could pave the way for the enlargement of the Community by the accession of Spain and Portugal.

President Mitterrand and I hope that we shall succeed. Certainly the Prime Minister of Ireland, Dr. FitzGerald, is doing all he can in Europe this weekend to resolve the outstanding issues.

With the Budget issues to all intents and purposes settled, President Mitterrand and I have naturally concentrated on the development of the European Community and I shall be dealing with that in more detail in my speech to the Franco-British Council in Avignon tonight.

While we have spent a lot of time on European issues - especially since there are so few bilateral problems between us - we have also ranged widely in our discussions over international matters. In East/West terms the atmosphere is more hopeful following President Reagan's election and /, ^{Russian} moves towards a resumption of arms control negotiations.

Other issues we have touched/^{on}include transatlantic relations and the Middle East.

/ Finally,

Finally, I want to come back to Franco-British relations. It is clear from all we have heard from our Ministers at the Plenary Session which has just ended that there is a new spirit of co-operation developing between our two countries. This has been reflected in the talks which each of our respective Ministers has had in the bilaterals, both last night and this morning.

This gives me great satisfaction, and I am sure it does President Mitterrand. We have felt able to make a statement on the Channel Link and also to issue a list of projects on which we are collaborating.

I think you will agree that this list is impressive. It is our joint aim to make it an even more impressive account of our bilateral co-operation.

LIST OF COLLABORATIVE PROJECTS

Projects which are under way or under consideration

- Airbus A320 Decision to launch with Government support taken in early 1984
- Liquid Metal Fast Reactors Development and collaboration between national utility companies following the agreement reached in January 1984 between several European countries (United Kingdom, France, Italy, Germany, Belgium).
- Armaments Britain and France are engaged in a tripartite (United Kingdom, France and Germany) programme for a third generation anti-tank weapon and a quadripartite (United Kingdom, France, Germany, USA) Multiple Launch Rocket System programme
- Nuclear Power Station Construction (Guangdong) GEC and Framatome have, with full support from both governments, put forward a joint proposal for the construction of a nuclear power plant at Guangdong (China). The companies are engaged in detailed contract negotiations.
- European Fighter Aircraft Britain and France are playing a major role in this five nation project. The technical feasibility study is due to be submitted to governments in March 1985.
- European Research Installations Britain and France have convergent positions on the realisation of the Synchrotron radiation facility and the European transonic wind tunnel.
- Channel Fixed Link A joint working group is preparing the initiation, in spring 1985, of consultations with promoters. Discussions are continuing following the publication of the banks' report in May 1984.

●atellites

RTM 322 helicopter engine

British Aerospace and Matra are collaborating on communications satellite projects.

Technology, growth and employment group projects

Development by Rolls Royce and Turbomeca, following governmental agreement on financing.

Esprit programme

Britain and France are co-leaders for the biotechnology and food technology projects; this has favoured bilateral contact in these fields.

Space

The enterprises of the two countries are seeking to identify areas for cooperation, in particular on advance computers and artificial intelligence.

Scientific research

We are working together on the new programme of work for the European Space Agency, particularly Ariane V and the Columbus orbital space station project.

Telematics and telephone equipment

Possible creation of a Franco-British Association for Research and Development.

Multilateral arms collaboration

British and French industries are being encouraged to seek new fields for cooperation in this key sector and study of reciprocal opening of public purchasing.

Direct broadcasting by satellite

Studies are under way on a variety of subjects such as helicopters, communications satellites, electronic and tank components, weapon locating radar and a future transport aircraft.

Oceanography

Negotiations are continuing to agree on a standard acceptable to all the interested European countries.

Even closer collaboration is in prospect between NERC and the French oceanographic organisation IFREMER.

THE CHANNEL FIXED LINK: DECLARATION BY THE PRESIDENT OF
THE FRENCH REPUBLIC AND THE BRITISH PRIME MINISTER

We recognise the potential importance of a Channel Fixed Link as an element in the European transport network. Accordingly we have welcomed and endorsed the terms of the communique issued in Paris and London on 15 November by the Ministers of Transport of our two countries. We have agreed that the Franco-British working group set up to advise on the requirements to be met by potential participants in such a venture and on the definition of the ~~extent of the~~ undertakings the two Governments would be prepared to give, should submit its report within three months.

ANNEX D

PARAGRAPH FROM MR. HEATH'S SPEECH

Nor do I accept compulsory early retirement as an acceptable solution. With the extended expectation of life, many of our fellow citizens want to have the satisfaction of working longer rather than retiring earlier. There may be no desire to continue working in^a heavy occupation, but the wish may well be there to change to a lighter one.

ALO-FRENCH SUMMIT

EUROPEAN COMMUNITY

Future of the Community

- Invite him to say what he expects from European Council.
- Why are new Agreements needed when so much of the Treaty remains to be implemented?
- What would be the purpose and content of a new Treaty?
- Many of ideas in Dooge Committee report simply not thought through. Some of them would drastically upset balance between Parliament and Council.
- Maintenance of Luxembourg compromise vital, though no objection to stating reasons why one is invoking it. Is France really prepared to see it weakened or restricted?
- See little to be gained from more majority voting.
- Is there not an element in all this of bypassing difficult problems like the internal Market and taking an easy option.
- Need to take more time and weed out impractical and undesirable ideas. Look at what's left and see whether it really can't be dealt with under existing Treaties and procedures.

Own Resources

- Need to get Germans to move on date of introduction.

Budget Discipline

- Must get text formally adopted. Otherwise no extra money for 1984.

Enlargement

- Continue to support French on wine. Common interests on Fish.
- Expect French to support us on industrial tariffs - need faster reductions than Davignon trying to negotiate. Particular problem of cars.

Vehicle Emissions

- Mandatory standards proposed by Germans unacceptably costly and will break up internal market. Unleaded petrol.

European Standards Initiative

- Need for Declaration at European Council speeding up progress.

Multilateral road system
U.S. Fr. FRG in City

Seaway - Br.

Should we do more to get
and how

ANGLO-FRENCH SUMMIT

East/West - Arms Control

- Prospects for US 'umbrella' approach.
- BMD/SDI: avoid row with Americans.
- Importance of keeping up pressure on chemical weapons.

Terrorism

- European Council to endorse conclusions of Foreign Ministers.

Defence Cooperation

- Senior officials to explore ways to pull together threads of UK/French defence cooperation.
- Scope for cooperation on conventional defence planning, consultation on out-of-area activities and collaboration on equipment eg AEW. Ask for report to next Summit?

Bilateral Relations

- Endorse report. Agree to publish list of projects as amended?
- Summit seven Environment Ministers. Meeting will be informal. Share French concern about institutionalising Summit follow up. Hope will reconsider refusal to attend.
- Guangdong. Must resist excessive Chinese demands on credit.

1. Thanks for Falklands vote.
2. Suggest Foreign Ministers join for part of tête-a-tête tomorrow.

- No-Passport Excursions. Welcome agreement to review experience early in the year.

- Channel Fixed Link. Welcome agreement reached on 14 November. Cannot accept any commitment to intervene in circumstances where firms unable to complete. Cannot agree to see Government support or financial guarantees creep back in through EC.

- NUM/CGT + links with Soviet Union and Libya.

- Mixed Credits. Need for Community position.

Decision
Decision -
A-320,
Fut. Review

Co-operation
Live-work
agreement

JOINT DECLARATION OF THE DEFENCE MINISTERS

THE TWO MINISTERS NOTED WITH SATISFACTION THE EXISTING RELATIONS BETWEEN THEIR DEPARTMENTS AND AFFIRMED THEIR COMMON WILL TO ENHANCE THEIR EXCHANGES ACROSS THE RANGE OF THEIR RESPONSABILITIES.

THIS IS ESPECIALLY TRUE AS CONCERNS COOPERATION IN THE FIELD OF DEFENSE EQUIPMENT. IN THIS RESPECT, THEY REVIEWED THE CONCLUSIONS OF THE RECENT MEETING OF THE IEPG IN THE HAGUE TO REEMPHASIZE THIS STRENGTHENED EUROPEAN CONTRIBUTION TO THE ALLIANCE IN THE FIELD OF EQUIPEMENT.

THEY CONSIDERED SPECIFIC MEASURES THAT COULD BE TAKEN TO GIVE FULL EFFECT TO THE CONCLUSIONS OF THAT MEETING.

THE INTENTION IS TO IMPROVE THE COMMONALITY AND QUALITY OF EUROPEAN ARMS PRODUCTS AND AT THE SAME TIME, TO CONTRIBUTE TO A MORE BALANCED DEFENCE TRADE WITH THE US.

TO THIS END, MINISTERS AGREED TO INSTRUCT THEIR OFFICIALS AS A MATTER OF ROUTINE FULLY TO EXAMINE COOPERATIVE POSSIBILITIES RELATIVE TO THE TOMESCALES AND CHACARACTERISTICS BEFORE INDIVIDUAL WEAPON PROJECT PROPOSALS WERE CONSIDERED FOR APPROVAL.

THEY ALSO DECIDED TO INITIATE DISCUSSION WITH THE SENIOR REPRESENTATIVES OF THE DEFENCE INDUSTRIES IN ORDER TO STIMULATE OPPORTUNITIES FOR COOPERATION AT THE INDUSTRIAL LEVEL.

THE MINISTERS AGREED TO PURSUE THESE MEASURES IN FULL CONSULTATION WITH THEIR EUROPEAN COUNTERPARTS.

FINALLY, THEY DECIDED TO INVITE THEIR STAFF TO PURSUE EXCHANGES ON POLITICO-STRATEGIC ISSUES.



BIOTECHNOLOGY

1. Training network.
2. R & D collaboration.
Downstream processing.

5 or 6 groups in UK have indicated willingness to participate in international collaborative programme covering:-

- a) Application of high speed centrifuges
- b) Electro enhanced filtration
- c) Extraction with super critical fluids

Food Technology

(1) Raw Materials

(Meat, wheat, milk)

- (a) To achieve a thorough understanding of physical and chemical properties of raw foodstuffs and their components.

It should be possible to refashion the components of raw materials into novel food products.

(2) Process Control

- (a) Monitoring parameters essential to efficient control during food processing e.g. temperature, moisture, pH and weight.
- (b) Application of microprocessors.
- (c) Mathematical modelling of food manufacturing processes.

(3) Transfer of Technology

To stimulate transfer of information between research and the food industry.

(4) Food Quality

- (a) Effect of physical properties on food quality e.g. measure the functional properties of biopolymers;
- (b) physical and chemical assessment of plastic and other packaging material;
- (c) establishment of data bank to facilitate research on nutritional quality fo food.

(5) Safety Evaluation

Understanding mechanisms of toxicity.

(a) identify suitable test systems.

Influences of nutrients e.g. micronutrients
and the gastrointestinal tract microbial flora.

(b) Pharmacology of Test Substances

e.g. absorption and excretion, tissue metabolism.

Charles,

As the list of projects is to be published you might like this document which we produced locally. Please note the caution in 13(b). Strasbourg nearly banned a recent visit there by the President because the Synchrotron decision went in favour of Grenoble. The PM

SPEAKING NOTES ON EACH OF THE ITEMS LISTED IN THE CO-ORDINATION REPORTS AS COLLABORATIVE PROJECTS should be carefully not to get drawn into this domestic squabble.

Jeffrey.

1. Esprit
2. Liquid Metal Fast Reactor (Fast Breeder Reactor)
3. Technology Growth and Employment (Economic Summit Initiative)
4. Guangdong Nuclear Power Station in China
5. Franco/British Research Association
6. Direct Broadcasting by Satellite (DBS) Transmission Standards
7. Airbus A320
8. European Fighter Aircraft
9. RTM 322 Helicopter Engine
10. Armaments - (a) Third Generation Anti-Tank Missiles
(b) Multi-Launch Rocket System
11. Telecommunications
12. Space
13. European Large-Scale Scientific Equipment
14. Oceanography and Marine Science
15. Multilateral Armaments Collaboration - Long Term
16. Cross-Channel Electricity Link

- 1 -

1. ESPRIT

This imaginative European project is helping to develop a spirit of closer collaboration between European industries involved in information technology. A number of British and French companies are working together on joint projects within the Esprit programme on such things as the design of new integrated circuits and projects in the field of artificial intelligence. Other bilateral talks are also taking place at official, technical and industrial level to look for ways to expand the existing collaboration in areas such as software engineering.

2. LIQUID METAL FAST REACTORS (FAST BREEDER REACTORS)

Britain and France have both made important contributions to the advancement of fast reactor technology. The Agreement which was signed at the beginning of this year (January) will permit our industries, electricity companies and nuclear research establishments to work more closely together in a joint European development of fast reactor technology. The detailed discussions which have already taken place since the Agreement was signed have helped to forge closer links between those involved on both sides of the Channel thus improving the prospects for closer industrial co-operation in this field whilst minimising the duplication of effort.

[Since the Memorandum of Understanding signed by the

/Secretary

- 2 -

Secretary of State for Energy in January, there have been a number of separate Agreements involving the different participants, UKAEA, CEGB etc. An Industrial Agreement is currently under negotiation which, if all goes smoothly, could be agreed by the end of this year]

3. TECHNOLOGY GROWTH & EMPLOYMENT (ECONOMIC SUMMIT INITIATIVE)

The Economic Summit Meeting at Versailles, following an initiative by President Mitterrand, launched a study of Technology Growth and Employment which has given rise to a number of valuable projects. The UK and France are working closely together on many of these projects and in particular share the leadership of the projects concerned with Biotechnology and Food Technology.

4. GUANGDONG NUCLEAR POWER STATION IN CHINA

Both Governments have given their support to the British and French companies which have worked together on this major contract.

[If asked: French industry has also participated in the Sizewell Enquiry and no reason why there should not be a close working relationship between British and French companies in respect of any British PWR that might be built.]

/5. FRANCO/BRITISH RESEARCH ASSOCIATION

- 3 -

5. FRANCO/BRITISH RESEARCH ASSOCIATION

Science is increasingly international in its outlook. President Mitterrand's suggestion (in his speech before Parliament) for a Franco/British Research Foundation seeks to develop still further the close links which exist between France and the UK in scientific research. The people best qualified to judge how to bring about improvements are those directly involved in scientific research. A meeting of British and French heads of research will be held in the UK early next year at which this thoughtful and imaginative proposal can be examined further.

6. DBS TRANSMISSION STANDARDS

It would be sensible and practical if we could avoid having different standards in different parts of Europe (e.g. SECAM, PAL A, PAL B etc) for the new era of TV broadcasting by satellite which we are about to enter. We would like to see a common European standard for broadcasting satellite TV and our technicians and officials are working closely with their French colleagues and with others in Europe to find an acceptable standard which will meet all the existing technical and operational requirements in individual countries.

[The chief problem at present is not with the vision standard MAC, but with a sound standard which can be

/compatible

- 4 -

compatible with French cable TV specifications.]

[The French DBS project TDF has just been delayed by several months because of technical problems with the travelling wave tubes.]

7. AIRBUS A320

Airbus is a highly successful example of European industrial and technical collaboration involving Britain and France. Airbus has been sold worldwide in the face of fierce competition with US manufacturers, most recently the successful deal concluded with PANAM. The A320 is a further important step in this programme. It is not only of importance to the main industrial partners in Airbus Industries, but also to many companies throughout Europe which are working together in a variety of international industrial partnerships to develop and produce high technology equipment for this new generation aircraft.

8. EUROPEAN COMBAT AIRCRAFT

The feasibility studies now in hand are the result of intensive preparatory work which has gone on throughout the year involving British and French aircraft and engine manufacturers, Military Air Staffs, technical experts from Government and Ministers. British and French

/representatives

- 5 -

representatives have sought through their participation to ensure that all aspects of this important future project are fully examined before Ministers have to reach a final decision.

9. RTM 322 HELICOPTER ENGINE

The UK and France have worked together for many years on aeroengines. The Olympus engine in Concorde is one very good example, the ADOUR in the Jaguar fighter another. The RTM 322 is the latest in a long series of engines developed jointly by Rolls Royce and Turbomeca.

It is an advanced engine of simplified economical design which is designed to out-perform in its class any other engine currently available or forecast. Various versions will have a wide range of applications for both civil and military aircraft.

[It is being considered for the Anglo/Italian EH 101 helicopter and has been proposed by Sikorsky for use with their Black Hawk.]

[One-third of this programme is Government financed.]

10. ARMAMENTS

As a result of close and detailed exchanges which take place bilaterally and multilaterally between British and French officials and industrialists there is a constant exchange of views on collaboration in the field of

/Armaments.

- 6 -

Armaments. Two particularly important projects currently being pursued are:

(a) Third Generation Anti-Tank Missiles

Development work is now well advanced through the tripartite (France, UK, FRG) consortium, Euromissile Dynamics Groups, to produce for 1995 a high-performance anti-tank missile, in two versions for medium and long-range applications. Efficient industrial and governmental working arrangements offer the promise of an advanced weapon using technology of the 1990s at cost levels of the preceding generation.

(b) Multi-Launch Rocket System

This transatlantic co-operation provides the opportunity for European partners (France, UK, FRG) from the base of a US design, to develop and exploit through a major programme the vital technologies for the future. Industrial teaming and competitive selection provides a spur both to technical innovation and cost control.

11. TELECOMMUNICATIONS

This week marks the privatisation of British Telecoms. This is one way we see of creating the competitive climate needed to ensure a flourishing and vigorous telecommunications sector. International collaboration has an important

/part

- 7 -

part to play. British and French officials and industrialists recognise this and are looking together at ways to develop new products, techniques and to collaborate on standards such as those for cordless telephones.

[If required: I know there was disappointment when a French company (CIT-Alcatel) failed to reach the short list for supplying public telephone switches to BT. Their equipment along with that of other suppliers did not match BT's technical requirements in what was essentially a commercial transaction.]

12. SPACE

European countries will soon have to take important decisions about future space programmes. Since most British Government financial support for space activities goes to support European programmes we have been closely involved with our French partners in determining the direction of future space policy in Europe, particularly in relation to the American proposal for European participation in the space station project.

It would be premature to say what conclusion will be reached. Decisions will, however, be taken only after very close consultation with France and our other European partners in the European Space Agency.

In the industrial sector France and the UK can look with

- 8 -

some satisfaction on the successful collaboration which exists between Matra and British Aerospace and between Marconi and Aerospatiale. This is a matter for the companies but looks set to continue into the future.

13. EUROPEAN LARGE-SCALE SCIENTIFIC EQUIPMENT

It has long been recognised that some of the very large expensive facilities needed for scientific and technical work can only be accomplished on an international scale.

(a) Spallation Neutron Source

We are discussing French participation in the World's highest intensity source of pulsed neutrons - the Spallation Neutron Source - when it becomes operational at the Rutherford Appleton Laboratory next year.

(b) The European Synchrotron Radiation Facility (ESRF) is also being discussed.

[There is intense political interest in France over the Government's decision to choose Grenoble rather than Strasbourg as the likely site for the ESRF. The Prime Minister will wish to avoid being drawn on this issue in public. The choice as between French sites is for the French Government. The final decision on where the ESRF will be built is one for members of the European Science Foundation who are

/sponsoring

- 9 -

sponsoring the project. British scientists have expressed a preference for Grenoble because it makes scientific and managerial sense for the new facility to be located adjacent to the neutron source at the tripartite Institut Laue Langevin in Grenoble.

(c) European Transonic Wind Tunnel

[A final decision on the European Transonic Wind Tunnel depends on the lifting of a UK reserve. The subject is best avoided if possible.]

[If absolutely necessary: The European Transonic Wind Tunnel has been considered in great detail. A final decision is expected shortly.]

14. OCEANOGRAPHY AND MARINE SCIENCE

Two great seafaring nations. A common interest in one of the World's great waterways (La Manche). Both countries have long traditions in marine science and technology. Natural we should collaborate.

The professional scientists know what needs to be done. They are already working on a number of joint ventures including an important bilateral diving campaign due to take place next year.

A successful bilateral meeting in the summer (28 June)

/between

- 10 -

between Sir Herman Bondi (NERC) and his French counterpart helped to identify other areas where our scientists might work together in this field.

[A general agreement in the shape of an exchange of letters is being considered but should not be mentioned publicly.]

15. MULTILATERAL ARMAMENTS COLLABORATION

Preliminary studies are underway on a series of defence equipment projects in which we have common interests or requirements. We discuss these regularly with our European partners. In particular with France we are looking at:

- (a) A combat helicopter and the possibility of joining the PAH2 programme launched earlier this year in collaboration with Germany;
- (b) Artillery locating radar;
- (c) Future Military Transport Aircraft (replacement for Hercules and Transall in about the year 2000).

16. CROSS-CHANNEL ELECTRICITY LINK

The CEGB and Electricité de France (EdF) agreed in 1978 to build a 2 Gigawatt (2,000 Megawatt) cable link under the Channel. A previous 160 MW link was taken out of service in 1980. The first 1 GW stage of the link should be commissioned in 1985 and the second in 1986, at a total cost of some £550 million. Each stage consists of two pairs of cables, one laid by CEGB and one by EdF. The

- 11 -

basis of the link is to enable each grid to draw on the other at peak times (which differ in the two countries), thus avoiding having to maintain expensive generating capacity on standby. Beyond this, sales of electricity in both directions are envisaged and are to be negotiated between the two utilities.

TECHNOLOGY SECTION
29 NOVEMBER 1984

Telefax à Mme Elisabeth GUIGOU
Elysée

~~THE~~ JOINT STATEMENT: CHANNEL FIXED LINK

We recognise the potential importance of a Channel Fixed Link as an element in the European transport network and consider that such a link could be technically feasible and financially viable. The time has come to take the next step. Accordingly we welcome ^{and endorse} the terms of the Communiqué issued in Paris and London on 15 November 1984 by the Ministers of ^{Transport of} our two countries. We have agreed that the Franco-British Working Group set up to advise on the requirements to be met by possible participants in such a venture and on the definition of the undertakings the two Governments would be prepared to give, should pursue its work with real urgency and submit its report within three months.

A note of urgency
A new paradigm.



D

John Adams
Franklin D. Roosevelt

Qz.04068

MR POWELL

ANGLO-FRENCH SUMMIT: "STILETTOS"

The Prime Minister said yesterday that she would like some "stilettos" for use in argument about the more high-flown ideas on the future of the Community advanced in the European Community, the Dooge Committee and elsewhere. Here are some, in a form in which they could be used, if necessary, with President Mitterrand.

1. Britain has played a constructive role in the Dooge Committee. We have our own important objectives for a wealth creating European Community: not only the internal market - although we ought now to set a clear timetable for achieving the full internal market - but also for more effective political cooperation and for cooperation in other areas, where this can be shown to be to our mutual advantage. Convinced British and French national positions quite close in substance. But, between now and the March European Council it would be good if Governments - particularly the French, German and United Kingdom Governments - did subject some of the ideas to more rigorous analysis.

For example:

- (a) European Parliament seeking powers at expense of national Governments and Parliaments. The European Parliament wants to use the present discussions to achieve real powers over revenue. There is probably no member state which wants this. But, if we are not careful, it will become a point of greater dispute between the Council and the European Parliament. I understand that in France there has been a decision of the Constitutional Council which rules out the transfer of such important powers from the French State to the European Parliament.

/(b)

- (b) decision making. We must not make an already bad situation worse. The Spinelli draft treaty contains some articles which can be guaranteed to bring Community decision making to a complete halt. (An extract from Article 38 is:

"All draft laws shall be submitted to the Parliament. Within a period of six months it may approve the draft with or without amendment . . . The draft law approved by the Parliament, with or without amendment, shall be forwarded to the Council of the Union. Within a period of one month . . . the Commission may deliver an opinion. The Council shall take a decision within a period of six months . . . Where the draft has been put to the vote but has not secured the majorities referred to above or where the draft has been amended, the conciliation procedure laid down in paragraph 4 shall be opened . . . Where, within a period of three months the (Conciliation) Committee reaches agreement on a joint text, the text shall be submitted for approval to the Parliament and the Council. They shall take a decision within a period of three months . . . The Parliament and Council may extend the time limits laid down in this Article")

- (c) majority voting. No objection to looking at possibilities for greater use of majority voting. Plenty of scope under existing Treaty procedures. Luxembourg compromise - a French invention - not a cause of paralysis and a necessary last resort protection. Would France be prepared to subordinate its national decisions on foreign affairs to prior Community decision by majority voting in a more formalised political cooperation arrangement?

I am sending a copy to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

29 November 1984

Qz.04068

MR POWELL

Stiletto

H'by

Pl. help
PH

ANGLO-FRENCH SUMMIT: "STILETTOS"

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1. Britain has played a constructive role in the Dooge Committee. We have our own important objectives for a wealth creating European Community: not only the internal market - although we ought now to set a clear timetable for achieving the full internal market - but also for more effective political cooperation and for cooperation in other areas, where this can be shown to be to our mutual advantage. Convinced British and French national positions quite close in substance. But, between now and the March European Council it would be good if Governments - particularly the French, German and United Kingdom Governments - did subject some of the ideas to more rigorous analysis.

For example:

- (a) European Parliament seeking powers at expense of national Governments and Parliaments. The European Parliament wants to use the present discussions to achieve real powers over revenue. There is probably no member state which wants this. But, if we are not careful, it will become a point of greater dispute between the Council and the European Parliament. I understand that in France there has been a decision of the Constitutional Council which rules out the transfer of such important powers from the French State to the European Parliament.

/(b)

Doesn't want her
to damage Iraq.

Traced off pipe line (Iraq's)

Doesn't want the U.S.

Relations with Western Europe

Syria via relations Pakistan

Israel right to exist - unrounded

Syria of the ...

No contact between Syria & Israel

Papademos - Hussein - disappointed
that US supports Israel with
\$3 bn a year

Would work closely

Would allow Community initiative

Proposals time for Europe to be involved

- (b) decision making. We must not make an already bad situation worse. The Spinelli draft treaty contains some articles which can be guaranteed to bring Community decision making to a complete halt. (An extract from Article 38 is:

"All draft laws shall be submitted to the Parliament. Within a period of six months it may approve the draft with or without amendment . . . The draft law approved by the Parliament, with or without amendment, shall be forwarded to the Council of the Union. Within a period of one month . . . the Commission may deliver an opinion. The Council shall take a decision within a period of six months . . . Where the draft has been put to the vote but has not secured the majorities referred to above or where the draft has been amended, the conciliation procedure laid down in paragraph 4 shall be opened . . . Where, within a period of three months the (Conciliation) Committee reaches agreement on a joint text, the text shall be submitted for approval to the Parliament and the Council. They shall take a decision within a period of three months . . . The Parliament and Council may extend the time limits laid down in this Article")

- (c) majority voting. No objection to looking at possibilities for greater use of majority voting. Plenty of scope under existing Treaty procedures. Luxembourg compromise - a French invention - not a cause of paralysis and a necessary last resort protection. Would France be prepared to subordinate its national decisions on foreign affairs to prior Community decision by majority voting in a more formalised political cooperation arrangement?

I am sending a copy to Sir Robert Armstrong.

Df Williamson

D F WILLIAMSON

29 November 1984

Loose - Regime Qaddafi
Revised then had
to deal with

Syria At war with Israel
Look for own strategic
interests.

Facts - Israel on Golan

Egypt / Syria agreed not deal with Israel

Then Egypt did,

If between frontiers withdrawn - you
promise to be my ally.

United - not on between / Syrian frontier

Only National between them

Not joint to happen

Saudi Arabia pass for Syria
Syria - not opposite Iran / Israel is.



Foreign and Commonwealth Office

London SW1A 2AH

29 November, 1984

Dear Charles,

Anglo/French Summit: Channel Fixed Link

As you know, the French Embassy approached us yesterday with the proposal that there should be a separate communique on this subject at the Anglo/French Summit. They said that this should mention "the political will of the two governments to see the project brought to a conclusion, and to put in hand ... the means for its realisation". Following the Prime Minister's briefing meeting, we told the French Embassy that, while we could certainly envisage the Heads of Government endorsing the work done on the Channel Fixed Link and the joint communique issued after Mr Ridley's meeting with his opposite numbers on 15 November, we did not favour a separate communique on this occasion.

The French have now come back to us with the text of the communique which they would have liked. They suggest that this text, which I enclose, might form the basis of a "joint declaration" at the press conference.

We are telling the French that we have put this text to those concerned with the Summit. Mr Ridley will be discussing the Channel Fixed Link with his opposite numbers and will report to the Plenary meeting. No doubt the handling of the subject at the joint press conference will be one of the subjects discussed. We have added that we doubt whether the Prime Minister will agree to a joint declaration.

It will be necessary for the Prime Minister to have a carefully prepared line to take at the press conference. This might be on the lines:

We discussed the outcome of the Working Meeting between our two Transport Ministers on 14 November at which it was agreed that the two governments should do everything they could to facilitate the construction of a Fixed Channel Link between Britain and France, provided this could be done without financial help from governments whether in the form of budgetary payments or financial guarantees. We welcomed the establishment of a Working Group to draw up a framework in which the interested private sector enterprises should

/prepare



prepare proposals to put to the two governments.
We agreed that the sooner the preparatory stages
could be completed the better so that we could
come to a judgement about the future prospects
for this vast project.

I am copying this letter to the Private Secretary
to Mr Ridley.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

- I - CONSTATANT QUE LES ETUDES PRELIMINAIRES CONFIRMENT LA FAISABILITE TECHNIQUE ET FINANCIERE D'UNE LIAISON FIXE TRANS-MANCHE, LE PREMIER MINISTRE BRITANNIQUE ET LE PRESIDENT DE LA REPUBLIQUE FRANCAISE ESTIMENT QUE LE MOMENT EST VENU, POUR LES DEUX GOUVERNEMENTS, DE DONNER UNE IMPULSION POLITIQUE A CETTE VASTE ENTREPRISE. EN PLUS DE SES RETOMBEEES ECONOMIQUES ET SOCIALES, L'EDIFICATION D'UNE LIAISON FIXE ENTRE LA GRANDE-BRETAGNE ET LA FRANCE CONSTITUERA UNE GRANDE INFRASTRUCTURE EUROPEENNE DE TRANSPORT ET SERA UN SYMBOLE CONCRET DE LA SOLIDARITE ENTRE LES NATIONS DE L'EUROPE.
- II - LE PREMIER MINISTRE BRITANNIQUE ET LE PRESIDENT DE LA REPUBLIQUE FRANCAISE ONT RAPPELE QUE CET OUVRAGE, AUQUEL TOUTES LES GARANTIES POLITIQUES SERONT ACCORDEES, DEVRA ETRE FINANCE GRACE A DES FONDS RECUEILLIS AUX CONDITIONS QUI PREVALENT SUR LES MARCHES FINANCIERS INTERNATIONAUX, SANS APPORT BUDGETAIRE NI GARANTIES FINANCIERES DES GOUVERNEMENTS.
- III - ILS ONT CONFIRME LA CREATION D'UN GROUPE DE TRAVAIL FRANCO-BRITANNIQUE, INTERMINISTERIEL ET RESTREINT, DONT LA MISSION SERA, DANS UN DELAI DE TROIS MOIS, DE DRESSER LE CAHIER DES CHARGES AUXQUELLES DEVRONT REPONDRE LES PROMOTEURS CANDIDATS A LA REALISATION ET A L'EXPLOITATION DE L'OUVRAGE ET DE PROPOSER UN PROCESSUS DE SELECTION. CE GROUPE DE TRAVAIL FRANCO-BRITANNIQUE PARTICIPERA A L'ELABORATION DU TRAITE QUI LIERA LES DEUX ETATS ET DONT LE PROJET SERA SOUMIS AUX PARLEMENTS NATIONAUX, DANS LA MESURE DU POSSIBLE, AU COURS DE LEUR SESSION D'AUTOMNE 1985.
- IV - IL APPARTIENDRA AUX ORGANISMES ECONOMIQUES ET FINANCIERS, INTERESSES AU LANCEMENT, AU FINANCEMENT, A LA CONSTRUCTION ET A L'EXPLOITATION D'UNE LIAISON FIXE TRANS-MANCHE, DE PRESENTER DES PROPOSITIONS QUI DEVRONT PORTER SUR LA GLOBALITE DU PROJET ET RESPECTER UN PARTAGE EQUILIBRE DES RISQUES ET DES RETOMBEEES EN CE QUI CONCERNE LES DEUX PAYS. CES PROPOSITIONS SERONT RECUES ET EXAMINEES PAR LES DEUX GOUVERNEMENTS A LA FIN DE 1985./.

- I - CONSTATANT QUE LES ETUDES PRELIMINAIRES CONFIRMENT LA FAISABILITE TECHNIQUE ET FINANCIERE D'UNE LIAISON FIXE TRANS-MANCHE, LE PREMIER MINISTRE BRITANNIQUE ET LE PRESIDENT DE LA REPUBLIQUE FRANCAISE ESTIMENT QUE LE MOMENT EST VENU, POUR LES DEUX GOUVERNEMENTS, DE DONNER UNE IMPULSION POLITIQUE A CETTE VASTE ENTREPRISE. EN PLUS DE SES RETOMBEEES ECONOMIQUES ET SOCIALES, L'EDIFICATION D'UNE LIAISON FIXE ENTRE LA GRANDE-BRETAGNE ET LA FRANCE CONSTITUERA UNE GRANDE INFRASTRUCTURE EUROPEENNE DE TRANSPORT ET SERA UN SYMBOLE CONCRET DE LA SOLIDARITE ENTRE LES NATIONS DE L'EUROPE.
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10 DOWNING STREET

From the Private Secretary

28 November 1984

PRIME MINISTER'S VISIT TO FRANCE:
POSSIBLE MEETING WITH FRENCH
FARMER'S UNION PRESIDENT

Thank you for your letter of 28 November about a possible meeting with M. Guillaume.

The Prime Minister does not think that such a meeting would be appropriate.

I am copying this letter to Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food).

(Charles Powell)

C R Budd Esq
Foreign and Commonwealth Office

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Foreign and Commonwealth Office

London SW1A 2AH

28 November, 1984

Dear Charles,

Prime Minister's Visit to France: Possible Meeting with
French Farmers Union President

The President of the main French Farmers' Union, Monsieur Françoise Guillaume, has written to our Ambassador in Paris to request a meeting with the Prime Minister during her visit to France later this week. Although no precise subject matter is stated, we understand Monsieur Guillaume wishes to discuss the future of the CAP.

The request should be seen against the possibility of farmers demonstrating in and around Avignon during the Prime Minister's visit for the Franco-British Council Conference (though Guillaume's letter makes no reference to this possibility). We first heard of the likelihood of such demonstrations via Monsieur Chirac, who approached Sir John Fretwell at the end of last week. A member of the French Agriculture Minister's Cabinet has now told us that two national farmers unions intend to organise demonstrations to coincide with the Avignon meeting. They will have two purposes: first, to denounce the budgetary constraints placed on the CAP, and second, to demonstrate continuing hostility to EC enlargement. The first grievance will be directed particularly against the British; the second is geared to the presence in Avignon of Monsieur Fabius. We have been told that the demonstrations may be on a large scale.

According to Monsieur Chirac, Monsieur Guillaume's intention is that the meeting with the Prime Minister should permit him to say that he had conveyed the farmers' worries personally to her and thereby defuse the threat of demonstrations at Avignon. But, despite the risk that the demonstrations will go ahead in the absence of a meeting, we agree with Sir John Fretwell's advice that the Prime Minister should not agree to meet Monsieur Guillaume on this visit.

M. Guillaume has already achieved access to Community Ministers, under threat of demonstrations, at the time of the Agriculture Ministers meeting in Angers in May. For him to obtain a meeting by similar means with the

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British Prime Minister would elevate his standing to an unreasonable degree and would be unwelcome to the French government. The role played by M. Chirac as an intermediary would risk involving the Prime Minister in French political controversy if it became known. There would almost certainly be adverse reactions among farmers here and pressure for the relatively infrequent meetings between the Prime Minister and the President of the NFU to be put on a more formal and regular basis. Moreover, it is not clear that a meeting with Guillaume would significantly alter the scale or the nature of the intended demonstrations. Security in Avignon, which it is of course the responsibility of the French government to assure, will in any case be tight.

If the Prime Minister agrees, Sir John Fretwell will tell M. Guillaume that there is no gap in her programme for a meeting. He will however offer to bring forward a meeting he had himself been planning to hold with Guillaume.

I am copying this letter to Ivor Llewellyn (MAFF).

Yours ever,

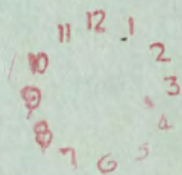
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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28 NOV 1984



B.R.

(1)



PRIME MINISTER

President Mitterrand's Dinner
and M. Fabius' Lunch

I attach notes for speeches, if necessary,
at President Mitterrand's dinner and
M. Fabius' lunch during the Anglo-French
Summit.

C.D.P.

28 November 1984

SPEAKING NOTES FOR LUNCH GIVEN BY
M. FABIOUS ON 30 NOVEMBER

1. Famous British writer, Walter Bagehot, distinguished between the effective and the dignified parts of our constitution. I think that our annual joint Summit Meetings are both dignified and effective. They symbolize the importance of the relationship between our two countries and their political leaders. They also enable us to get through a large quantity of useful work.

2. We have now completed our discussions on a whole range of bilateral and international issues. [Pick out key points.]

3. Lift our heads from day to day business and look at the full web of our relations. The range is remarkable. President Mitterrand & I agreed on a list of the projects we are jointly engaged in. It shows we are in business together. I would like this to go out as the message of this Summit.

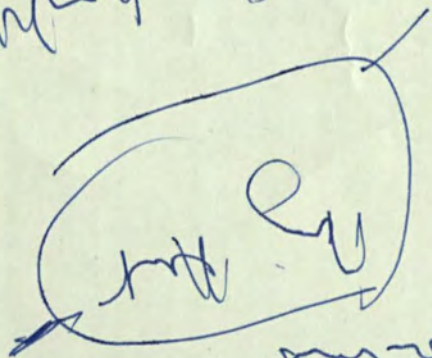
4. Particularly glad to have had first substantive meeting with M. Fabius. Look forward to continuing discussions later in Avignon - and in due course to welcoming him in Britain.

For God's sake ~~say~~

say it's interesting
when she's finished,
or we'll have
a scene!

17

big - bit



around.
convention of the
with a number
of the
of the

010



Foreign and Commonwealth Office

London SW1A 2AH

28 November, 1984

ack
ccBl

Dear Charles,

✓
CB

Anglo-French Summit: Joint Press Conference

/ I attach notes for the Prime Minister's use at the Press Conference which will conclude the Anglo-French Summit on 30 November.

/ I also enclose a copy of the "scene setting telegram "from Paris", which arrived today.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

East-West Relations

1. We welcomed the prospect of contacts between East and West being developed in 1985. President Chernenko is expected to visit France, Mr Gromyko will be visiting the UK. There are also welcome prospects of a renewed dialogue between the United States and the Soviet Union, starting with Mr Shultz's meeting with Mr Gromyko in Geneva. We hope that this will pave the way for a resumption of negotiations on arms control. Each of us is committed to dialogue with the Soviet Union and with the countries of Eastern Europe. We agreed that patience and persistence would be needed if we were to make serious progress.

European Security

2. We welcomed the Rome meeting of the WEU which provided a useful basis for future European defence cooperation. We agreed that this in no way undermined the European commitment to NATO: indeed it complements it. We will explore areas of bilateral defence collaboration where expansion might be possible. The objective is to strengthen the European pillar of the Alliance.

European Community




3. The prospects are brighter since the agreement at Fontainebleau. We agreed on the need to ensure that the agreement on budget issues reached there is effectively implemented. We discussed enlargement and agreed that the negotiations should be completed as soon as possible. We agreed also on the need to look to the future development of the Community and to the improvement of the Community's competitive position so that we can create wealth and jobs. I attached particular importance to completion of the internal market, which would bring direct and immediate benefits to the people of Europe.

Counter Terrorism

4. In the light of the most recent tragic events, we discussed the measures that might be taken to counter terrorist activity. We agreed that the action already taken by the Community was useful and we hoped that this would pave the way for greater international cooperation to tackle the evil of terrorism.

Bilateral Relations

5. We received a report from Foreign Ministers on the whole range of Franco-British relations. The report identified a large number of projects where joint work is in progress. We have drawn up a list of examples which have been released to the Press. These include aero space



projects, notably airbus and the RTM 322 helicopter engine, the European fighter aircraft and other defence related projects as well as the Cross Channel Electricity Link, ESPRIT and communications satellites. We agreed on the value of contacts in all areas of science and technology, and endorsed the report's call for continuing efforts to strengthen industrial and scientific links between Britain and France. We welcomed the understanding reached between the responsible Ministers in the two Governments on further steps to be taken in relation to the possibility of a fixed link across the English Channel. We endorsed the joint communique issued on 14 November and agreed that the Anglo-French working group, to be set up to define the criteria to be met by promoters of the various forms of fixed link, should complete its work by the end of February 1985. Promoting groups would then be given a reasonable period of time in which to submit firm proposals satisfying these criteria. The two Governments would then decide whether and how to proceed.

Space Programme

6. We discussed the Columbus project (Italy-Germany). I said we hoped to reach decisions before the end of this year, both on President Reagan's invitation to participate in the NASA space station, and on the proposals in the European Space Agency for a programme based on Columbus and the Ariane Five Launcher. I pointed out that the Columbus programme needs further



definition to take into account the interests of other
member states.

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TELEGRAM NUMBER 1316 OF 26 NOVEMBER

ANGLO/FRENCH SUMMIT: 29/30 NOVEMBER

SUMMARY

1. MITTERRAND'S POPULARITY AT RECORD LOW. AFTER MISHANDLING OF WITHDRAWAL FROM CHAD, HE IS UNDER SERIOUS ATTACK OVER FOREIGN AS WELL AS INTERNAL POLICY. SUMMIT OFFERS OPPORTUNITY TO UNDERLINE PUBLICLY THE WIDE RANGE OF EXISTING ANGLO/FRENCH COLLABORATION, PUT ACROSS OUR PRAGMATIC APPROACH TO TALK OF EUROPEAN UNION, AND PRESS FOR FULLER COOPERATION TO COMBAT TERRORISM. BOTH SIDES WISH TO EXPLORE IDEAS FOR CLOSER DEFENCE COLLABORATION. MITTERRAND MAY SEEK STATEMENT OF POLITICAL APPROVAL IN PRINCIPLE FOR A CHANNEL FIXED LINK.

DETAIL

INTERNAL BACKGROUND

2. AT THE HALF WAY POINT IN HIS PRESIDENCY, THE OPINION POLLS GIVE MITTERRAND THE LOWEST APPROVAL RATING OF ANY PRESIDENT OF THE FIFTH REPUBLIC. THE OPPOSITION SCENTS VICTORY IN THE 1986 LEGISLATIVE ELECTIONS AND IS IN FULL CRY OVER THE GOVERNMENT'S HANDLING OF THE ECONOMY, LAW AND ORDER, IMMIGRATION AND NOW FOREIGN POLICY. A SERIES OF CONTROVERSIAL DECISIONS (EG TO SEND CHEYSSON TO THE CELEBRATIONS IN ALGERIA OF THE THIRTIETH ANNIVERSARY OF THE START OF THE ALGERIAN WAR, AND TO SITE THE SYNCHROTRON FACILITY IN GRENOBLE INSTEAD OF STRASBOURG AS ORIGINALLY PLANNED) HAVE RAISED THE POLITICAL TEMPERATURE. MITTERRAND'S ADMISSION THAT LIBYAN TROOPS REMAIN IN CHAD AFTER THE FRENCH HAD ANNOUNCED COMPLETE EVACUATION AND AFTER HIS OWN MEETING WITH QADHAFI IN CRETE, HAD LED TO DAMAGING CRITICISM FROM THE LEFT AS WELL AS RIGHT-WING PRESS. NOW, HE ALSO HAS TROUBLE IN NEW CALEDONIA AFTER THE ELECTIONS ON 18 NOVEMBER PRECIPITATED VIOLENCE BETWEEN FRENCH RESIDENTS AND MELANESIANS. MITTERRAND'S CREDIBILITY IN FOREIGN POLICY, HITHERTO HIS STRONG SUIT, IS THUS FOR THE FIRST TIME UNDER THREAT.

3. WITH ONLY SIXTEEN MONTHS UNTIL THE LEGISLATIVE ELECTIONS, VIRTUALLY NO ONE IN THE SOCIALIST PARTY SEEMS TO THINK THAT THE LEFT WILL WIN. MORALE IS LOW. FABIUS HAS RECENTLY TAKEN THE POLITICAL OFFENSIVE TO RALLY HIS TROOPS, BUT LACKS AMMUNITION. MY GUESS IS THAT MITTERRAND HIMSELF FEELS SOMEWHAT SHAKEN BY THE LATEST SPATE OF MISHAPS, THOUGH HE MAY REMAIN CONFIDENT OF HIS ABILITY TO OUTWIT THE OPPOSITON AND BOUNCE BACK OVER THE NEXT 12 MONTHS.

ECONOMY

4. 1984 BROUGHT SOME IMPROVEMENT ON INFLATION, INVESTMENT AND THE EXTERNAL ACCOUNTS, BUT LESS THAN FORECAST. MODERATION OF WAGE

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/ SETTLEMENTS

SETTLEMENTS HAS BEEN THE MAJOR SUCCESS. THE CONTINUED RISE OF UNEMPLOYMENT (AND AN ACTUAL DECLINE IN EMPLOYMENT) IS THE MAJOR BLACK SPOT. 1985 IS LIKELY TO BRING FURTHER MODEST IMPROVEMENT ON MOST FRONTS EXCEPT EMPLOYMENT. THERE IS INCREASING PUBLIC CONCERN OVR^E THE PROSPECTS FOR 1986-88 WHEN MAJOR DEBT REPAYMENTS ARE DUE BUT THE CURRENT ACCOUNT MAY STILL NOT PRODUCE AN ADEQUATE SURPLUS. THE ABSENCE OF A STATUTORY WELFARE SAFETY NET TO CATCH THE UNEMPLOYED WHO RUN OUT OF ENTITLEMENT TO UNEMPLOYMENT BENEFIT COULD BRING TROUBLE.

CHANNEL FIXED LINK

5. MITTERRAND WILL WISH TO PRESENT THIS SUMMIT AS A FRIENDLY ENCOUNTER. IN CONTRAST TO MOST OF HIS PREDECESSORS AND HIS LIKELY SUCCESSORS HE REGARDS GOOD ANGLO-FRENCH RELATIONS AS A PLUS IN HIS POLITICAL BALANCE-SHEET. THE MAIN BILATERAL ISSUE ON WHICH HIS ADVISERS SEEM TO HAVE BEEN CONCENTRATING IS THE CHANNEL FIXED LINK. BOTH MITTERRAND FABIUS ARE PERSONALLY KEEN ON THE PROJECT. MR RIDLEY'S MEETINGS IN PARIS ON 14 NOVEMBER LED TO A JOINT COMMUNIQUE EXPRESSING THE TWO GOVERNMENTS' WILLINGNESS TO FACILITATE A CFL AND SETTING UP A WORKING GROUP OF OFFICIALS (MY TELNO 1273). THE FRENCH MAY PRESS FOR THE AGREEMENT TO BE REAFFIRMED DURING THE SUMMIT SO AS TO PRESENT PROGRESS ON THE CFL AS A POSITIVE OUTCOME. THEY MAY ALSO RAISE AGAIN THE POSSIBLE USE OF COMMUNITY FUNDS.

FOREIGN POLICY

6. MITTERRAND WIL WANT TO DISCUSS THE IMPLICATIONS OF THE RESUMPTION OF THE US/SOVIET DIALOGUE. THE FRENCH TRADITIONALLY FEAR THE TWO SUPERPOWERS DOING DEALS OVER THEIR HEADS. AT THE SAME TIME, MITTERRAND MUST WELCOME THE PROSPECTS FOR SLOWING DOWN THE ARMS RACE IN SPACE, AND SEE AN OPENING TO DEVELOP HIS OWN LINKS WITH THE EAST. (HE VISITS ROMAINA AND BULGARIA NEXT YEAR AND YESTERDAY ANNOUNCED THAT CHERNENKO WOULD PROBABLY VISIT FRANCE NEXT YEAR TO RETURN HIS OWN VISIT TO MOSCOW LAST JUNE).

7. MITTERRAND WILL JUST BE BACK FROM DAMASCUS. HE HAS ALREADY SEEN MUBARAK, KING HUSSEIN AND CHADLI IN RECENT MONTHS AND NEXT MONTH WELCOMES PERES HERE. APART FROM CULTIVATING THE NEAR EAST LEADERS TO SUSTAIN THE VIEW THAT FRANCE HAS SOME SPECIAL ROLE IN THE AREA, HIS CURRENT POLICY ON THE MIDDLE EAST IS A PRUDENT WAIT-AND-SEE GAME.

COMMUNITY ISSUES

8. MITTERRAND MAY DISPLAY SOME DISAPPOINTMENT THAT THE DOOGE COMMITTEE IS NOT PROGRESSING FASTER IN THE DIRECTION HE PROFESSES TO FAVOUR AND SUGGEST THAT A MAJORITY SUPPORT FRANCO-GERMAN IDEAS ON EUROPEAN UNION. ON ENLARGEMENT, THE FRENCH CONTINUE TO BE PREOCCUPIED WITH WINE, FRUIT AND VEGETABLES AND FISHERIES. MITTERRAND WILL BE LOOKING TO THE UK FOR THE STRONGEST POSSIBLE SUPPORT ON REFORMING THE INTERNAL WINE REGIME BEFORE OPENING NEGOTIATIONS WITH SPAIN ON THIS DOSSIER.

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/ BILATERAL

BILATERAL DEFENCE CONTACTS

9. IN PREPARING FOR THE SUMMIT, FRENCH OFFICIALS HAVE MADE MOST OF THE RUNNING IN SUGGESTING THAT OUR DEFENCE CONTACTS COULD BE IMPROVED (EG BY GIVING POLITICAL DIRECTORS A COORDINATING ROLE AS WITH THE GERMANS) AND GIVEN A HIGHER PROFILE. THIS MAY COME UP IN THE FOREIGN AND DEFENCE MINISTERS' TALKS, THOUGH THE FRENCH MAY BE RELUCTANT TO ADVANCE FAR WITHOUT CLEAR ENCOURAGEMENT FROM OUR SIDE. MITTERRAND WOULD PROBABLY LIKE TO BE ABLE TO POINT TO SOME PROGRESS TO SATISFY THE FRENCH PUBLIC'S HANKERINGS AFTER GREATER EUROPEAN DEFENCE COOPERATION, THOUGH NOT AT THE EXPENSE OF THE SPECIAL FRANCO-GERMAN IMAGE. AGREEMENT ON THICKENING UP DEFENCE CONTACTS COULD CONTRIBUTE MORE THAN ANYTHING ELSE (EXCEPT THE CHANNEL FIXED LINK) TO MAKE THE SUMMIT A PUBLIC SUCCESS IN FRENCH EYES.

OTHER BILATERAL ISSUES

10. BIANCO (ELYSEE) HAS ENDORSED THE PROPOSAL THAT A LIST OF AREAS OF BILATERAL TECHNOLOGICAL COOPERATION SHOULD BE GIVEN TO THE PRESS (MY TELNO 1294). SUCH A LIST HAS NOW BEEN AGREED BY THE BILATERAL COORDINATORS. IT INCLUDES SEVERAL SUBJECTS WHERE MEASURABLE PROGRESS HAS BEEN MADE IN WORKING TOGETHER. NONETHELESS, IT REMAINS DIFFICULT TO DEVELOP GENUINE COLLABORATIVE PROJECTS. AT THE POLITICAL LEVEL (MITTERRAND/FABIUS), THE FRENCH APPEAR TO WANT CLOSER TECHNOLOGICAL LINKS WITH THE UK. HOWEVER, FURTHER DOWN, AND PARTICULARLY AMONGST THE FRENCH INDUSTRIALISTS, THERE IS STILL A VERY STRONG TENDENCY TO LOOK UPON COLLABORATIVE PROJECTS MAINLY AS AN OPPORTUNITY TO GAIN ACCESS TO BRITISH TECHNOLOGY OR A COMMERCIAL EDGE OVER THEIR BRITISH PARTNERS. MANY OF THEM PRE-SUPPOSE THE SAME APPROACH FROM THE BRITISH AND DO NOT EXPECT TO BE PARTICULARLY WELCOME IN THE UK. RECENT FINANCIAL CONSTRAINTS HAVE FORCED SOME FRENCH COMPANIES TO LOOK MORE SERIOUSLY AT COLLABORATION, BUT OLD HABITS DIE HARD.

11. IN THE FIGHT AGAINST TERRORISM, OUR COOPERATION IS EXCELLENT AT WORKING LEVEL. BUT AT POLITICAL LEVEL, THE FRENCH FIGHT SHY OF MULTILATERAL COMMITMENTS, AND HAVE TRADITIONALLY BEEN WILLING TO GIVE ASYLUM TO FOREIGN TERRORISTS ON THEIR SOIL PROVIDED NO CRIME WAS COMMITTED IN FRANCE. MITTERRAND'S DECISION TWO MONTHS AGO TO APPROVE THE EXTRADITION OF THREE BASQUES TO SPAIN BETOKENS A SLIGHT CHANGE OF ATTITUDE. I BELIEVE WE COULD NOW SEEK TO EXTEND THIS TO THE PROBLEM OF IRISH TERRORISM, BY PROMOTING BILATERAL TALKS ON ASYLUM AND EXTRADITION WITH THE AIM OF DENYING COVER TO THOSE WHO HAVE COMMITTED TERRORIST ACTS IN EACH OTHER'S COUNTRY.

FRETWELL

FCO|WH DISTN
WED



Ref. A084/3166

MR POWELL

Prime Minister's Briefing Meeting for the Anglo-French Summit
and the European Council

Below is a revised list of those Ministers and officials attending the Prime Minister's briefing meeting at 4.00 pm today.

Secretary of State for Foreign and Commonwealth Affairs
Secretary of State for Energy
Sir Robert Armstrong
Sir Antony Acland, Foreign and Commonwealth Office
Sir Michael Butler, UKREP
Sir Peter Harrop, Department of the Environment
Mr Brian Unwin, Treasury
Mr David Nicholls, Ministry of Defence
Mr John Guinness, Department of Energy
Mr Derek Andrews, Ministry of Agriculture, Fisheries and Food
Mr David Williamson, Cabinet Office
Dr Robin Nicholson, Cabinet Office
Mr Derek Thomas, Foreign and Commonwealth Office
Mr Robin Renwick, Foreign and Commonwealth Office
Miss Mary Lackey, Department of Trade and Industry

ROSALIND MULLIGAN

28 November 1984



Foreign and Commonwealth Office

London SW1A 2AH

28 November 1984

CC
~~PC~~
~~BI~~
~~SA~~

Dear Charles,

I enclose draft speaking notes for the Prime Minister for use in reply to President Mitterrand's toast at the Elysee dinner on 29 November, and for use should M. Fabius make a toast at lunch on 30 November.

We have been told that the French envisage that the dinner should be attended by all the Ministers participating in the Summit together with, on our side, Sir Robert Armstrong, Sir John Fretwell and Robin Butler; and on their side M. Bianco, M. Attali, and the new French Ambassador in London, M. Viot.

Attendance at M. Fabius's lunch will be much wider, including officials.

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT SPEAKING NOTES FOR LUNCH GIVEN BY M. FABIOUS ON
30 NOVEMBER

1. Famous British writer, Walter Bagehot, distinguished between the effective and the dignified parts of our constitution. I think that our annual joint Summit Meetings are both dignified and effective. They symbolize the importance of the relationship between our two countries and their political leaders. They also enable us to get through a large quantity of useful work.
2. We have now completed our discussions on a whole range of bilateral and international issues. [Pick out key points.]
3. Lift our heads from day to day business and look at the full web of our relations. The range is ; remarkable. President Mitterrand I agreed on a list of the projects we are jointly engaged in. It shows we are in business together. I would like this to go out as the message of this Summit.
4. Particularly glad to have had first substantive meeting with M. Fabius. Look forward to continuing discussions later in Avignon - and in due course to welcoming him in Britain.

DRAFT SPEAKING NOTES FOR PRIME MINISTER'S USE IN REPLY TO TOAST AT THE ELYSEE DINNER ON 29 NOVEMBER

1. A year of unprecedented activity in Anglo-French relations and of significant achievements:

- French Presidency
- Fontainebleau
- the opening of JET in UK attended by President Mitterrand
- D-Day commemoration
- State Visit
- and now the Summit, where I hope we will be able to add even more to our unity of purpose.
- and tomorrow Avignon

2. ~~Stress unity of purpose because we share so many ideals; defence of liberty; stability in international affairs; creation of wealth based on a sound economy; creation of opportunities for scientific and technological innovation.~~ Our job is to set the framework for our economies to grow, for our countries to collaborate together in a wider European framework: ^{a European} in the Europe

^{Commit} that is on the move since Fontainebleau.

3. ~~Defence of liberty, and stability in international affairs.~~ ^{for us to be able to exchange} Good time to discuss in light of encouraging news that negotiations between the Soviet Union and the U.S. are to resume. That is a real move forward and a sign that unity and cohesion do pay off. We [France and Britain - have our role to play in East/West relations.

4. Encouraged by the survey conducted by the Franco-British Council and the BBC French Service which indicated that the young people in our two countries have a particularly high regard for each other. We are moving in the right direction.

For E. de G.
glad to discover
how closely our
Ministers & officials
have been
working together
partic. in
Committee affairs.

to exchange
assessments
of international
developments,
partic. de G.

5. Tribute to President Mitterrand for his personal appreciation, as expressed so well in his speech to Parliament last month, of the importance of our two countries, in all their individuality, both in the making of Europe and in our relationship with the world outside Europe. Impressed by his analysis of the competition we face from America and Japan, and consequent need for closer collaboration between us. This my 6th annual Summit with you, Mr President. They have become a necessary practice - and a pleasure.

TOAST: To the future: that its hopes and aspirations for France and for the United Kingdom will be fulfilled.

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TO IMMEDIATE FCO
TELEGRAM NUMBER 1316 OF 26 NOVEMBER

ANGLO/FRENCH SUMMIT: 29/30 NOVEMBER

SUMMARY

1. MITTERRAND'S POPULARITY AT RECORD LOW. AFTER MISHANDLING OF WITHDRAWAL FROM CHAD, HE IS UNDER SERIOUS ATTACK OVER FOREIGN AS WELL AS INTERNAL POLICY. SUMMIT OFFERS OPPORTUNITY TO UNDERLINE PUBLICLY THE WIDE RANGE OF EXISTING ANGLO/FRENCH COLLABORATION, PUT ACROSS OUR PRAGMATIC APPROACH TO TALK OF EUROPEAN UNION, AND PRESS FOR FULLER COOPERATION TO COMBAT TERRORISM. BOTH SIDES WISH TO EXPLORE IDEAS FOR CLOSER DEFENCE COLLABORATION. MITTERRAND MAY SEEK STATEMENT OF POLITICAL APPROVAL IN PRINCIPLE FOR A CHANNEL FIXED LINK.

DETAIL

INTERNAL BACKGROUND

2. AT THE HALF WAY POINT IN HIS PRESIDENCY, THE OPINION POLLS GIVE MITTERRAND THE LOWEST APPROVAL RATING OF ANY PRESIDENT OF THE FIFTH REPUBLIC. THE OPPOSITION SCENTS VICTORY IN THE 1986 LEGISLATIVE ELECTIONS AND IS IN FULL CRY OVER THE GOVERNMENT'S HANDLING OF THE ECONOMY, LAW AND ORDER, IMMIGRATION AND NOW FOREIGN POLICY. A SERIES OF CONTROVERSIAL DECISIONS (EG TO SEND CHEYSSON TO THE CELEBRATIONS IN ALGERIA OF THE THIRTIETH ANNIVERSARY OF THE START OF THE ALGERIAN WAR, AND TO SITE THE SYNCHROTRON FACILITY IN GRENOBLE INSTEAD OF STRASBOURG AS ORIGINALLY PLANNED) HAVE RAISED THE POLITICAL TEMPERATURE. MITTERRAND'S ADMISSION THAT LIBYAN TROOPS REMAIN IN CHAD AFTER THE FRENCH HAD ANNOUNCED COMPLETE EVACUATION AND AFTER HIS OWN MEETING WITH QADHAFI IN CRETE, HAD LED TO DAMAGING CRITICISM FROM THE LEFT AS WELL AS RIGHT-WING PRESS. NOW, HE ALSO HAS TROUBLE IN NEW CALEDONIA AFTER THE ELECTIONS ON 18 NOVEMBER PRECIPITATED VIOLENCE BETWEEN FRENCH RESIDENTS AND MELANESIANS. MITTERRAND'S CREDIBILITY IN FOREIGN POLICY, HITHERTO HIS STRONG SUIT, IS THUS FOR THE FIRST TIME UNDER THREAT.

3. WITH ONLY SIXTEEN MONTHS UNTIL THE LEGISLATIVE ELECTIONS, VIRTUALLY NO ONE IN THE SOCIALIST PARTY SEEMS TO THINK THAT THE LEFT WILL WIN. MORALE IS LOW. FABIUS HAS RECENTLY TAKEN THE POLITICAL OFFENSIVE TO RALLY HIS TROOPS, BUT LACKS AMMUNITION. MY GUESS IS THAT MITTERRAND HIMSELF FEELS SOMEWHAT SHAKEN BY THE LATEST SPATE OF MISHAPS, THOUGH HE MAY REMAIN CONFIDENT OF HIS ABILITY TO OUTWIT THE OPPOSITION AND BOUNCE BACK OVER THE NEXT 12 MONTHS.

ECONOMY

4. 1984 BROUGHT SOME IMPROVEMENT ON INFLATION, INVESTMENT AND THE EXTERNAL ACCOUNTS, BUT LESS THAN FORECAST. MODERATION OF WAGE

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/ SETTLEMENTS

SETTLEMENTS HAS BEEN THE MAJOR SUCCESS. THE CONTINUED RISE OF UNEMPLOYMENT (AND AN ACTUAL DECLINE IN EMPLOYMENT) IS THE MAJOR BLACK SPOT. 1985 IS LIKELY TO BRING FURTHER MODEST IMPROVEMENT ON MOST FRONTS EXCEPT EMPLOYMENT. THERE IS INCREASING PUBLIC CONCERN OVR^E THE PROSPECTS FOR 1986-88 WHEN MAJOR DEBT REPAYMENTS ARE DUE BUT THE CURRENT ACCOUNT MAY STILL NOT PRODUCE AN ADEQUATE SURPLUS. THE ABSENCE OF A STATUTORY WELFARE SAFETY NET TO CATCH THE UNEMPLOYED WHO RUN OUT OF ENTITLEMENT TO UNEMPLOYMENT BENEFIT COULD BRING TROUBLE.

CHANNEL FIXED LINK

5. MITTERRAND WILL WISH TO PRESENT THIS SUMMIT AS A FRIENDLY ENCOUNTER. IN CONTRAST TO MOST OF HIS PREDECESSORS AND HIS LIKELY SUCCESSORS HE REGARDS GOOD ANGLO-FRENCH RELATIONS AS A PLUS IN HIS POLITICAL BALANCE-SHEET. THE MAIN BILATERAL ISSUE ON WHICH HIS ADVISERS SEEM TO HAVE BEEN CONCENTRATING IS THE CHANNEL FIXED LINK. BOTH MITTERRAND FABIUS ARE PERSONALLY KEEN ON THE PROJECT. MR RIDLEY'S MEETINGS IN PARIS ON 14 NOVEMBER LED TO A JOINT COMMUNIQUE EXPRESSING THE TWO GOVERNMENTS' WILLINGNESS TO FACILITATE A CFL AND SETTING UP A WORKING GROUP OF OFFICIALS (MY TELNO 1273). THE FRENCH MAY PRESS FOR THE AGREEMENT TO BE REAFFIRMED DURING THE SUMMIT SO AS TO PRESENT PROGRESS ON THE CFL AS A POSITIVE OUTCOME. THEY MAY ALSO RAISE AGAIN THE POSSIBLE USE OF COMMUNITY FUNDS.

FOREIGN POLICY

6. MITTERRAND WIL WANT TO DISCUSS THE IMPLICATIONS OF THE RESUMPTION OF THE US/SOVIET DIALOGUE. THE FRENCH TRADITIONALLY FEAR THE TWO SUPERPOWERS DOING DEALS OVER THEIR HEADS. AT THE SAME TIME, MITTERRAND MUST WELCOME THE PROSPECTS FOR SLOWING DOWN THE ARMS RACE IN SPACE, AND SEE AN OPENING TO DEVELOP HIS OWN LINKS WITH THE EAST. (HE VISITS ROMAINA AND BULGARIA NEXT YEAR AND YESTERDAY ANNOUNCED THAT CHERNENKO WOULD PROBABLY VISIT FRANCE NEXT YEAR TO RETURN HIS OWN VISIT TO MOSCOW LAST JUNE).

7. MITTERRAND WILL JUST BE BACK FROM DAMASCUS. HE HAS ALREADY SEEN MUBARAK, KING HUSSEIN AND CHADLI IN RECENT MONTHS AND NEXT MONTH WELCOMES PERES HERE. APART FROM CULTIVATING THE NEAR EAST LEADERS TO SUSTAIN THE VIEW THAT FRANCE HAS SOME SPECIAL ROLE IN THE AREA, HIS CURRENT POLICY ON THE MIDDLE EAST IS A PRUDENT WAIT-AND-SEE GAME.

COMMUNITY ISSUES

8. MITTERRAND MAY DISPLAY SOME DISAPPOINTMENT THAT THE DOOGE COMMITTEE IS NOT PROGRESSING FASTER IN THE DIRECTION HE PROFESSES TO FAVOUR AND SUGGEST THAT A MAJORITY SUPPORT FRANCO-GERMAN IDEAS ON EUROPEAN UNION. ON ENLARGEMENT, THE FRENCH CONTINUE TO BE PREOCCUPIED WITH WINE, FRUIT AND VEGETABLES AND FISHERIES. MITTERRAND WILL BE LOOKING TO THE UK FOR THE STRONGEST POSSIBLE SUPPORT ON REFORMING THE INTERNAL WINE REGIME BEFORE OPENING NEGOTIATIONS WITH SPAIN ON THIS DOSSIER.

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/ BILATERAL

BILATERAL DEFENCE CONTACTS

9. IN PREPARING FOR THE SUMMIT, FRENCH OFFICIALS HAVE MADE MOST OF THE RUNNING IN SUGGESTING THAT OUR DEFENCE CONTACTS COULD BE IMPROVED (EG BY GIVING POLITICAL DIRECTORS A COORDINATING ROLE AS WITH THE GERMANS) AND GIVEN A HIGHER PROFILE. THIS MAY COME UP IN THE FOREIGN AND DEFENCE MINISTERS' TALKS, THOUGH THE FRENCH MAY BE RELUCTANT TO ADVANCE FAR WITHOUT CLEAR ENCOURAGEMENT FROM OUR SIDE. MITTERRAND WOULD PROBABLY LIKE TO BE ABLE TO POINT TO SOME PROGRESS TO SATISFY THE FRENCH PUBLIC'S HANKERINGS AFTER GREATER EUROPEAN DEFENCE COOPERATION, THOUGH NOT AT THE EXPENSE OF THE SPECIAL FRANCO-GERMAN IMAGE. AGREEMENT ON THICKENING UP DEFENCE CONTACTS COULD CONTRIBUTE MORE THAN ANYTHING ELSE (EXCEPT THE CHANNEL FIXED LINK) TO MAKE THE SUMMIT A PUBLIC SUCCESS IN FRENCH EYES.

OTHER BILATERAL ISSUES

10. BIANCO (ELYSEE) HAS ENDORSED THE PROPOSAL THAT A LIST OF AREAS OF BILATERAL TECHNOLOGICAL COOPERATION SHOULD BE GIVEN TO THE PRESS (MY TELNO 1294). SUCH A LIST HAS NOW BEEN AGREED BY THE BILATERAL COORDINATORS. IT INCLUDES SEVERAL SUBJECTS WHERE MEASURABLE PROGRESS HAS BEEN MADE IN WORKING TOGETHER. NONETHELESS, IT REMAINS DIFFICULT TO DEVELOP GENUINE COLLABORATIVE PROJECTS. AT THE POLITICAL LEVEL (MITTERRAND/FABIUS), THE FRENCH APPEAR TO WANT CLOSER TECHNOLOGICAL LINKS WITH THE UK. HOWEVER, FURTHER DOWN, AND PARTICULARLY AMONGST THE FRENCH INDUSTRIALISTS, THERE IS STILL A VERY STRONG TENDENCY TO LOOK UPON COLLABORATIVE PROJECTS MAINLY AS AN OPPORTUNITY TO GAIN ACCESS TO BRITISH TECHNOLOGY OR A COMMERCIAL EDGE OVER THEIR BRITISH PARTNERS. MANY OF THEM PRE-SUPPOSE THE SAME APPROACH FROM THE BRITISH AND DO NOT EXPECT TO BE PARTICULARLY WELCOME IN THE UK. RECENT FINANCIAL CONSTRAINTS HAVE FORCED SOME FRENCH COMPANIES TO LOOK MORE SERIOUSLY AT COLLABORATION, BUT OLD HABITS DIE HARD.

11. IN THE FIGHT AGAINST TERRORISM, OUR COOPERATION IS EXCELLENT AT WORKING LEVEL. BUT AT POLITICAL LEVEL, THE FRENCH FIGHT SHY OF MULTILATERAL COMMITMENTS, AND HAVE TRADITIONALLY BEEN WILLING TO GIVE ASYLUM TO FOREIGN TERRORISTS ON THEIR SOIL PROVIDED NO CRIME WAS COMMITTED IN FRANCE. MITTERRAND'S DECISION TWO MONTHS AGO TO APPROVE THE EXTRADITION OF THREE BASQUES TO SPAIN BETOKENS A SLIGHT CHANGE OF ATTITUDE. I BELIEVE WE COULD NOW SEEK TO EXTEND THIS TO THE PROBLEM OF IRISH TERRORISM, BY PROMOTING BILATERAL TALKS ON ASYLUM AND EXTRADITION WITH THE AIM OF DENYING COVER TO THOSE WHO HAVE COMMITTED TERRORIST ACTS IN EACH OTHER'S COUNTRY.

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TELEGRAM NUMBER 1312 OF 26 NOVEMBER

170/news
170/wed.
170/ECOU
Mr DEREK THOMAS
R.C.

Press office
No. 10. DSR

PRIME MINISTER'S INTERVIEW ON FRENCH TELEVISION, WEDNESDAY 28 NOVEMBER

1. THIS INTERVIEW WILL BE CONDUCTED AS AGREED BY CHRISTINE OCKRENT, CHIEF EDITOR OF THE MAIN NEWS PROGRAMME ON THE SECOND TV CHANNEL, ANTENNE 2. MISS OCKRENT HAS CONFIRMED THAT SHE WILL, AS ORIGINALLY AGREED, ASK HER QUESTIONS IN ENGLISH. THE CONVERSATION WILL BE PUT INTO FRENCH BY SIMULTANEOUS INTERPRETERS IN THE STUDIO IN PARIS.

2. MISS OCKRENT HAS NOW TOLD US THAT THE THREE THEMES SHE HOPES TO EXPLORE IN THE INTERVIEW ARE:

- (A) THE STATE OF RELATIONS BETWEEN FRANCE AND BRITAIN;
- (B) THE STATE OF EUROPE;
- (C) PROSPECTS FOR THE PRIME MINISTER'S POLITICAL PROGRAMME.

THE PRIME MINISTER WILL HAVE BEEN BRIEFED FOR THE SUMMIT, AVIGNON AND DUBLIN BEFORE THE INTERVIEW AND WILL THEREFORE BE VERY WELL PREPARED ON POINTS (A) AND (B). POINT (C) IS NOT A SUBJECT ON WHICH COMMENT FROM HERE SEEMS NECESSARY.

3. THERE ARE NEVERTHELESS ONE OR TWO POINTS WHICH YOU MAY WISH TO DRAW TO THE PRIME MINISTER'S ATTENTION:

- (1) WE ARE NOW IN THE OPENING STAGES HERE OF THE POLITICAL CAMPAIGN FOR THE 1986 PARLIAMENTARY ELECTIONS. IN ATTACKING THE OPPOSITION'S PRESCRIPTIONS FOR ECONOMIC RECOVERY, GOVERNMENT SPOKESMEN OCCASIONALLY SUGGEST THAT MONETARISM, REAGANISM (OR EVEN THATCHERISM) ARE NOT EXPERIMENTS TO WHICH THE FRENCH SHOULD EXPOSE THEMSELVES GIVEN THE DIRE SOCIAL CONSEQUENCES PERCEIVED IN BRITAIN. AT THE SAME TIME, COMMENTATORS ARE NOW RECOGNISING THAT FRANCE IS SLIPPING BEHIND ECONOMICALLY IN EUROPE, PARTICULARLY IN TERMS OF INFLATION AND ECONOMIC GROWTH. WE NEED TO EXPLAIN WHAT WE ARE DOING AND WHY, BUT WITHOUT IMPLYING THAT FRANCE SHOULD NECESSARILY FOLLOW SUIT. (CONDITIONS ARE VERY DIFFERENT EG THE

NECESSARILY FOLLOW SUIT. (CONDITIONS ARE VERY DIFFERENT EG THE WEAKNESS OF TRADE UNIONISM IN FRANCE AND THE GENERAL ACCEPTANCE OF STATE CONTROL).

(II) ON EUROPE, THE FRENCH WOULD WELCOME CONFIRMATION THAT THE BUDGET PROBLEM WAS SATISFACTORILY DEALT WITH AT FONTAINEBLEAU. THEY DO HOWEVER FIND DIFFICULTY IN GRASPING THE NOTION THAT AGRICULTURAL SPENDING NEEDS TO BE DETERMINED BY AVAILABLE RESOURCES, RATHER THAN THE REVERSE, PARTLY IN ORDER TO GUARANTEE SUFFICIENT RESOURCES FOR EG INDUSTRIAL MODERNISATION. THIS POINT COULD BE WORTH EMPHASISING.

(III) IN ANY DISCUSSION OF EUROPEAN UNION IT WOULD BE WORTH EMPHASISING THE NEED TO IMPLEMENT THE TERMS OF THE TREATY OF ROME, (EG BY REMOVING INTERNAL BARRIERS TO TRADE), SO AS TO CREATE THE GENUINE SINGLE MARKET WHICH ALONE WILL ENABLE EUROPE TO COMPETE WITH THE UNITED STATES AND JAPAN.

FCO PLEASE ADVANCE TO PRESS OFFICE, 10 DOWNING STREET.

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TELEGRAM NUMBER 1315 OF 26 NOVEMBER

MY TELNO 1303: FRANCO-BRITISH COUNCIL, AVIGNON: POSSIBLE FARMERS' DEMONSTRATION

SUMMARY

1. WRITTEN REQUEST NOW RECEIVED FROM FRANCOIS GUILLAUME FOR A MEETING WITH THE PRIME MINISTER DURING HER FORTHCOMING VISIT TO FRANCE. LIKELIHOOD OF FARMERS' DEMONSTRATIONS IN AVIGNON CONFIRMED BY MINISTRY OF AGRICULTURE. ^{PI}DESTE THIS, I RECOMMEND AGAINST THE PRIME MINISTER MEETING GUILLAUME IN VIEW OF THE WIDER CONSIDERATIONS.

DETAIL

2. I RECEIVED TODAY A FORMAL REQUEST IN WRITING FROM FRANCOIS GUILLAUME, PRESIDENT OF THE MAIN FRENCH FARMERS' UNION, SEEKING A MEETING WITH THE PRIME MINISTER DURING HER VISIT TO FRANCE LATER THIS WEEK. ALTHOUGH NO PRECISE SUBJECT MATTER IS STATED IN GUILLAUME'S LETTER, THE INTENTION APPEARS TO BE TO DISCUSS THE FUTURE OF THE CAP. (GUILLAUME HAS EXPRESSED HIMSELF STRONGLY AGAINST THE RECENT AGREEMENT ON BUDGET DISCIPLINE, REGARDING IT AS AN ATTEMPT INSPIRED BY UK TO DESTROY THE CAP).

3. AS REPORTED IN MY TUR, GUILLAUME'S REQUEST MUST BE JUDGED AGAINST THE POSSIBILITY OF FARMERS' DEMONSTRATIONS IN AND AROUND AVIGNON DURING THE PRIME MINISTER'S VISIT, THOUGH HIS LETTER MAKES NO REFERENCE TO THIS POSSIBILITY. CHEVAUCHEZ (ROCARD'S CABINET) HAS TOLD US THAT TWO NATIONAL FARMERS' UNIONS (THE FNSEA AND THE CNJA) INTEND ORGANISING DEMONSTRATIONS IN AVIGNON TO COINCIDE WITH THE FRANCO-BRITISH COUNCIL MEETING. THEY WILL HAVE TWO PURPOSES: FIRST TO DENOUNCE THE BUDGETARY CONSTRAINTS PLACED ON THE CAP, AND SECOND, TO DEMONSTRATE CONTINUING HOSTILITY TO EC ENLARGEMENT. THE FIRST GRIEVANCE WILL BE DIRECTED PARTICULARLY AGAINST THE BRITISH, THE SECOND IS GEARED TO THE PRESENCE IN AVIGNON OF FABIUS. CHEVAUCHEZ TOLD US THAT THE DEMONSTRATION, BEING NATIONALLY ORGANISED, MIGHT ATTRACT LARGE NUMBERS. BUT SECURITY ON THE GROUND WOULD BE VERY TIGHT.

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/ 4.

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4. DESPITE THE RISK OF DEMONSTRATIONS, I BELIEVE THAT ON BALANCE THE PRIME MINISTER SHOULD NOT AGREE TO MEET GUILLAUME ON THIS VISIT. THE PRINCIPLE OF GUILLAUME HAVING DIRECT ACCESS TO COMMUNITY MINISTERS WAS CONCEDED BY ROCARD, UNDER THREAT OF DEMONSTRATIONS, AT THE TIME OF THE AGRICULTURE MINISTERS' MEETING IN ANGERS IN MAY. FOR GUILLAUME TO OBTAIN BY SIMILAR MEANS THE OPPORTUNITY TO MEET THE BRITISH PRIME MINISTER WOULD ELEVATE HIS STANDING TO AN UNREASONABLE DEGREE AND BE UNWELCOME TO THE GOVERNMENT HERE, IN PARTICULAR TO ROCARD WHOSE RELATIONSHIP WITH GUILLAUME IS OFTEN DIFFICULT. THE ROLE PLAYED BY CHIRAC AS AN INTERMEDIARY WOULD RISK INVOLVING THE PRIME MINISTER IN FRENCH POLITICAL CONTROVERSY IF IT BECAME KNOWN. MOREOVER IT IS NOT CLEAR THAT A MEETING WITH GUILLAUME WOULD SIGNIFICANTLY ALTER THE SCALE OR THE NATURE OF THE INTENDED DEMONSTRATIONS.

5. I WAS ALREADY IN THE PROCESS OF ARRANGING TO MEET GUILLAUME AT HIS REQUEST EARLY NEXT YEAR. IF THE PRIME MINISTER AGREES THAT IT WOULD BE INAPPROPRIATE FOR HER TO SEE HIM DURING HER VISIT THIS WEEK, I SHALL SAY THAT THERE IS NO GAP IN HER PROGRAMME BUT OFFER TO FIRM UP ARRANGEMENTS FOR MY OWN MEETING WITH HIM AND TO BRING IT FORWARD IF THAT WOULD BE HELPFUL.

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PS/LADY YOUNG

PS/MR RENTON

MR DEREK THOMAS

MR JENKINS

MR RENWICK

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deve

PRIME MINISTER

ANGLO-FRENCH SUMMIT

You may like to look at the briefs for this early-ish in the week, as they will soon be followed by briefing for the European Council. The key briefs are 2 (General), 3 (Community), 8 (bilateral) and 11 (scientific cooperation).

Two meetings are arranged for Wednesday: a small "seminar" discussion to focus on the future of the Community and the Dooge Committee report (Geoffrey Howe, Malcolm Rifkind, Michael Butler and David Williamson); and an ordinary briefing meeting for both the Anglo-French Summit and the European Council.

The imminent European Council is bound to weigh upon the Summit agenda. The most difficult issue is likely to be the future of the Community including European Union. On this the French seem ready to go along with the German wish for a new Treaty covering both political cooperation and additional areas of cooperation among the Ten. They also seem ready to go ahead if necessary on the basis of the original Six alone if others hang back, though there is probably a sizeable element of bluff in this. You will want to argue that the proposals need to be examined properly in slower time, leaving plenty of opportunity for exposing the emptiness of the rhetoric as well as the practical difficulties which some of the Dooge Committee proposals would cause, for the French no less than for us.

Other issues of importance are:

- bilateral defence matters;
- other bilateral cooperation (on which you and President Mitterrand have to endorse a report by Foreign Ministers

and agree to publish an illustrative list of collaborative projects);

- Channel Fixed link;
- Terrorism (you will want his agreement that the European Council should endorse the report by Community Foreign Ministers);
- Meeting of Summit Seven Environmental Ministers;
- Guangdong;
- ~~Vehicle Emissions~~;
- No Passport Excursions;

- remaining budget problems

You will want to thank him for the French vote on the Falklands.

On handling I think that - contrary to what the brief proposes - you should tackle European Community matters on the first evening, so as to leave open the opportunity of coming back to them the next morning.

Cards attached.

CDP

26 November 1984

PRIME MINISTER

ANGLO-FRENCH SUMMIT

You may like to look at the briefs for this early-ish in the week, as they will soon be followed by briefing for the European Council. The key briefs are 2 (General), 3 (Community), 8 (bilateral) and 11 (scientific cooperation).

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Other issues of importance are:

- bilateral defence matters;
- other bilateral cooperation (on which you and President Mitterrand have to endorse a report by Foreign Ministers

Wire - Reduce cost of repairs - Fr.

1000 men.

- Produce own fruits in the plantation

Both - debt 1990:

Tanks - Vetoed Tanks -

Ind. Tank area.

Supp. Fr d - Wire.

Assets - Job.

Over 20% -

Over 20% -

Len 2.8 bn

1-3 bn.

85

260

S. Kellogg -

and agree to publish an illustrative list of collaborative projects);

- Channel Fixed link;
- Terrorism (you will want his agreement that the European Council should endorse the report by Community Foreign Ministers);
- Meeting of Summit Seven Environmental Ministers;
- Guangdong;
- Vehicle Emissions;
- No Passport Excursions;

You will want to thank him for the French vote on the Falklands.

On handling I think that - contrary to what the brief proposes - you should tackle European Community matters on the first evening, so as to leave open the opportunity of coming back to them the next morning.

Cards attached.

C.D.P.

26 November 1984

N.U.M. - Comm Fr. Union. C.A.T.

F.H.

1/2 Fr. Coal Industry. — Technology & S.U.

① Amendment. — Credit.

○ ○ ○
Production

Consum.

② Int. Market — Vehicle Market

③ Access — Car.

Production for manufacture incl parts.

④ E.C.C.? Consum.

Direct credit — Obstructing —

⑤ Statement — Int. Market. — European Standards.

P.B.S. C.D.C.

Telecom — Adm. Re. Fund

B. Comm. \ 2-17-1988

⑥ Unrecovered petrol

⑦ Fr. — not conform to Lower Standards

Versailles = Technology . Costs , Employment

— Study on vehicle standards



file

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10 DOWNING STREET

From the Private Secretary

26 November, 1984

ANGLO-FRENCH SUMMIT: BRIEF ON SECURITY

COOPERATION IN EUROPE

Thank you for your letter of 23 November enclosing a highly classified Annex to this brief. The Prime Minister has noted this.

(C.D. Powell)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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Copy No 1 of 5

Foreign and Commonwealth Office

London SW1A 2AH



Prime Minister

*You will want
to note*

23 November 1984

*CDP
23/11*

Dear Charles,

Anglo-French Summit: Brief on Security Cooperation
in Europe

Western European Department are submitting to the Cabinet Office the FCO contribution for the briefing for the Anglo-French Summit. This contains a brief by Defence Department on Security Cooperation in Europe. However one item, on nuclear cooperation, is particularly sensitive, and this has required briefing on the subject to be handled separately. In order to restrict circulation of this material, I am sending to you a Top Secret UK Eyes 'A' background on Anglo-French Nuclear Cooperation. This should be read in conjunction with the Confidential brief on Security Cooperation in Europe (PMVG(84)4) of 22 November. I would be grateful if this background could only be attached to the brief for the Prime Minister.

I am copying this letter and its enclosure to the Defence Secretary's Private Secretary and to Sir Robert Armstrong, who may wish to attach the background to their own copies of the normal briefing material. I am retaining the fourth copy for inclusion in the Foreign Secretary's own brief.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

ANGLO-FRENCH SUMMIT

EUROPEAN COMMUNITY

Future of the Community

- Invite him to say what he expects from European Council.
- Why are new Agreements needed when so much of the Treaty remains to be implemented?
- What would be the purpose and content of a new Treaty?
- Many of ideas in Dooge Committee report simply not thought through. Some of them would drastically upset balance between Parliament and Council. EMS ideas half-baked.
- Maintenance of Luxembourg compromise vital, though no objection to stating reasons why one is invoking it. Is France really prepared to see it weakened or restricted?
- See little to be gained from more majority voting.
- Is there not an element of bypassing difficult problems like the internal Market and taking an easy option.
- Need to take more time and weed out impractical and undesirable ideas. Look at what's left and see whether it really can't be dealt with under existing Treaties and procedures.

Own Resources

- need to get Germans to move on date of introduction.

PTQ

Enlargement

- continue to support French on time.

Vehicle Emissions

- mandatory standards proposed by Germans unacceptably costly and will break up internal market.

ANGLO-FRENCH SUMMIT

East/West - Arms Control

- Prospects for US 'umbrella' approach.
- BMD/SDI: avoid row with Americans.
- Importance of keeping up pressure on chemical weapons.

Terrorism

- European Council to endorse conclusions of Foreign Ministers.

Defence Cooperation

- Senior officials to explore ways to pull together threads of UK/French defence cooperation.
- Scope for cooperation on conventional defence planning, consultation on out-of-area activities and collaboration on equipment eg AEW. Ask for report to next Summit?

Bilateral Relations

- Endorse report. Agree to publish list of projects?
- Summit seven Environment Ministers. Meeting will be informal. Share French concern about institutionalising Summit follow-up.
- Guangdong. Must resist excessive Chinese demands.
- No-Passport Excursions. Welcome agreement to review experience early next year.

PTO

- Channel Fixed Link. Welcome agreement reached on 14 November. Cannot accept any commitment to intervene in circumstances where firms unable to complete. Cannot agree to see Government support or financial guarantees creep back in through EC.



lie

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bc pc

10 DOWNING STREET

From the Private Secretary

MISS R MULLIGAN
Cabinet Office

PRIME MINISTER'S BRIEFING MEETING
FOR THE ANGLO-FRENCH SUMMIT AND
THE EUROPEAN COUNCIL

Thank you for your minute of 23 November about participation in this briefing meeting. It will be a very large meeting particularly if one adds representatives of the Department of Trade and Industry. Could I ask you to consider again whether four representatives from the Foreign Office and three from the Cabinet Office are indispensable.

Charles Powell
23 November 1984

ea



Ref. A084/3120

MR POWELL

Prime Minister's Briefing Meeting for the Anglo-French Summit
and the European Council

We suggest that the following Ministers, who will be participating in the Anglo-French Summit on 29-30 November, should be invited to the Prime Minister's briefing meeting at 4.00 pm on Wednesday 28 November:

Secretary of State for Foreign and Commonwealth Affairs
(who will also be attending the European Council)

Chancellor of the Exchequer

Secretary of State for Energy

Secretary of State for Defence

The movements of Department of Trade and Industry Ministers next week are still uncertain, and we will let you have advice on who should attend from DTI on Monday.

2. In addition we suggest the following officials might be invited:

Sir Antony Acland, Foreign and Commonwealth Office

Sir Michael Butler, UKREP

Sir Peter Harrop, Department of the Environment

Mr Brian Unwin, Treasury

Mr David Nicholls, Ministry of Defence

Mr John Guinness, Department of Energy

Mr Derek Andrews, Ministry of Agriculture, Fisheries and Food

Mr David Williamson, Cabinet Office

Mr Bryan Cartledge, Cabinet Office

Dr Robin Nicholson, Cabinet Office



Mr Derek Thomas, Foreign and Commonwealth Office
Mr Rodric Braithwaite, Foreign and Commonwealth Office
Mr Robin Renwick, Foreign and Commonwealth Office

3. This makes rather a lot of people, but we believe that this is inevitable given the need to cover the briefing for both the Anglo-French Summit and the European Council on 3-4 December.

Rosalind Mulligan

ROSALIND MULLIGAN

23 November 1984

[FRAME GENERAL]

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1294 OF 22 NOVEMBER

MS

ANGL0-FRENCH SUMMIT: 29-30 NOVEMBER

1. FOLLOWING MAIN POINTS EMERGED FROM MY REVIEW WITH SECRETARY-GENERAL AT THE ELYSEE THIS MORNING OF PREPARATIONS FOR SUMMIT.

ATTENDANCE

2. BIANCO NOTED THAT MINISTERS OF INTERIOR AND AGRICULTURE WOULD NOT TAKE PART. IN ADDITIN TO THE LIST ALREADY AGREED OF MINISTERS WHO WOULD ATTEND, HE URGED AGAIN THE FRENCH SUGGESTION FOR ATTENDANCE OR MINISTERS CONCERNED WITH (A) CULTURE: M LANG WOULD WELCOME SUBSTANTIVE DISCUSSIONS FOLLOWING HIS RECENT VISIT TO LONDON, PARTICULARLY ON LIBRARIES AND PUBLISHING: AND (B) THE CHANNEL FIXED LINK (CFL): THE FRENCH WOULD LIKE QUILES AND AUROUX TO TAKE PART ALONG WITH MR RIDLEY TO LEND CREDIBILITY TO THE STATEMENT ABOUT PROGRESS WHICH WOULD BE MADE AT THE END OF THE SUMMIT, EVEN THOUGH THAT STATEMENT WOULD NOT GO BEYOND WHAT THEY HAD AGREED IN PARIS LAST WEEK - EXCEPT PERHAPS TO MAKE PUBLIC THE COMPOSITION, TERMS OF REFERENCE AND SUBJECTS TO BE DISCUSSED BY THE OFFICIAL WORKING GROUP. I QUESTIONED WHETHER IT WAS ESSENTIAL FOR MINISTERS TO MEET AGAIN AT THIS STATGE ON THE CFL. BIANCO WONDERED WHETHER MR RIDLEY MIGHT COME JUST FOR THE FRIDAY MORNING. I SUGGESTED THE SUBJECT MIGHT BE HANDLED BY FOREIGN MINISTERS, BIANCO THOUGHT THIS POSSIBLE BUT LESS SATISFACTORY.

SUBJECT FOR DISCUSSION

3. I OUTLINED THE APPROACH SET OUT IN THE STEERING BRIEF (YOUR TELNO 699). BIANCO INDICATED GENERAL AGREEMENT. THE PRESIDENT'S OVERALL APPROACH WAS THE FRENCH AND BRITISH INTERESTS WERE CLOSE ON MANY SUBJECTS AND THAT GOVERNMENTS SHOULD SEEK TO IDENTIFY AND EXTEND AREAS OF COLLABORATION AS FAR AS THEY COULD. IN THE CASE OF TECHNOLOGY AND INDUSTRIAL COLLABORATION, THE FRENCH OFTEN FOUND BRITISH VIEWS WERE AS CLOSE TO THEIR OWN AS ANYONE'S (THEY REMEMBERED THE PRIME MINISTER'S FORCEFUL ANALYSIS OF THE NEED FOR TECHNOLOGICAL INDEPENDENCE IN THE LIGHT OF THE SIBERIAN PIPELINE ISSUE TWO YEARS AGO). UNFORTUNATELY THERE WERE SOME OPPORTUNITITES THAT HAD BEEN MISSED OR WERE SLIPPING PAST, EG IN TELECOMMUNICATIONS, SPACE AND RADIO TELEPHONES. THIS WAS PARTLY BECAUSE OF LACK OF WILL BY THE INDUSTRIES CONCERNED TO COLLABORATE, BUT GOVERNMENT ALSO HAD A ROLE IN SEVERAL RESPECTS EG RESEARCH, SETTING OF STANDARDS, CREDIT POLICY, TARIFF LEVELS. BIANCO AGREED THAT IT WOULD BE USEFUL TO ENCOURAGE FURTHER COLLABORATION BY MAKING PUBLIC THE LIST (UNDER DISCUSSION BETWEEN THE COORDINATORS) OF COLLABORATIVE PROJECTS ALREADY UNDER WAY OR IN PROSPECT. HE THOUGHT SOME OF THE POINTS MIGHT BE SHARPENED UP TO ADD TO THEIR POLITICAL IMPACT.

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4. SIMILARLY ON DEFENCE QUESTIONS, BIANCO AGREED THAT MINISTERS MIGHT USEFULLY COMMENT ON THE ALREADY THICK NETWORK OF BILATERAL DISCUSSIONS AND ASK THEIR OFFICIALS TO EXAMINE WHETHER THESE COULD BE IMPROVED OR BETTTER CO-ORDINATED.

5. ON COMMUNITY QUESTIONS BIANCO EXPECTED DISCUSSION OF THE SUBJECTS THAT WOULD COME UP AT THE DUBLIN SUMMIT, PARTICULARLY ENLARGEMENT. ON THE DOOGE COMMITTEE, HE SAID THE FRENCH HAD NOT YET TAKEN AN OFFICIAL POSITION. I POINTED TO THE FRENCH EMPHASIS ON INSTITUTIONAL ASPECTS, WHICH CONTRASTED WITH OUR OWN APPROACH OF FIRST ESTABLISHING WHAT NEEDED TO BE DONE AND THEN CONSIDERING HOW TO DO IT. WE SHOULD SEE IF OUR REQUIREMENTS COULD BE RECONCILED. BIANCO REPLIED, SURPRISINGLY, THAT THE FRENCH APPROACH TOO WAS FIRST TO IDENTIFY AGREED POINTS ON WHICH IMPROVEMENTS MIGHT BE MADE TO THE COMMUNITY AND THEN CONSIDER WHAT INSTITUTIONAL ADJUSTMENTS MIGHT BE NEEDED. HE ALSO NOTED THE PROBLEM THAT MIGHT ARISE FOR THE COMMUNITY DURING THE ITALIAN PRESIDENCY FROM THE FACT THAT IMPORTANT ELECTIONS WERE DUE IN ITALY IN MARCH. HE AGREED THAT THIS WAS A REASON TO MAKE HASTE ON DIFFICULT DOSSIERS, INCLUDING ENLARGEMENT, DURING THE REMAINDER OF THE IRISH PRESIDENCY. HE ALSO APPEARED TO AGREE THAT THE HERITAGE OF FONTAINEBLEAU SHOULD BE SAFEGUARDED AGAINST THE EXPECTED ASSAULTS OF THE EUROPEAN PARLIAMENT.

6. BIANCO THOUGHT THAT TERRORISM WAS A SUBJECT THAT THE PRIME MINISTER AND PRESIDENT MIGHT WISH TO DISCUSS TETE-A-TETE.

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TO IMMEDIATE, F C O

TELEGRAM NUMBER 1234 OF 2 NOVEMBER

ANGLO-FRENCH SUMMIT: 29/30 NOVEMBER

1. THE RECENT FRANCO-GERMAN SUMMIT HAS AGAIN PROVIDED AN OBJECT LESSON ON HOW TO CREATE A REASONABLY POSITIVE PUBLIC IMPRESSION OF A MEETING AT WHICH THERE WAS LITTLE ADVANCE ON SUBSTANCE. AT YOUR MEETING WITH CHEYSSON ON 19 SEPTEMBER IT WAS AGREED TO PICK OUT SOME POSITIVE ASPECTS OF OUR BILATERAL RELATIONS ON WHICH TO FOCUS PUBLIC PRESENTATION AT THE ANGLO-FRENCH SUMMIT. THE INTER-DEPARTMENTAL MEETING ON 5 NOVEMBER MAY LIKE TO GIVE SOME CONSIDERATION TO THIS ASPECT OF THE SUMMIT. ALTHOUGH IT WILL BE RIGHT TO POINT TO EXISTING COOPERATION ON EG. AIRBUS, THE EFFECT WILL BE GREATER IF APPARENTLY NEW DECISIONS CAN BE ANNOUNCED EVEN IF THEY ARE LARGELY PROCEDURAL.

2. THE FOLLOWING IDEAS MERIT CONSIDERATION:-

(A) A BILATERAL WORKING GROUP TO LOOK INTO THE POSSIBILITY OF CLOSER BILATERAL COOPERATION ON TORPEDOES. (SUCH COOPERATION WAS RECENTLY NOTED BY THE BRITISH CONTROLLER OF THE NAVY DURING A VISIT TO FRANCE.)

(B) A POLITICAL STATEMENT ABOUT THE DESIRABILITY OF A COMMON EUROPEAN STANDARD FOR DES TRANSMISSION. THIS COULD POINT TO AGREEMENT ON MAC AND CALL ON THE INDUSTRIES TO REDOUBLE THEIR EFFORTS TO SEEK A TECHNICAL SOLUTION TO THE PROBLEM OF A STANDARD FOR SOUND (IE D2 AS COMPARED TO C)

(C) THE REACTIVATION OF THE ANGLO-FRENCH ECONOMIC COMMITTEE. FOLLOWING THE FONTAINEBLEAU AGREEMENT THERE WOULD BE LESS RISK NOW OF THIS CUTTING ACROSS BILATERAL CONSULTATIONS ON EC FINANCING. EAST/WEST AND WEST/WEST ECONOMIC RELATIONS WILL CONTINUE TO MAKE COORDINATION OF UK AND FRENCH VIEWS AN IMPORTANT IF DIFFICULT GOAL. WITH THE CHANNEL FIXED LINK EMERGING AGAIN AS A SUBJECT OF ACTIVE DEBATE, BILATERAL RELATIONS NEED CAREFUL HANDLING. MORE POSITIVELY, AS THE UK ECONOMY CONTINUES TO RECOVER THIS IS A GOOD TIME TO STIMULATE INTEREST IN INDUSTRIAL COLLABORATION AND CROSS INVESTMENT. OCCASIONAL BROAD-RANGING BILATERAL DISCUSSION AT SENIOR OFFICIAL LEVELS OF UK AND FRENCH APPROACHES TO THE EC COULD USEFULLY UNDERPIN MINISTERIAL MEETINGS, NOW THAT THERE IS LESS RISK OF DIRECT CONFLICT OVER FINANCE.

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/ (D)

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(D) A STATEMENT ON THE DESIRABILITY OF ENCOURAGING EXCHANGES OF ALL KINDS BETWEEN THE TWO COUNTRIES, EG. YOUTH EXCHANGES, TOWN TWINNING. SUCH EXCHANGES CAN HELP TO IMPROVE PUBLIC ATTITUDES: AND A SUMMIT STATEMENT COULD ALSO HELP US AGAINST FURTHER FRENCH BUDGET CUTS (AS OVER TEACHER EXCHANGES).

FRETWELL

STANDARD (PALACE)

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COPIES SENT TO
No. 10 DOWNING STREET

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26/10

L V Appleyard Esq
Private Secretary
Foreign and Commonwealth Office
London
SW1A 2AH

25 October 1984

ANGLO-FRENCH SUMMIT: 29-30 NOVEMBER

You copied to Ivor Llewelyn in this office your letter to Charles Powell about arrangements for this Summit.

Although we appreciate that firm recommendations can only be possible when the French have made their proposals, Mr Jopling would certainly wish to put in a bid to be present. By the end of November, we shall be getting close to the time when thinking in the Community will crystallise on the issues to be confronted at the next Agricultural price fixing. A discussion between Mr Jopling and Monsieur Rocard could prove very useful at that stage.

✓ I am copying this letter to Charles Powell at No.10.

MISS V A HEATHORN
Assistant Private Secretary

MISS JAMES B. BOSTON Express
NY INSTANT
NY BACKER
NY VESTIGES
NY UNCLE
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SECRETARY OF STATE FOR ENERGY
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MILLBANK LONDON SW1P 4QP
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Len Appleyard Esq
Private Secretary to
The Foreign Secretary
Foreign & Commonwealth Office
Downing Street
LONDON
SW1A 2AL

24 October 1984

Dear Len

ANGLO FRENCH SUMMIT: 29-30 NOVEMBER

Thank you for sending me a copy of your letter of 17 October to Charles Powell about the arrangements for this Summit.

My Secretary of State would like to participate in this Summit. Whilst bilateral energy relations are not currently giving rise to concern, he would like to meet Mme Cresson, whom he knows well, in her new role. The Summit will provide a convenient opportunity to do so.

Mr Walker would be free to fly to France in the afternoon of 29 November. However, he would need to return to London in time for an evening engagement in Manchester on 30 November. If the programme works out as envisaged in paragraph 2 of your letter, this should not cause any problems.

I am sending a copy of this letter to Charles Powell (No 10), Richard Hatfield (Cabinet Office), David Peretz (Treasury), Hugh Taylor (Home Office), Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade & Industry) and Ivor Llewellyn (Ministry of Agriculture, Fisheries and Food).

Your sincerely
M F Reidy

M F REIDY
Private Secretary

France Pt 4

PM's visits to France

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RANAFD

10 DOWNING STREET

17 October, 1984

From the Private Secretary

ANGLO- FRENCH SUMMIT: 29/30 November

Thank you for your letter of 17 October. I am not seeking the Prime Minister's views at this stage. But I see no reason to depart from the normal pattern of these summits. As regards the possible participation of the Home Secretary and the Secretary of State for Energy, the Prime Minister will want to know their own views.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office), David Peretz (HM Treasury), Richard Mottram (Ministry of Defence), Hugh Taylor (Home Office), Callum McCarthy (Department of Trade and Industry), Ivor Llewellyn (Ministry of Agriculture, Fisheries and Food) and to Michael Reidy (Department of Energy).

(C.D. Powell)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

A handwritten signature in dark ink, appearing to be 'L.V. Appleyard'.

GRC



Foreign and Commonwealth Office

London SW1A 2AH

17 October, 1984

*Dear Charles,*Anglo-French Summit: 29-30 November

Although minds are concentrated at present on President Mitterrand's State Visit rather than on the next Summit, we are now at the stage at which we should consider with the French both the programme of the Summit and Ministerial participation. It is for the French to make proposals on both counts.

The French have not yet focussed on the programme, but it seems likely to follow the traditional pattern: late afternoon arrival on the first day, tete-a-tete, dinner; with the formal talks and plenary the following morning, lunch and press conference. The Prime Minister will need plenty of time to go on to Avignon for the Franco-British Council conference.

Firm recommendations will only be possible when the French make their proposals on participation and agenda. Apart from the Foreign Secretary and the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry and for Defence and the Minister of Agriculture normally attend. We would particularly hope that if he is well enough, Mr Tebbit will be able to take part. He has not met Mme Cresson since she took on her current portfolio (Industrial Redeployment and Foreign Trade), which closely matches his own; there is much that they could usefully discuss, especially in the field of industrial collaboration.

I think we should also bear in mind, apart from those mentioned above, the possibility of a meeting at the Summit by the Home Secretary and M. Joxe, the French Minister of the Interior. M. Joxe is accompanying President Mitterrand during the State Visit, but it is unlikely that there will be time then for anything more than a brief call on Mr Brittan. A further possibility would be the Secretary of State for Energy, or his Minister of State: there are a number of topics of current interest in this area.

I shall let you know when the French make their own intentions known. In the meantime the Private Offices of those Ministers concerned may wish to keep Ministerial diaries free for 29-30 November.

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I am copying this letter to Richard Hatfield (Cabinet Office), David Peretz (Treasury), Richard Mottram (Defence), Hugh Taylor (Home Office), Callum McCarthy (Department of Trade and Industry), Ivor Llewellyn (MAFF), and Michael Reidy (Department of Energy).

Yours ever,

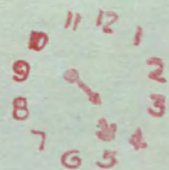
Colin Budd

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

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17 OCT 1984





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S. C. TICKELL
M. RENWICK
PS/CHANCELLOR - HM 37
M. UNWIN } N210
M. MORTIMER } DS
M. WILLIAMSON - CAS OFF

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FM PARIS 041530Z MAY 84 **ADVANCE COPY**
TO IMMEDIATE FCO

TELEGRAM NUMBER 541 OF 4 MAY

INFO UKREP BRUSSELS

INFO SAVING ATHENS, BONN, BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE,
LUXEMBOURG, ROME

THE PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND

1. SPEAKING TO THE PRESS AFTER THE MEETING, THE ELYSEE SPOKESMAN SAID THAT THE TWO SUBJECTS COVERED HAD BEEN THE COMMUNITY BUDGET AND THE LONDON ECONOMIC SUMMIT. THE ATMOSPHERE HAD BEEN COURTEOUS AND THE CONVERSATION 'PRECISE'. GOODWILL HAD BEEN SHOWN ON BOTH SIDES. ASKED IF THERE HAD BEEN PROGRESS, VAUZELLE SAID THAT HE THOUGHT THERE HAD, IN AS MUCH AS THE PROBLEM HAD BEEN FURTHER DEFINED. ASKED IF THERE HAD BEEN ANY NEW PROPOSALS, HE REPLIED THAT HE THOUGHT NOT.

2. VAUZELLE WENT ON TO RECALL THE EFFORTS WHICH THE PRESIDENT HAD MADE. HE WOULD BE CONTINUING TO DISCUSS THE PROBLEM WITH THE REST OF THE 10 AND SEEKING AGREEMENT BEFORE THE FONTAINBLEAU MEETING. HE WOULD BE MAKING AN IMPORTANT SPEECH AT STRASBOURG AT THE END OF THE MONTH.

3. FCO PLEASE ADVANCE TO: PS/CHANCELLOR, TICKELL, RENWICK AND FAIRWEATHER

NO10: UNWIN, MORTIMER

CABINET OFFICE: WILLIAMSON

FCO PASS SAVING ADDRESSEES

FRETWELL

POINTS OTHER THAN EC BUDGET

- i. London Economic Summit -
Welcome President's views on handling. Others likely to want statements on security, international terrorism and political values.

- ii. Normandy landings -
Hope Queen's revised programme can be agreed in form proposed to French Government yesterday.

- iii. No passport excursions -
Risk of anti-French reaction if French denounce agreement.

- iv. International terrorism -
Seek European cooperation in tightening up. Will raise at Economic Summit.

/If raised

If raised by French -

v. European security and WEU -

Prepared to consider French proposals. Must strengthen, not undermine, transatlantic link. IEPG right forum for arms collaboration.

vi. Channel link -

Banks' report will be carefully examined. Proposals welcome, but link must be privately financed.

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10 DOWNING STREET

Rle SSS
cc: Sir P. Craddock
cc Sir M Franklin
MAFF

From the Principal Private Secretary

4 May 1984

The Prime Minister's talks with President Mitterrand

I enclose notes of the tete-a-tete meeting between the Prime Minister and President Mitterrand and of the working lunch which was also attended by the Foreign Secretary and Monsieur Dumas.

I should be grateful if you and other recipients would confine access to these records to those who have an operational need to see them.

I am copying this letter and the enclosures to David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

FCRB

Len Appleyard, Esq.,
Foreign and Commonwealth Secretary

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File

SUBJECT

NOTE OF A DISCUSSION AT A WORKING LUNCH BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE FRENCH REPUBLIC AT THE ELYSEE PALACE AT 1300 HOURS ON FRIDAY 4 MAY

Present:

The Prime Minister	President Mitterrand
The Foreign Secretary	Monsieur Dumas
Mr. F.E.R. Butler	Monsieur Attali

* * * * *

European Community Budget

President Mitterrand suggested that the working lunch should start by carrying forward the discussion which he had started with the Prime Minister about the European Community Budget. As he had explained to the Prime Minister, his impression was that the Community partners were alarmed by the combined effect of the proposed system and the starting figure. He said that both the Germans and the Italians shared these anxieties. It was not so much a matter of principle but a practical matter.

The Prime Minister said that her impression from her discussion with Chancellor Kohl was that he accepted the approach of fixing a reference figure for the new system on the basis of 1983. It was then a question of settling the details of the system in terms of thresholds and percentages. She had come down from a base figure of 1500 mecus to 1322 mecus. She had subsequently had advice that if she moved to 1250 mecus the Germans would accept it. This had proved to be unfounded. But, having made this improvement and having made a concession by accepting the VAT/Expenditure gap, she now had very little room left for manoeuvre. She could certainly not make any further move unless she knew that it would clinch a settlement.

President Mitterrand commented that the figures being discussed as a basic reference figure had not been produced by chance. Most people felt that the basis for the calculation of the refunds should be the gap less agricultural levies and customs duties. On this definition the gap worked out at 1550 mecus, of which two-thirds was between 1000 and 1050 mecus.

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The Prime Minister commented that the British Government believed that the right gap was their net contribution in terms of the overall difference between the resources which they put into the Community and the resources which they received. Under the system agreed in 1970, there had not been the distinction between VAT and import duties which she was now accepting through her agreement to the VAT/Expenditure gap. Having made this concession, she was mortified that her partners had not made similar concessions. President Mitterrand commented that the Prime Minister was a victim of her own reputation as a tough negotiator.

Monsieur Dumas commented that the other Members of the Community had made a major concession by agreeing that there should be a system at all. The Prime Minister responded that this was not as great a concession as agreeing to an agreement in own resources which would be permanent. President Mitterrand replied that an increase in own resources was not an advantage to the French Government, since it would cost them money: it was the Commission which was asking for an increase in own resources.

The Foreign Secretary pointed out that, once the system was in place after the transitional year, Germany would meet its full share of the British refund. Monsieur Dumas said that a single transitional year had not been agreed. There were two formal proposals. One was the proposal by Chancellor Kohl for a transition of up to 5 years and the second was the proposal by M. Thorn and Mr Lubbers for a two-year transition, followed by the estimate on the basis of a refund of 1000 mecus based on 1983.

The Foreign Secretary commented that these proposals would move backwards rather than forwards. The British impression had been that at the end of the Brussels discussion an arrangement was being discussed for a single transitional year followed by the system; and that the point at issue was then the figure for the first year. The Prime Minister added that, unless an agreement could be reached on these lines, she would not be able to secure the agreement of the British Parliament to an increase in own resources. Monsieur Dumas replied that without an increase in own resources there could be no enlargement.

The Prime Minister said that there was a strong case for proceeding with enlargement on time. In the absence of an increase in own resources, Member countries could meet agricultural expenditure from their domestic budgets. In any case, it would be important to avoid unlimited guarantees for Mediterranean products. For example, it was ridiculous that tobacco should be supported by intervention.

/ President Mitterrand

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- 3 -

President Mitterrand agreed. Quotas would also have to be introduced for Spanish wine production. On the general budget problem, it would be necessary to secure the agreement of the Ten, and this would not be easy.

The Prime Minister commented that, if others had an unfair arrangement like that of the British, they would certainly agree to a reform of the system. President Mitterrand replied that the overall benefits of Membership had to be taken into account, and not the budget in isolation.

The Prime Minister said that this was precisely Britain's case. Britain was a wholehearted and generous Member of the Community. We had accepted the biggest reduction in steel capacity; we had accepted a large cut in milk production; the small size of our agriculture sector meant that we benefited from the Common Agricultural Policy less than other Members; we were large net importers of manufactured goods from other Members of the Community; we provided two-thirds of the fishing waters and took only one-third the fish; and in service industries, where Britain was strong, no common market had been established despite the fact that it was mentioned in the Treaty of Rome before the Common Agricultural Policy. President Mitterrand took note of the Prime Minister's points. He recognised that the benefits of Community policies depended upon the weight which particular sectors had in the economies of each Member. This was a matter of swings and roundabouts. But he would be prepared to say to Chancellor Kohl that progress must be made towards establishing a common market on services.

The Foreign Secretary added that Britain regarded herself as an integral member of the Community and our absence was unthinkable. In addressing the Budget problem, we were entitled to ask our partners to take account of the factors mentioned by the Prime Minister, which many people in Britain regarded as justifying Britain in paying no financial contributions at all. The British Government were prepared to make a reasonable net contribution but it was difficult to go on defending the present arrangements to the British people.

In reply to a question from the Prime Minister about methods of making further progress, President Mitterrand said he would telephone Chancellor Kohl at the beginning of the following week to arrange a date for a meeting at the end of that week. In the meantime he would ask Monsieur Dumas to make contact with the Foreign Secretary and with the German Government to see if any further progress could be made.

/ D-Day

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- 4 -

D-Day Celebrations

The Prime Minister took the opportunity of saying that she understood that, after some difficulties, there was now a programme for The Queen's visit which met the wishes of the French. She understood that this involved The Queen arriving at Caen in the Royal Yacht, carrying out some touristic visits in Caen in the morning, joining President Mitterrand and President Reagan at Utah Beach in the afternoon and visiting Arromanches in the early evening. The Prime Minister thought that, on the basis of this programme, the Anniversary should be a splendid occasion.

Relations with Libya

President Mitterrand said that he thought that there would be advantage if Foreign Ministers were to discuss relations with Libya. He added that no date had been arranged for a visit by Monsieur Cheysson to Libya. The Prime Minister welcomed what the President had said. She thought that a visit by Monsieur Cheysson to Libya in the aftermath of the recent incident in London might be misunderstood.

F.R.B.

4 May 1984

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SUBJECT

Mr MASTER

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File

289

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF THE FRENCH REPUBLIC AT THE ELYSEE PALACE AT 12
NOON ON FRIDAY 4 MAY

Present:

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

* * * * *

European Community Budget

President Mitterrand welcomed the Prime Minister to Paris. He had met Signor Craxi and Mr. Papandreou since Brussels; and he hoped to meet Chancellor Kohl shortly. No progress had been made on European Budgetary matters; and he had found Signor Craxi and Mr. Papandreou more interested in matters of direct national interest to them. It might be worthwhile for him and the Prime Minister to see if they could sketch any progress on the European Budget, although he would be equally happy to have an exchange on wider subjects.

The Prime Minister said that she would like to start with the European Budget. She agreed that there had not been much movement since Brussels, although there had been two meetings of Foreign Ministers. Chancellor Kohl had told her that his newspapers were saying that the Prime Minister did not want a solution to the Budgetary problems before the European Elections. This was untrue. The problems would not become easier and it would be useful to go into the campaign showing that Europe could solve these problems. If the President wanted to achieve an early solution and would ask M. Dumas to resume his negotiations, she would make every effort to help. She would be willing to attend a special meeting, provided that an agreement had been reached informally and only had to be ratified. Much progress had been made in Brussels and a settlement had been near. In the final stages Chancellor Kohl's contribution had not been helpful, but she understood that he now wanted the system proposed by the Presidency and also wanted strict budgetary control. Such control was essential to consolidate and maintain the savings achieved through the hard decisions on agriculture. There would be no point in throwing away those

/ savings

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- 2 -

savings by extending unlimited guarantees to Mediterranean products. President Mitterrand commented that he fully agreed that quotas would be necessary.

The Prime Minister continued that, according to her understanding, the question of budgetary guidelines had been remitted to the Council of Finance Ministers. If budgetary controls and a fairer budgetary system could both be agreed, it would be an enormous advantage. The June European Council could then be used for taking forward the Community as a force in the world and discussing co-operation in other spheres. The British Government had moved a long way in Brussels. Their final move to the reference figure of 1250 mecu on the basis of 1983 was made in the belief that this would be acceptable to Germany. That belief had turned out to be false. She now had a little room for manoeuvre which she could use for securing a final agreement, but this was not large. Public opinion in Britain, supported by the Opposition, believed that Britain did not have a fair deal when we made such a large financial contribution in addition to bringing two-thirds of the fishing grounds - the only genuine common resource of the Community; contributing very heavily to the defence of the central European front; providing a vast net market for European manufactures; accepting large reductions in agricultural production when Britain was not self-sufficient and could produce more; and when there was no genuine common market in services where Britain excelled. She believed that if the President, Chancellor Kohl and she could agree on a figure through the good offices of M. Dumas, others would follow.

President Mitterrand said that the difficulties were not just a question of a base figure. Other member countries were also worried about the system because their net contributions would become heavier after enlargement took place. Germany would face a growing contribution and France would become a net contributor. The Germans were also saying, wrongly in his view, that they should not pay their full contribution to the British refund. Smaller countries were not sure that they would have the means to meet the cost. If a new and permanent system was introduced, other member countries wanted to know what it would mean to them. Chancellor Kohl had taken up the President's own suggestion made in 1981 of a lump sum refund: this would have the advantage that every member would know their liability but it would have the disadvantage that there would be successive annual disputes. But he believed that the reason for the rigidity of other member countries about the base figure was caused by their alarm about its future growth.

The Prime Minister pointed out that France had been a net contributor in previous years. The advantage of the

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system proposed by the Presidency was that it was based on ability to pay, as measured by GDP per head. It was absurd that Denmark and the Benelux countries should be net beneficiaries. It was equally absurd that under the present system Portugal would be a net contributor to these countries. She suspected that Italy's GDP figures were under-stated, and Signor Craxi had acknowledged that Italian GDP was probably 25% greater than the official figures showed. 1983 had been agreed as the reference year because the figures were known. (President Mitterrand interpolated that if there was a delay in reaching agreement, the 1984 figures would be known). The Prime Minister continued that she could not agree to an increase in own resources which would be permanent, unless there was an equally permanent change to a fairer system. To abandon the Presidency proposal on the system would be to go backwards. Under that system Germany would meet its full share of the British refund. It was also based on a Community of twelve so that it could apply after enlargement. For larger political reasons it was important to proceed with the accession of Spain and Portugal on time.

President Mitterrand agreed about the wider political argument for enlargement. The accession of Spain would cause great problems to France, but there was a duty to support democracy in Spain. For these reasons he had decided that enlargement must go ahead despite the difficulties which would be caused for South West France. Reverting to the Budget proposals, he had never been greatly in favour of the system proposed by the Presidency. He regarded the British refund not as a right but as a matter to which he had been willing to agree for purposes of flexibility. France had not regarded principles as a decisive obstacle to a system and was not refusing to examine the possibility of a system which lasted as long as the decision on own resources, but he believed that the system caused difficulties for other member countries.

The Prime Minister said that it was essential to have a new system now. The request for an increase in own resources was itself a sign that the previous system had broken down. She hoped very much that the President would ask M. Dumas to resume his efforts to reach an agreement. President Mitterrand agreed to do so.

London Economic Summit

The Prime Minister said that discussion at the London Summit would be bound to cover political as well as economic matters. She hoped that there would be a discussion of international terrorism, perhaps at one of the dinners, leading to a statement on the subject. Chancellor Kohl was

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sensitive about the celebration of the Normandy landings. Partly for this reason he would want a statement on the principles of free societies. If there was to be such a statement, she hoped that it could be short and drafted in magnificent language. There was also a case for a statement about security to help Holland, which was facing difficult decisions about the deployment of Cruise missiles.

President Mitterrand said that the last three Summits had become press spectaculars, at which the press wanted stories of conflict between the leaders. If this Summit had not been in London, he would not have attended himself, but would have sent his Prime Minister. He hoped that the Prime Minister could find a way of enabling the Summit to achieve its original purpose of being an opportunity for personal discussion between Heads of Government. He accepted that there would have to be statements and communique, but he hoped that these could be well worked out and agreed in advance so that there did not have to be wrangles between Heads of Government about them at the Summit before the eyes of the world's press. He also advised the Prime Minister that she should be the only person to speak at the final Press Conference.

The Prime Minister said that it was an advantage of this Summit that only Signor Craxi had not previously attended a Summit. She asked whether President Mitterrand would prefer that communique on specialist matters should be issued by the Ministers concerned so that the communique of Heads of Government could be confined to large and general matters. President Mitterrand said that he would not favour this, since emphasis on participation of Ministers detracted from the principle that the Summit was an opportunity for Heads of Government to meet informally. He repeated his hope that texts of the statements proposed by the Prime Minister could be prepared in advance so that they could be approved almost formally by Heads of Government. Commenting on the Prime Minister's reference to terrorism, he had been surprised at the anxiety of President Reagan on this matter. Terrorism was a common experience in France although it was largely carried out by international rather than domestic groups. He believed that there was scope for international co-operation, for example in dealing with those who supplied arms for international terrorism. On the Normandy landings, he was a little uncomfortable at the thought that President Reagan, The Queen and he would be photographed celebrating the Normandy landings and would then meet the Germans, the Japanese and the Italians on the following day. He accepted the idea of some statement on political collaboration, but he was distrustful of large general statements of the sort which might be favoured by the Americans, committing the Europeans to taking attitudes to events in other parts of the world. For example, he

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would not be able to agree to a statement supporting the United States policy towards central America and had disapproved of the United States action in Grenada. The Prime Minister said that she also had disagreed with the American invasion of Grenada. There would be discussion of problems in other parts of the world at the Summit, but she noted President Mitterrand's wish not to be committed to statements on such matters. The United States were inclined to think that the Europeans paid too little attention to what was happening in areas outside their immediate spheres of interest, for example in Africa and the Caribbean.

President Mitterrand said that the Americans were wrong if they assumed that Europe had no interest in these matters. But it was also wrong to become too concerned about every Russian presence in other countries. The Russians were bad colonisers and experience showed how unpopular their presence was. Their military help cost the recipient countries a great deal of money and the Russians gave no economic aid. The Russians were also often made uncomfortable by their relationships with countries which appeared to be friendly to them: he recalled a remark by Brezhnev that Colonel Gaddafi took more of his time than the leaders of all other countries put together.

President Mitterrand said that matters were not going well with regard to deployment in the Netherlands. He had been invited by Dutch Socialists to visit the Dutch Parliament, where he had taken part in an informal discussion. There had been criticism from both right and left of the British and French determination to exclude their deterrents from the disarmament talks. The Prime Minister agreed. Mr. Lubbers had been one of the first to suggest that the British and French nuclear weapons should be included in those talks, and the Americans themselves had suggested it at one stage but they had not thought it through.

At this point President Mitterrand suggested that discussion should be resumed over lunch at which they would be joined by the Foreign Secretary and M. Dumas.

F.R.B.

4 May 1984

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PRIME MINISTER

Visit to Paris: Handling

You will be met by M. Dumas and will travel with him to the Elysee.

You have an hour's tête-à-tête with the President before lunch; and will be joined by the Foreign Secretary and M. Dumas at lunch. EC budget questions will be the main subject both for the tête-à-tête and over lunch. Other subjects which it is suggested that you raise are the London Economic Summit, particularly the question of a political statement; The Queen's programme for the D-Day celebrations; no-passport excursions; and international terrorism. You might try to cover at least the first three of these at the end of the tête-à-tête. They can be dealt with quite briefly.

The attached folder also contains briefs on two subjects which the President may raise with you - European security and WEU; and the Channel fixed link.

I will give you cards tomorrow morning summarising the main points on these specific items. On the plane on the way over, I suggest that we concentrate on the EC budget. Sir Crispin Tickell, Mr. Williamson and Mr. Renwick (David Hanney's successor) are coming with us.

FERB

3 May 1984



Foreign and Commonwealth Office

London SW1A 2AH

Dear Sir,

3 May 1984

Prime Minister's Visit to Paris, 4 May:
Normandy Landings

You will have seen Paris telno 534
which overtakes the briefing which I sent
you earlier today.

/ I enclose a revised brief.

Yours faithfully
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street



PRIME MINISTER'S VISIT TO PARIS 4 MAY

40TH ANNIVERSARY OF THE NORMANDY LANDINGS (Revise)

1. We are looking forward to the commemoration of 6 June. A major event in Anglo-French history. The Queen's arrival in the Royal Yacht and participation in various events will symbolise the British role in the 1944 landings.

2. We realise that there will be practical problems for the French authorities to deal with on 6 June. But we are confident that they can be overcome so that The Queen can arrive in Caen and briefly visit one site in a city which sadly had to be almost destroyed by British and Canadian forces in the Normandy battle.

ESSENTIAL FACTS

1. The Embassy drew up a programme for The Queen and The Duke of Edinburgh's visit to Normandy on 6 June, which included ceremonies in the morning in the British sector, and which would not form part of the French official programme. The Queen gave her general approval to this plan. The French subsequently stated that they could not accept any arrangements whereby Foreign Heads of State attended ceremonies related to the Landings prior to the official programme organised by the French Government for the afternoon of 6 June. A revised programme has been drawn up which would include a visit to the Abbaye aux Hommes in Caen in the morning and an informal lunch party for other Royal Families and guests on board 'Britannia', but the main 'local' ceremony at Arromanches has been moved to the evening to take account of French sensitivities.

2.

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Foreign and Commonwealth Office

London SW1A 2AH

3 May, 1984

John Thur...

Prime Minister's Visit to Paris 4 May: European Community

I enclose for the Prime Minister's meeting with President Mitterrand tomorrow six copies of:

in folder attached to file

- (a) European Community: General Brief;
- (b) European Community: Background Brief on Community Financing Issues.

I am also enclosing a copy of the speech which President Mitterrand made at the opening of JET on 9 April. The Prime Minister might want to be reminded in particular of the closing paragraph on page 3, in which President Mitterrand paid tribute to Britain and to the positive role we have played, not just in JET, but over ESPRIT, the A320 etc.

John...

R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

PRIME MINISTER'S VISIT TO PARIS, 4 MAY
EUROPEAN COMMUNITY

Annex: Text of Presidency draft conclusions: European
Council, 20 March 1984

INTRODUCTION

1. President Mitterrand created the expectation of a meeting with the Prime Minister when he spoke about his forthcoming visit to Culham at a press conference in Paris on 5 April. Since then there has been a general disposition in the Community to wait for the outcome of that meeting before trying to make any further effort to resolve the budget issue.

French Policy

2. Since the European Council and the subsequent failure to agree in the Foreign Affairs Council on 27 March, the French Presidency have made little effort to reach an agreement. At the Foreign Affairs Council on 9 April, M Cheysson made no attempt to move forward, preferring instead to maintain a united front of the other nine Member States. M Cheysson subsequently claimed that there was no urgency about the British budgetary problem "and that the Council could afford to sit back and wait for movement" from Britain. This was consistent with the French "dual track" approach: to take credit for a settlement if one can be achieved, but to ensure that any blame for failure is carried by the United Kingdom. It may also have reflected French anxieties that the system in the Presidency text, and even more so the ideas on which M Davignon has been working, are likely to prove very costly for France. The French seem particularly to dislike Davignon's idea of a top rate of 90% compensation because they consider that it would give the UK more effective protection than they would receive themselves. M Dumas told Sir Geoffrey Howe on 9 April that French minds were

consequently turning towards a series of finite ad hoc refunds until enlargement has taken place and its financial implications can be fully assessed. On another occasion Dumas referred to the possibility of reverting to the idea that the system should be fixed to give the UK just two thirds of the VAT share/expenditure share gap on a continuing basis.

When Sir C Tickell met M Dumas on 25 April, the latter called in question the extent of the progress already made and said that if one route to a solution was blocked, as appeared after the last Foreign Affairs Council, we might all have to retreat a bit before starting on another one. In a public statement on 26 April M Dumas spelled out four principles which, he said, needed to be respected in any solution:

- i) Compensation for budget imbalances would have to be in conformity with the Treaty of Rome;
- ii) No Member State would have the right to complete repayment of its past or future imbalances;
- iii) Each Member State would have to retain financial interest in restraining spending, particularly in view of enlargement of the Community;
- iv) Compensation to Britian would have to be financed normally by other Member States on the basis of the Rome Treaty.

None of these "principles" breaks new ground though the fourth makes clear, publicly, that the French expect the Germans to bear their full financing share of UK reliefs.

Position of President Mitterrand

3. President Mitterrand has been facing a difficult domestic situation: economic unrest, most obviously manifest in recent disruption by French farmers and lorry drivers; middle class, professional discontent; and problems of industrial restructuring, especially in the steel industry, which have brought to a head serious differences

/between

between Mitterrand and his Communist allies.

4. M Thorn reported that he found President Mitterrand depressed when he called on him on 26 April: he thought an opportunity to settle the budget issue had been lost at the last European Council.

5. President Mitterrand nonetheless has invested personal capital in the search for a solution, and made serious efforts to achieve one in Brussels. He has resumed bilateral contacts with EC Heads of Government and visited Rome on 27 April and Athens on 30 April. M Dumas had talks with Herr Genscher in Bonn on 28 April. But President Mitterrand's personal commitment to an agreement is in some danger of being affected by the doubts within the French Administration eg on the part of Cheysson and Attali, about the cost to France of the system they themselves helped to devise. The French also profess to be uncertain whether the UK is interested in an early settlement. But after his meeting in Athens, President Mitterrand referred publicly to the progress made at the last three European Councils and commented that the differences were narrowing. He added that the Community must examine what kind of Europe would emerge after the current problems had been solved. The Italians have told us that, in their meetings with Mitterrand and Dumas on 27 April it was clear that Mitterrand wanted to settle by the June European Council but that the French hankered after reverting to an ad hoc arrangement to last only until enlargement. Mitterrand (and Craxi) believed that no compensation should be payable to the FRG. A system must therefore either be specific for the UK or drawn up in such a way as to make it impossible for the wealthy EC countries to benefit.

The Next Steps

6. We should try to establish whether President Mitterrand sees advantage in trying to reach an early settlement eg at

/the

the 14/15 May Foreign Affairs Council. President Mitterrand, however, may not feel able to give much ground publicly on the budget issue before the European elections (14-17 June) which will be seen in France as a significant test of his Government's popularity. Even if this is so, President Mitterrand's own interest will still lie in an agreement at the European Council in Fontainebleau on 25/26 June. He has a clear political interest in ending the French Presidency with a success and this means both an agreement on the immediate issues, for which he can take credit, and the consequent relaunch of the Community achieved under his Presidency. If agreement is to be achieved in June, preparation will be required meanwhile.

7. After June the French will not regard themselves as bound by the Presidency text and will concentrate on defending a national position. Our objective must be to ensure that M Mitterrand stands by the system proposed in the French Presidency text and that we now try to resolve the remaining difference and establish within the system the missing figures either directly or in the form of agreement on the threshold and rate of compensation. While there will be advantages if we can settle both the notional figure and the parameters of the system at the same time, drawing on the work done by M Davignon, we should not lose sight of the fact that the notional 1983 figure for the basis of the system has been the main issue so far and that agreement on such a figure would be a major achievement, even if the parameters remained to be settled later.

Enlargement

8. The Prime Minister may wish to mention her successful visit to Portugal and her endorsement of the deadline for completion of the Portuguese aim of accession on 1 January 1986; and to say that we fully support the French Presidency efforts to accelerate progress in the negotiations to meet this timetable.

9. The French (as Sr Soares told the Prime Minister) have told the Portuguese that they would be ready to see Portugal complete its negotiations with the Community and sign its Treaty of Accession (but not enter the Community) ahead of Spain. We need (because of Gibraltar) to be careful about Spanish sensitivities. If the subject comes up, we should not go beyond saying that we make no substantive link between the two negotiations, but suspect that in practice they are unlikely to get very far out of step unless there are unforeseen problems in the Spanish negotiations. There is in fact a considerable amount of work left to do in the Portuguese negotiations (eg, on agriculture and fish), and some aspects (eg, relations between Portugal and Spain in the transitional period) will not be addressed until the main issues in both sets of negotiations are resolved. We should keep in mind that the French have made an explicit link between enlargement and an increase in own resources ie implying that without such agreement enlargement could not proceed.

The Commission

10. There have been suggestions that Cheysson and Genscher may favour the continuance in office of the present Commission until enlargement. We should not support this. The present Commission is not particularly competent. Some Commissioners would not wish to stay in office. The Commission should be replaced at the end of its normal term, at the end of the year.

/SUMMARY OF OBJECTIVES

SUMMARY OF OBJECTIVES

To impress on President Mitterrand that:

(a) we share his objective of completing the post-Stuttgart negotiations by the time of the June European Council so that the effective relaunch of the Community called for at Stuttgart can take place at Fontainebleau in June.

(b) This means working together to resolve the remaining difference on the one outstanding issue: budget imbalances.

(c) We can accept the system for correcting budget imbalances as proposed in the Presidency text tabled at the March European Council. The way forward is to work to resolve the remaining difference by establishing within the system the missing figure. We are ready to try to do so before the start of the European election campaign or, if that is not possible, by the time of the June European Council.

(d) If we agree on that objective, further detailed discussions should take place between Sir G Howe and M Dumas.

(e) We could not accept more than one more year of ad hoc payments. Nor could we accept 1000 mecu as the basis for the system.

/POINTS TO MAKE

POINTS TO MAKE

1. Very substantial progress has now been made under your Presidency in giving effect to the Stuttgart Declaration on the measures needed to relaunch the Community.

2. The final draft conclusions of the Brussels European Council were a major achievement. The Community has made significant headway (compare the progress before Athens with the progress since Athens). It has made considerable progress towards agreement on budget discipline. It was this approach which enabled Agriculture Ministers to reach agreement on a very difficult package. As we see it, the principal remaining tasks are as follows:

(i) We should try to resolve the remaining difference and establish within the system the missing figure either directly or in the form of agreement on the threshold and rate of compensation;

(ii) We should try to establish legal texts implementing the measures on budget discipline established in the Presidency text at the March European Council. We, you and the Germans have a common interest in seeing such a text firmly incorporated in the Community's budgetary procedures. We should aim to complete that work by June. The French Presidency has passed that text to ECOFIN. The sooner ECOFIN can get to grips with it the better.

3. The relaunch of the Community called for at Stuttgart is therefore a very real target and one that is within our reach. It would be a major achievement if we could complete the outstanding issue in the negotiations now so as to permit that relaunch to take place at the European Council in Fontainebleau. We would be ready to try to complete work on the Presidency text on budget imbalances at the May Foreign Affairs Council. Does President Mitterrand see advantage in trying to settle this before the European elections?

/4.



4. The impasse in which the Community has found itself on the budget issue in recent weeks should not disguise the extent of progress made both at the European Council and since. The system set out in the draft Presidency text tabled in Brussels is one which we could accept. We have also accepted that there should be one further year of ad hoc refunds at 1000 mecu to be followed by introduction of the system. It would remain a major advance to agree on a notional figure for UK reliefs in 1983 as a basis for establishing the parameters of the system. I am ready to do that. There are other aspects which need also to be considered, namely the threshold and the rate of compensation. They will have to be settled anyway and I would also be willing to try to deal with them at the same time if this were thought to be desirable.

5. Other Member States and the Commission are involved. But it is important that we and the French Presidency should work closely together, as we did before and during the last European Council. Hope that discussions might be pursued by Sir G Howe and M Dumas.

6. [If President Mitterrand suggests that the only offer now on the table is the German offer of a further five years at 1000 mecu to be followed by the system; or that a system should not be decided until 1986 (when the costs of enlargement will become apparent)]

I do not believe that it can be in the interests of the Community to go backwards on this issue. Text which you tabled at Brussels incorporated significant concessions by the United Kingdom, and a great deal of work on the part of the Presidency - the result of months of negotiation. Our agreement to a further year of ad hoc refunds was a recognition of the Community's current difficulties. What I have identified as the remaining gap is more significant for the United Kingdom as the one Member State which is being asked to bear it than for the nine other Member States. I

/believe

believe that an equitable solution can be found with good will on our part and on that of our partners. But if we now start widening the differences, there will be no possibility of agreement. We are being asked to agree to a permanent increase in the own resources ceiling: we could not do this on the basis of a further series of temporary refunds. We could not afford a large increase in our contributions to the Community budget if relief was being offered to us on only an ad hoc basis and at an inadequate level. I have already moved a long way beyond the level of settlement which I originally had in mind. I could not accept an outcome which risked putting me back into an unacceptable situation in three or four years time.

7. [If President Mitterrand argues that we should accept 1000 mecu in the system]

As I made clear at the European Council, I cannot accept 1000 mecu as the notional figure. It would not give an adequate return and cannot therefore be the basis on which I could agree to a permanent increase in own resources. The notional figure would need to be substantially above that level.

8. [If President Mitterrand refers to Davignon's ideas] We think that provided the elements of Davignon's scheme are set at a satisfactory rate, this could provide the basis for a solution. We think the Commission could have a useful role to play. We are concerned to proceed on the basis of an understanding with the French Presidency, which could give fresh impetus to the Commission's work. This is something which might be pursued in talks between Sir G Howe and M Dumas.

9. [If it is suggested that Davignon's proposals would give us too high a rate of return and/or that the French will not agree to a higher rate of compensation at the upper end of the range]

The UK starts from the position of bearing a substantial

/burden

burden under the 1% ceiling. The increase in own resources will increase the burden on the main contributing states, including in due course France. We cannot agree to such an increase unless there is an equitable sharing of the burden. On all our forecasts we shall remain the second largest net contributor, after the Federal Republic, even with a systematic correction. The French will also become major contributors. We shall have a common interest in ensuring that sensible policies are adopted and that revenue determines expenditure, rather than vice-versa, and expect to work together to that end.

10. If a threshold is set, on an objective basis related to relative prosperity, then the logical position would be to compensate a Member State fully for any burden above that threshold. The threshold will be set on the basis of relative prosperity in the enlarged Community so we should be making our contribution to the costs of enlargement from the outset. Our threshold would rise with GDP and our contribution would rise accordingly. There is no question therefore of the system shielding us from our equitable share of the costs of enlargement. Despite these arguments we have been prepared to accept a ticket modérateur in the interests of agreement and to meet other Member States' concerns. We have also been prepared to consider the two stage approach provided it gives the right result. You say that the system is very favourable to us. We are the second largest contributor now, even though we rank seventh in terms of GDP per head. After enlargement, and with the system in place, we should still expect to be the second largest contributor to the budget.

11. [If President Mitterrand queries other aspects of the system, eg its duration]

This was settled in the Presidency text which said "the above corrective mechanism will form part of the decision on new own resources, their duration being linked". I am prepared

/to

to abide by that wording, since I agreed to it at the European Council.

12. [On German compensation, if raised, and depending on what emerged from the meeting with Chancellor Kohl] I am concerned that the German position should not complicate the task of reaching agreement on the Presidency text. It seems to us that the Germans cannot be covered twice - once by the system itself and again by some special arrangement on the level of their contributions to our reliefs. If it can be agreed that the Germans should be covered by the system, but with a threshold set at a high level so that it would not apply unless the German contributions rose to much higher levels than they are at now, that might help to resolve the difficulty of making the system acceptable to other Member States.

1984 Budget Shortfall [If raised]

13. There has been general agreement with the Community so far that the Commission proposal to raise loans totalling 2.3 billion ecu raises major issues. We have already said in the context of the agricultural price fixing that if budgetary problems arise in 1984 or 1985, then the Commission should propose savings to reduce expenditure to the permitted level. That remains our position. I note that the Presidency have said that the Commission must set out the possibility of making agricultural savings and there has been general agreement on the need to go through the Commission proposal with a fine tooth comb. Glad that other Member States share our concern that the Commission should be putting forward proposals for a loan less than four months into the Community's budget year. That is not something we could consider while other issues remain unresolved.

Foreign and Commonwealth Office

3 May 1984

STATE OF DISCUSSIONS - EUROPEAN COUNCIL
20 March 1984 - 17.00

D R A F T
CONCLUSIONS OF THE PRESIDENCY

INTRODUCTION

The European Council reached agreement on a series of decisions and guidelines to ensure the relaunch of the Community and establish a solid basis for its further development during the present decade.

During this period, it will be important to maintain and consolidate the "acquis communautaire", particularly for a modernized common agricultural policy, increase efforts towards greater convergence between the Member States, move towards enlargement of the Community under satisfactory conditions and give priority to action to strengthen the competitiveness of Community industries.

The European Council considers that by pursuing these guidelines the Community will make a significant contribution to the economic growth of the Member States and to their struggle against unemployment.

It considers that only a stronger European identity will lead to the Community playing its full role in the world, in particular with a view to re-establishing economic and monetary stability.

NEW POLICIES

With a view to the creation of a genuine Economic Union, the Council intends, through specific commitments, both externally and internally, to give the European economy an impetus comparable to that which it gained from the founding of the Customs Union in the early sixties.

The following priority objectives will be pursued:

- convergence of economic policies and Community action, capable of promoting productive investment and thereby a vigorous and lasting economic recovery;
- development, in close consultation with the Community industries and bodies concerned, of Europe's scientific and technological potential;
- strengthening of the internal market so that European undertakings derive more benefit from the Community dimension;
- protection and promotion of employment, which is a crucial factor in Community social policy, especially as regards young people.

The European Council invites the Council of Ministers actively to pursue the examination of the Commission proposals which already meet these objectives and invites the Commission to report to it in time for its meeting in June on the progress made on 'relaunching' Europe, laying particular emphasis on the following sectors:

- (a) The European Council stresses the importance of the agreement reached on the launching of the ESPRIT programme, which is an exemplary co-operation project between undertakings.

It expects the Council of Ministers to specify without delay the other areas in which Community initiatives are called for.

A framework programme will be adopted before the end of the first half of 1984 in the areas of telecommunications and biotechnology. Scientific and technical co-operation and exchanges will be intensified in the Community, in particular by the encouragement given to mobility among researchers.

It agrees on the need to increase the proportion of Community resources devoted to financing priority Community research and development activities.

(b) The European Council is satisfied with the agreement reached on reducing technical barriers to trade and combating illegal commercial practices by the Community's partners, and considers that new measures need to be adopted rapidly to:

- bring about a decisive simplification of formalities in trade within the Community and modernize the customs system,
- harmonize European standards and products, and open up public contracts in the Member States to European undertakings,
- harmonize conditions of competition and progressively liberalize trade in services, notably in the transport and insurance sectors, within specific time-limits to be set by the Council before the end of the year,
- implement a common transport policy and a transport infrastructure programme of Community interest,
- develop a suitable climate for co-operation between European undertakings by establishing a favourable legal and tax framework.
- make full use of existing financial instruments to aid Community policies including encouragement of productive investment.

- (c) The European Council reaffirms that the ECU is the central element and pillar of the EMS. It is pleased with the spontaneous growth in the private use of the ECU and notes that the Council of Ministers is continuing its discussions with a view to developing the EMS by making specific adjustments.

Steps will be taken to encourage greater use of savings available within the Community for financing investment. The Council therefore considers that significant progress will be made in order to improve financial integration within the Community.

- (d) The European Council asks that, before its next meeting in June 1984, the arrangements necessary for the organization of the European Social Area be prepared, with the aim of fully associating social forces with the economic and technological changes which are decisive for recovery prospects within the Community.

It also requests the Ministers for Education and the Commission to consider ways and means of promoting language teaching in each Member State.

COMMON AGRICULTURAL POLICY

The European Council reaffirms the Community's resolve to ensure the continuity and development of the common agricultural policy in compliance with the fundamental principles thereof, as set out in Article 39 of the Treaty, and in the desire to increase efficiency in the agricultural sector as a whole by means of rationalization in relation to current economic conditions.

In this context the European Council approves the conclusions reached by the Agriculture Council as set out in the documents on MCAs (5803/84), milk (5802/84), other products and the method of calculating MCAs (5847/84) and invites the Council (Agriculture) to resolve the problems still outstanding as rapidly as possible.

In addition, the European Council adopted the following text:

Commercial policy

The European Council considers that adjustment to the market situation for all products falling under the Common Agricultural Policy, particularly through the creation of guarantee and co-responsibility thresholds, will enable the Community to base its agricultural export policy on a sound economic foundation and ensure satisfactory compliance with Community preference and its international commitments.

Framework agreements concluded with third countries for the supply of agricultural products can constitute one of the instruments of its export policy.

The Community will also have to contribute to the development of a food strategy for the developing countries, with priority for the African, Caribbean and Pacific countries. In that context, specific agreements may be concluded with those countries which so request in the context of their food security policies.

Finally, within multilateral fora the Community will ensure that comparable obligations obtain in the development of agricultural trade for the main exporting partners.

Lastly, the European Council would adduce the following further points:

The European Council decided that the guaranteed quantity of milk for Ireland for 1984 will be equal to that produced in Ireland in 1983. Beyond that quantity the other rules laid down in the Agriculture Council agreement will apply to Ireland.

The Commission reserve will be adjusted accordingly.

The European Council invites the Agriculture Council to adopt, on a proposal from the Commission, a decision providing for special measures for Irish agriculture under the EAGGF Guidance Section with a view to rationalizing stock-farming; the cost of those measures will not exceed 40 million ECU.

[- the tax on oils and fats]

The European Council calls on the Council (Agriculture) to adopt the acts relating to the aforesaid decisions before 31 March 1984.

STRUCTURAL FUNDS

1. The European Council considers that the Structural Funds should become effective Community policy instruments aimed at reducing regional development lags and converting regions in industrial decline; promoting dynamic and competitive agriculture by maintaining and developing effective agricultural structures, in particular in the less-favoured regions; combating unemployment, in particular youth unemployment.

To that end:

- (a) Management of the Funds will be improved having regard to the observations of the Court of Auditors and to the Commission report, in particular by a suitable evaluation of the aid they provide, by concentrating the Funds' activities and the elimination of any duplication, through improved co-operation between the Commission and the Member States.
- (b) An attempt will be made to co-ordinate the activities of the various Funds, for example in the form of integrated programmes.

With this in mind, integrated Mediterranean programmes will be launched in favour of the southern regions of the present Community so as to be operational in 1985. Designed to be of limited duration, such programmes will have as their aim improvement of the economic structures of those regions

to enable them to adjust under the best conditions possible to the new situation created by enlargement. They will also cover problems raised in the Greek Memorandum.

- (c) The financial resources allocated to aid from the Funds, having regard to the IMPs, will be significantly increased in real terms within the limits of financing possibilities.

The current discussions initiated on the basis of the Commission's proposals, relating to the revision of the ERDF and the EAGGF Guidance Section, must be concluded before the next meeting of the European Council.

BUDGETARY AND FINANCIAL DISCIPLINE

1. The European Council considers it essential that the rigorous rules which at present govern budgetary policy in each Member State also apply to the budget of the Communities.

The level of Community expenditure will be fixed as a function of available revenue.

Budgetary discipline, which calls for a combined effort by all the Institutions in the framework of their respective powers, will apply to all budget expenditure.

2. The European Council invites the Council of Ministers for its part:

- to fix at the beginning of the budget procedure a reference framework, i.e. the maximum level of expenditure which it considers it must adopt to finance Community policies during the following financial year;
- so to proceed that the net expenditure relating to agricultural markets calculated on a three-yearly basis will increase less than the rate of growth of the own resources base. This development will be assessed on comparable bases from one year to the next. Account will be taken of exceptional circumstances, in particular in connection with enlargement. The provisions laid down in the Commission document on financial guidelines concerning the Common Agricultural Policy will be implemented;
- to undertake to comply with the maximum rate throughout the budget procedure as defined in Article 203 of the Treaty of Rome. At the first reading the Council will keep the increase in Non-Compulsory Expenditure to a level no higher than half the maximum rate. At the second reading the Council will adopt a position such that the maximum rate is not exceeded.

3. The European Council invites the Council of Ministers to adopt by June 1984 the measures necessary to guarantee the effective application of the principles referred to in paragraph 2.

BUDGETARY IMBALANCES

Control of expenditure and rebalancing of the budget constitute in the long term the essential means for resolving the problem of budgetary imbalances.

However, pursuant to the Stuttgart Declaration, any Member State which bears an excessive budgetary burden in relation to its relative prosperity may benefit from a correction at the appropriate time.

The arrangements for the correction will be adopted by the Council of Ministers before June taking account of the following factors:

- the basis for correction is the gap between the VAT share and the share in expenditure allocated in accordance with present criteria.

A part of the administrative expenditure will be charged to each Member State in accordance with the present formula.

- correction will only occur beyond a certain threshold, to be determined, which will be expressed as a percentage of absolute GDP. This percentage will vary as a function of relative prosperity as indicated by per capita GDP in a Community of 12; the rate of correction beyond the above-mentioned threshold will vary in inverse proportion to relative prosperity;
- accordingly, a Member State benefiting from compensation will bear a percentage of the additional cost arising from the increase in the basis of the correction, including the expenditure linked to enlargement;
- the correction will be deducted from the normal share of VAT of the Member State concerned in the budget year following that in respect of which the correction has been made; the resulting burden for the other Member States will be allocated according to their normal share of VAT;

- the above correction mechanism will form part of the decision on new own resources, their durations being linked.

One year before the new ceiling is reached, the Commission will submit a report on the results of budgetary discipline, the Community's financial requirements and the operation of the correction mechanism. The Council will take the necessary steps to ensure the continuity of the Community's financial system.

For the United Kingdom the application of the above factors to the budget figures for 1983 would have given a net correction amount of X million ECU; for 1984 this correction will be fixed by advance application of the correction arrangements to be applied from 1986. It will be paid in 1985 in accordance with procedures to be determined which will not affect the level of Community expenditure.

OWN RESOURCES AND ENLARGEMENT

The maximum rate of mobilization of VAT will be 1,4% on 1 January 1986; this maximum rate applies to every Member State and will enter into force as soon as the ratification procedures are completed and by 1 January 1986 at the latest.

The maximum rate may be increased to 1,6% on 1 January 1988 by unanimous decision of the Council and after agreement has been given in accordance with national procedures.

The European Council requests that the negotiations on the accession of Spain and Portugal be completed by 30 September 1984 at the latest. This will make it possible for both texts requiring ratification, i.e. the texts on enlargement and on the creation of new own resources, to be submitted to national parliaments simultaneously.

In due course the Commission will draw up a report on the financial situation and appropriate proposals concerning the financing of the Community budget before the entry into force of the decision on new own resources. The Council will adopt the necessary decisions to ensure the functioning of the Community.

PRIME MINISTER'S VISIT TO PARIS: 4 MAY
EUROPEAN COMMUNITY: COMMUNITY FINANCING (BUDGET IMBALANCES;
BUDGET DISCIPLINE; 1984 BUDGET SHORTFALL)

UK OBJECTIVES

See General Brief on the European Community

POINTS TO MAKE

See General Brief on the European Community

BACKGROUND

(i) Budget Imbalances

French Presidency Proposal

1. The draft French Presidency conclusions propose a corrective mechanism based on the VAT/expenditure gap with the following main elements:

(i) a threshold, determined as a percentage of GDP, with that percentage varying with relative prosperity;

(ii) a rate of correction above this threshold, with the rate of correction varying inversely with relative prosperity;

(iii) corrective payments to be made by means of deductions from VAT in the following year, with the resulting burden distributed among other Member States in accordance with normal VAT shares;

(iv) the mechanism to form part of the new own resources decision, their durations being linked.

The conclusions provide that the factors at (i) and (ii) are to be set for the United Kingdom in such a way as to produce a net corrective payment of X mecu on 1983 figures. The European Council failed to agree on a figure for X. The final UK offer at Brussels was a figure of 1250 mecu. The other Member States would not consider a figure higher than 1000 mecu.

/Davignon

Davignon Proposal

2. These initial notional figures would set the limits within which the threshold and the rate of compensation to the UK above the threshold would be determined. M Davignon's proposal was designed to cut through the argument over the 1983 figure by moving straightaway to an agreement on the threshold and the compensation rate. If the trade off between the threshold and the compensation rate is agreed at the outset, this would limit the ability of other Member States to try to fix the details of the system in a way which would work to the disadvantage of the UK.

3. The scheme being worked up by M Davignon takes the elements in the Presidency text and adds two further points:

a) two rates of correction - an initial lower rate and a final higher rate with the step point at which the higher rate comes into effect expressed as a proportion of GDP, that proportion varying (as for the initial threshold) with relative prosperity. The purpose of introducing this two-tier system is to try to reconcile our desire for a high rate of compensation with the desire of other Member States for a lower rate of compensation.

b) a franchise, again expressed as a percentage of GDP with that percentage varying with relative prosperity. The franchise operates solely as a condition of eligibility; it would not effect either the threshold or the rate of compensation. If the VAT/expenditure gap does not exceed this franchise, no compensation is payable even though the gap exceeds the threshold. Once the franchise is exceeded, compensation is payable in full as before. The franchise is not intended to have any effect on the UK; the scheme would be devised so that the UK VAT/expenditure share gap always exceeded the franchise. The reason for introducing the franchise at all is to prevent the Germans from qualifying for reliefs

/by

by setting the German franchise very high. For example, on the figures given in paragraph 4 below, the UK's franchise at 0.1% of GDP would be 500 mecus on 1983 figures, ie 200% of our threshold figure of 250 mecus. Davignon's intention is apparently to apply the percentage relationship between the franchise and the threshold as it applied to the UK (ie franchise = 200% of threshold) also to the Germans. For example, if the FRG threshold was set at say 0.33% of their GDP their franchise would be 0.66% of GDP (5450 mecu on 1983 figures). Since the Germans' VAT/expenditure share gap in 1983 is 2451 mecu, the FRG would thus be ineligible for compensation. By the same token, France would also be ineligible for compensation.

4. M Davignon's original proposal was based on the following parameters for the UK:

Franchise	0.1% of GDP	(500 mecu on 1983 figures)
Threshold	0.05% of GDP	(250 mecu on 1983 figures)
Step point	0.4% of GDP	(about 1992 mecu on 1983 figures)
Rate of compensation between the threshold and the step (band 1)	77%	
Rate of compensation above the step (band 2)	90%	

5. The aim of M Davignon's proposal was to give us:
 (i) a refund of about 1100 mecu on 1983 figures
 (ii) a refund of about two thirds of the VAT/expenditure share gap in 1983 and 1985. M Davignon gave us the following illustrative figures for 1983 and 1985:

/1. UK GDP

	<u>1983</u>	<u>1985</u>
1. UK GDP	498 becu	580 becu
2. VAT/expenditure share gap	1680 mecu	2300 mecu
3. Threshold (0.05% of GDP)	250 mecu	289 mecu
4. Amount above the threshold	1430 mecu	2011 mecu
5. Step point (0.4% of GDP)	1992 mecu	2300 mecu
6. Compensation rate at band 1 (77%)	1101 mecu	1548 mecu
7. Refund on VAT/ expenditure share gap	65.5%	67%

6. In bilateral discussion we told M Davignon that we could accept the proposed method of settling the problem provided that the figures were right. On the latter, we pointed out that we could not accept the proposition that the scheme should give us two thirds of the VAT/expenditure share gap since this was two-thirds of the wrong gap. M Davignon's figure would only give us a 55.7% refund on our unadjusted net contribution in 1983 and a 56% refund in 1985. We told M Davignon that we also had difficulties with using 1680 mecu rather than 1622 mecu as the figure for the VAT/expenditure share gap in 1983. (See paragraphs 14 and 15 below.) The UK refund would only be 1056 mecu if measured against the VAT/expenditure share gap on a payments basis (1622 mecu). M Davignon said that he would be prepared to use 1622 mecu for the 1983 simulation if we could produce a scheme which gave roughly the same results as he envisaged for 1983 and 1985.

7. It was on this basis that we suggested raising the initial compensation rate from 77% to 80%. This would give us a refund of almost exactly 1100 mecu on the VAT/expenditure share gap of 1622 mecu. We told M Davignon that we also needed:

/(a)

(a) a threshold lower than 0.05% of GDP. In other words we made it clear that we did not accept that 1100 mecu was a reasonable figure for our refund in 1983.

(b) a step no higher than 0.35% of GDP.

(c) a franchise of 0.075% of GDP.

8. M Davignon indicated that he might be prepared to look at a lower threshold than originally envisaged, a lower franchise and a possible reduction in the step from 0.4% if GDP to 0.35% of GDP (on the basis that our 1985 VAT/expenditure share gap was likely to be nearer to 2000 mecu (our estimate) than 2300 mecu (his estimate). But he thought it would be extremely hard to get even a 77% compensation rate, let alone an 80% between the threshold and the step. He urged us not to reopen the 1000 mecu/1100 mecu/-1250 mecu question.

9. M Davignon has discussed the proposals privately with the French but so far as we know he has not discussed them with the Germans. Davignon's proposals came as a shock to the French, who realised that they would give us a substantial measure of protection and would rapidly increase their own contribution. They particularly dislike the idea of a top rate of 90% compensation. Additional spending arising from enlargement or from other spending of no benefit to the UK would take us over the step point, above which the 90% top rate of compensation would come into effect. This would leave the UK paying 10% of its normal 20% share (ie only 2%) of additional Community expenditure, leaving France paying 23%. Davignon has told us that he plans to produce a paper setting out his ideas which will be given to the French, ourselves and the Germans.

10. The table in Annex A illustrates the Davignon proposal and four possible variants for the years up to 1988. Annex B illustrates the effects on the UK's adjusted net contribution of marginal changes to the initial compensation rate, the threshold and the step point. The underlying projections of the net contribution and VAT/expenditure gap for the UK for the years 1985-88 used in the Annexes are not constant figures: they allow for inflation and GDP. The Treasury figures are as follows:

	Net Contribution	VAT share/ expenditure share gap	"Excess" levies and duties
	(1)	(2)	(1)-(2)
1985	2310	1965	345
1986	3090	2720	370
1987	3390	2990	400
1988	3530	3095	435

11. The net contribution figures assume broadly constant UK shares in gross contributions and receipts. They are based on the assumption that CAP guarantee expenditure is constrained within the guideline, except that the "hump" of overspending in 1984/85 is financed in 1986 and 1987. Other expenditure is projected to grow at around 15 per cent a year. The projection allows for enlargement from 1 January 1986.

12. The projection also assumes that the "excess levies and duties", the difference between the net contribution and the VAT/expenditure gap - grow roughly in line with GDP at about 8% a year. (This assumes an inflation factor of 5/6% a year in terms of ecu currencies and a real GDP growth factor for the UK of 2/3%.) The figures for excess levies and duties over the last 5 years have been:

	mecu
1979	364
1980	442
1981	349
1982	251
1983	291

The Treasury estimate is based on the hypothesis that the relatively low figures for excess levies and duties in 1982 and 1983 are attributable to the recession in world trade and thus off-trend. Nevertheless, there is a large margin of error in these forecasts and it is quite possible that excess levies and duties will be somewhat lower than is implied by the above figures. Even allowing for inflation and GDP growth FCO Economists and the Cabinet Office consider it questionable whether excess levies and duties will increase by 50% between 1983 and 1988.

13. Given the uncertainty about these projections the figures in the attached table for the years 1985-88 should be treated with great caution. This is not only because the excess levies and duties assumption could be wrong but also because the underlying projection of the net contribution could equally be wrong. (In May 1980 the Commission made a projection of the UK's net contribution in 1981 which turned out to be wrong by a factor of a third.) Much depends on the path of agricultural expenditure and UK agricultural receipts.

14. The original Davignon scheme was based on a VAT/expenditure gap for the UK in 1983 of 1680 mecu. Our figure for this gap, on which we based our position at the European Council, was 1622 mecu. The difference between these figures is attributable to different measurements of the UK's VAT share in 1983:

(i) our figure of 1622 is based on the UK's share of all VAT payments made in 1983, including adjustments made in August 1983 in respect of earlier years. This is the so called "payments basis";

(ii) The Commission's figure of 1680 mecu is based on the UK's share of VAT payments in respect of the 1983 budget only. It thus disregards the adjustments made in August 1983. This is the so-called "budget basis".

There is a third possible measurement of the VAT shares, the so-called "assiette basis". This includes VAT adjustments in the calculations but reads them back to the particular year to which they relate. Preliminary figures for 1983 on this basis will not be available until August of this year, and they will be subject to further change in subsequent years.

15. We favour use of the payments basis for calculating VAT shares since it corrects for errors in the forecast (which the budget basis does not) and figures are available at the end of each year (rather than considerably later as with the assiette basis). In bilateral discussion, M Davignon appears to have accepted that, since we have hitherto worked on the basis of 1622 mecu, there would be advantage in continuing to do so but without prejudice to the future method of calculating VAT shares.

Effects of the Presidency System on France

16. For France to benefit from reliefs under the French Presidency system the threshold above which France would be entitled to reliefs would need to be lower than its VAT share/expenditure share gap. This is unlikely to be the case at least for the immediate future. The French VAT share/expenditure share gap on 1983 figures was -673 million ecu. If the Presidency system were designed so that the UK received reliefs but the FRG did not, the line determining the threshold would need to rise fairly steeply with relative prosperity so that the German threshold would not be reached.

/As

As a result, the French threshold would also be set fairly high and would certainly exceed its VAT share/expenditure share gap. Whether the French would benefit from the Presidency system in future years would depend on what happened to the French VAT share/expenditure share gap.

17. The cost to France of financing the UK reliefs would depend on whether the Germans were paying their full share. If the Germans were contributing at their full VAT rate the French financing share would be 29%. If the Germans were contributing at two thirds of their VAT rate, the French financing share would rise to 33%.

Cost to France of Contributing to UK Reliefs (million ecu)

UK Refund	(a) FRG is contributing in full	(b) FRG is contributing at two thirds of its VAT rate
1100	320	363
1250	364	413

(ii) Budget discipline

The French Presidency text agreed at the March European Council, though not perfect from our point of view, endorses the principle that revenue should determine expenditure, that agriculture should take a decreasing proportion of the Community budget and that an overall ceiling on expenditure should be established by the Council at the start of the budgetary procedure.

It was agreed at the Foreign Affairs Council on 9/10 April at the suggestion of the French Presidency that detailed work on implementation should be remitted to the ECOFIN Council. But so far nothing has been done. At Coreper on 11 April a number of Member States including the Dutch, the Danes and the Greeks tried to insist that detailed work on budget discipline by

/ECOFIN

ECOFIN should not begin until agreement was reached on budget imbalances. However, we need to get this work going immediately if detailed legal texts are to be prepared by June. The next ECOFIN Council is not until 4 June but there is an informal meeting of Finance Ministers on 12/13 May. Our aim is to encourage the French Presidency to take the necessary steps at this informal meeting to ensure that preparatory work is set in motion as soon as possible.

(iii) 1984 Budget Shortfall

The Commission has estimated that there will be a shortfall of 2.7 billion ecu in the 1984 Community budget, 2.1 billion of it attributable to agricultural spending. To deal with the problem, it has proposed raising a 2.3 billion ecu loan from Member States, the remaining shortfall to be made up by cuts in planned expenditure. Under the Commission's proposal Member States will contribute on the basis of their VAT shares (in Britain's case 20%, in that of France 23%). The loan will bear interest at market rates, and it will be repaid over four years from 1986.

Britain has taken the line that there can be no question of agreeing to the loan until other issues in the negotiations have been settled, and that it is in any case too early in the Community budget year to talk of raising new money. We have argued that if financial problems arise, the Commission must propose reductions in expenditure.

In preliminary discussion in Brussels at expert level Germany, Denmark and France have all said that the Commission should set out the possibilities for making agricultural savings and have spoken of the need to go through the Commission's estimates with a fine tooth comb. There has been some scepticism about Commission estimates of the size of the shortfall and doubts about the legal basis for their loan proposal.

FOREIGN AND COMMONWEALTH OFFICE

3 MAY 1984

Davignon proposal

Compensation rates: 77% and 90%
 Threshold: .05% of GDP
 Step point: 0.4% of GDP
 Based on 1622 VAT/exp gap

Option A (1250)

Compensation rates: 85%
 and 95%
 Threshold: .03% of GDP
 Step point: .33 of GDP

Option B (1200)

Compensation rates: 84% and 90%
 Threshold: .04% of GDP
 Step point: .35 of GDP

	Net cont.	Refund	Refund %	Adjusted net cont.	Refund	Refund %	Adjusted net cont.	Refund	Refund %	Adjusted net cont.
1983	1913	1956	55	857	1251	65	662	1194	62	719
1984	2000									
1985	2310	1283	56	1027	1517	66	793	1450	63	860
1986	3090	1866	60	1224	2177	70	913	2096	68	994
1987	3390	2064	61	1326	2399	71	991	2312	68	1078
1988	3530	2107	60	1423	2471	70	1059	2376	67	1154

Option C (1150)

Compensation rates: 84% and 90%
 Threshold: .05% of GDP
 Step point: .35% of GDP

Option D (1100)

Compensation rates: 80% and 90%
 Threshold: .05% of GDP
 Step point: 0.35% of GDP

	Refund	Refund %	Adjusted net cont.	Refund	Refund %	Adjusted net cont.
1983	1152	60	761	1098	57	815
1984						
1985	1399	61	911	1333	58	977
1986	2042	66	1048	1965	64	1125
1987	2254	66	1136	2171	64	1219
1988	2304	65	1226	2223	63	1307

Note: If figures are based on "excess" levies and duties of 291 mecu in 1983 and then with levies and duties remaining roughly constant at 330 mecu per annum over the period 1984-88, the percentage refund on the Davignon proposal and the variants would be as follows:

	Davignon proposal	Option A (1250)	Option B (1200)	Option C (1150)	Option D (1100)
1983	55%	65%	62%	60%	57%
1985	56%	66%	63%	61%	58%
1986	62%	72%	69%	67%	65%
1987	63%	73%	70%	68%	66%
1988	62%	73%	70%	68%	66%

BUDGET FINANCES FIGURES

The attached table illustrates the effects of the original Davignon proposal along with the effects of four other schemes. These schemes are modifications of the Davignon proposal and are designed to give refunds in 1983 of 1250 mecu (option A), 1200 mecu (option B), 1150 mecu (option C) and 1100 mecu (option D).

The ready reckoner below shows the effects of changing any one of three of the main parameters of Davignon's original scheme, which is:

- a threshold at .05% of GDP;
- an initial rate of compensation of 77% for contributions in excess of the threshold but below the "step point";
- a final rate of compensation of 90% for contributions in excess of the step point;
- a "step point" at 0.4% of GDP.

	Raising 77% compensation rate by 1% point	Reducing threshold by .01% of GDP	Reducing step point by .05% of GDP
1983	14	39	-
1984			
1985	17	46	-
1986	22	49	42
1987	24	53	45
1988	26	58	49

Note: This ready reckoner assumes that only one of the above changes is made at a time. If more than one change is made, the combined effect may be greater or less than the sum of the individual changes.

AMBASSADE DE FRANCE A LONDRES

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NOUVEAU D'ACTUALITE

* * *

CTI/DISCOM/74/84

13 April 1984

JOINT EUROPEAN FORUM

INAUGURAL SPEECH OF H. FRANCOIS MITTERAND, PRESIDENT OF THE REPUBLIC
(GUILDFORD, 9 APRIL 1984)

"Madam,

"The public opinion of our countries, our ten countries, is too inclined to think of the construction of Europe solely in terms of the succession of crisis situations that have marked its history. Yet Europe is being built, and it takes events like this one fully to illuminate a new landscape, open onto the future,, which is taking shape. On their own, our countries are not always capable of standing up to the leading world powers in the competition for tomorrow's techniques and industries ; together - it has to be said - everything is possible. Every time Europe joins forces for a project, it can lead the world.

"I am glad of this opportunity, as President of the Council of the Communities, of speaking here of Europe in connection with the inauguration of the JET project. For this is certainly in the first place a great technical achievement to which engineers and technicians from twelve countries - since Sweden and Switzerland have joined in - have applied their talents right up to the limit, which will be exceeded. We shall see again such technically exceptional machinery developed, an uncommonly complex organization mastered, budgets adhered to and schedules complied with in other technological programmes : in aerospace, the data-processing industries, and fast neutron breeder reactors of which the first industrial prototype can go into service very shortly.

"No-one can doubt, and even less today, our capacity to make a success of these great programmes which will pave the way to new productions, or new ways of producing. They are the keys to future economic growth. But the JET is also a fundamental research instrument, since its purpose is to produce the plasma needed for fusion reactions to occur, understand its properties by applying a large number of physical theories under unusual experimental conditions, and gradually master what is known as 'confinement'.

"The JET is thus a further item on a list, which is getting quite long, of instances of European cooperation : I am thinking of the European Molecular Biology Laboratory, the European Observatory in the Southern Hemisphere, the European Organization for Nuclear Research, the European Space Agency, the Laue-Langevin Institute.

.../.

Thanks to these achievements, a European scientific community, which is very well represented here, is emerging around a number of poles of excellence, open onto the outside world and exposed, it's a good thing, to international competition. It is in these centres, which are also training centres for our young research workers, that, little by little, a common consciousness is developing : so, here, too, Europe is being built.

"Scientists are used to meeting together in the universal field of science. As Frédéric Joliot wrote, 'science is a fundamental factor of unity of thought between men dispersed around the globe'.

"But I am not forgetting the goal of this research, even though we have just been told that its completion is far in the future. But, after all, is a span of a few decades to be thought of as such a distant future ? We shall soon be there. We know that mastery of fusion energy for peaceful uses is at the end of the road. It is because we are convinced of the need for the industrialized countries gradually to free themselves from dependence on non-renewable sources of energy that we are embarking together on programmes of this magnitude. Mrs. Chandi, when she opened the World Energy Conference in September 1983, appealed for such a policy, asking the industrialized countries to reduce their consumption of oil and exhaustible resources in order to increase the amount of energy available to the developing countries.

"Looking beyond the current nuclear programmes based on fission energy, beyond the efforts to conserve energy or to use immediately accessible renewable sources of energy, we have the feeling that mastery of fusion energy will make us take a considerable step forward. I have said 'we have the feeling', but the scientific community progresses from certainties to uncertainties on the basis of experiments through which man's whole intellectual adventure - and therefore certainty - asserts itself.

"To this end, we shall have to extend the success of an undertaking such as the JET, make the most of the snowballing effect achieved by exchanging ideas, systematize the comings and goings between national and European laboratories, develop closer links between our academic institutions, and build on the foundations provided by prestigious centres like the JET to achieve a genuine European scientific area.

"This inauguration gives me an opportunity of recalling that fusion is one of the eighteen large-scale projects selected for international cooperation - as you said, Mr. President of the Commission - by the Technology, Growth and Employment Group set up at the industrialized countries' summit in Versailles in 1982. The European Community is already much involved in it. And the close association between Europeans who choose to form themselves into one single team increases the possibility of cooperating to good purpose with our partners, in particular the Americans, on a balanced basis.

"If we want, ten years from now, to celebrate an achievement comparable to the JET, we shall have to show the same determination - even more, perhaps, for the role of research and technology in our societies is growing inexorably bigger - to meet present-day requirements, namely those of information technology and the technologies of biological engineering. There too we find new areas for adventure; I believe that Europe's researchers will prove capable of confirming their dynamism in these new directions and worthy, as they are right here, of our continent's prodigious past.

ty, which is
too, con-
dition.

"Finally, I want to pay tribute to the architects of this project. First of all to Great Britain who, as host country, has played an important part in it. I find here confirmation of other recent decisions, for instance the go-ahead for the ESPRIT programme, or - together with countries outside the Community, as is the case right here, and it's a good way of proceeding - for the Airbus 320, or, too, the agreement that has just been signed with a view to cooperation on developing fast breeder reactors.

"Yes, in the name of the European Community, I extend my most fervent good wishes for the complete success of the outstanding tangible and symbolic venture that is starting here.

"And since we are in 1984, I would not like to miss this opportunity, Your Majesty, of recalling that we have reached the eightieth anniversary of the Entente Cordiale. It is through events of this kind - 'entente' and 'cordiale' - that Europe has become conscious of its identity. Let us not take anything away from the other countries that are contributing as much as we are to the construction of Europe. But let us not forget the decisive milestones either. That was what I wanted to say in conclusion, Madam, while expressing the wish that the future may be even richer and more successful than the past"../.

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Foreign and Commonwealth Office

London SW1A 2AH

3 May, 1984

John Ingham,

/ I enclose the briefing on non-Community subjects for
/ the Prime Minister's visit to Paris tomorrow. I also
enclose telegrams 530 and 531 from Paris which set the
scene.

Since the visit is short and the discussion will be
mainly on Community topics the briefing has been kept to
a minimum. Five subjects are covered:

No-Passport Excursions

Normandy Landings

European Security and the WEU

Anglo-Libyan Relations

The Channel Fixed Link (in case this is raised by the French)

No-Passport Excursions

On the same day as the Prime Minister's visit M. Gutmann,
Secretary General of the Quai D'Orsay, will be bringing the
French reply to our final proposal, to examine the possibility
of a completely different scheme under which Post Office might
issue Travel Cards. We hope this will dissuade the French
from denouncing our bilateral agreement providing for
No-Passport Excursions to France, and that, pending the
operation of the new scheme, the present arrangements will
remain in force. Detailed discussions are therefore best
left to London. But the Prime Minister is briefed to make
clear to President Mitterrand the possibility of anti-French
reaction in the UK if the French do decide to denounce (your
letter of 1 May).

Normandy Landings

There has been a hitch over the arrangements for The Queen's
attendance which is explained in the brief (and in my letter
of 2 May). Sir J Fretwell will, if necessary, bring the
Prime Minister up to date on arrival.

Channel Fixed Link

A brief on this has been included because we heard at the
last minute that President Mitterrand might wish to raise it.

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/We

*in folder
attached to
file.*

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We have no interest in raising it ourselves at this stage.

A handwritten signature in blue ink, appearing to read 'R B Bone', written in a cursive style.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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PRIME MINISTER'S VISIT TO PARIS, 4 MAY

NO PASSPORT EXCURSIONS TO FRANCE

POINTS TO MAKE

1. This is being discussed in London today by M. Gutmann.
2. All I would like to say is that if you decide to denounce the agreement providing for short No-Passport Excursions to France, this will provoke a certain amount of anti-French reaction in Britain. Many people benefit from this facility, particularly during the summer, and its withdrawal will be unpopular.

ESSENTIAL FACTS

3. An Anglo/French Memorandum of Understanding (MOU) of 1971, which continues arrangements in force since 1955, allows British subjects under the British Nationality Act 1948 (ie all Commonwealth Citizens) to visit France for up to 60 hours on production of a No-Passport Excursion Identity Card (NPEIC) obtained from the carrying company on the basis of a personal declaration of nationality and identity. Last summer, the French refused admission to numbers of travellers with NPEICs who were of new Commonwealth ethnic origin and asked for a review of the MOU.
5. Negotiations have been taking place with the French since last August and there have been a number of discussions at ministerial level. The French continued to insist that NPEICs should in future be issued only to British Citizens and by a British Government authority which would accept responsibility for the accuracy of the details, including the nationality of the holder.

PRIME MINISTER'S VISIT TO PARIS 4 MAY

40TH ANNIVERSARY OF THE NORMANDY LANDINGS

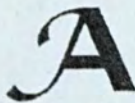
POINTS TO MAKE

1. The Queen is much looking forward to the commemoration of the Normandy landings on 6 June. It will be a great event.
2. Her programme has been amended in line with French wishes. We hope it will be agreed in the revised form discussed with the French Government yesterday.



ESSENTIAL FACTS

The Embassy drew up a programme for The Queen and The Duke of Edinburgh's visit to Normandy on 6 June, which included ceremonies in the morning in the British sector to be organised in cooperation with the local rather than the national French authorities, and which would not form part of the French official programme. The Queen gave her general approval to this plan. The French subsequently stated that they could not accept any arrangements whereby Foreign Heads of State attended ceremonies related to the Landings prior to the official programme organised by the French Government for the afternoon of 6 June. A revised programme has been drawn up which will include an informal reception at the Town Hall in Caen in the morning and an informal lunch party for other Heads of State on board 'Britannia', but the main 'local' ceremony at Arromanches has been moved to the evening to take account of French sensitivities. The Queen has agreed to this revision and Sir William Heseltine ~~is to visit~~ ^{visited} Paris on 3 May to seek the Elysée's agreement. Sir J Fretwell ~~will be able to~~ ^{has reported in the} ~~provide an account of how the meeting went.~~ ^{attached telegram.}



The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>1243</i> (one piece/item number)	
Extract/Item details: <i>Telegram No 534 dated 3 May 1984</i>	
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DRAFT

PROGRAMME FOR THE ATTENDANCE OF THE QUEEN AND THE DUKE OF EDINBURGH
AT CEREMONIES IN NORMANDY
TO MARK THE 40TH ANNIVERSARY OF THE NORMANDY LANDINGS
ON WEDNESDAY 6TH JUNE 1984

Tuesday 5th June

- 3.00 p.m. (approx) Leave Buckingham Palace by car.
- 3.15 p.m. (approx) Leave Waterloo Station by train.
- 5.30 p.m. (approx) Arrive Havant. Leave by car.
- 5.45 p.m. Arrive HMS Dryad. Received by Captain J.C.K. Slater, RN (Director, School of Maritime Operations).
View General Eisenhower's map room in the Wardroom, Southwick House.
- 6.00 p.m. Informal presentations of guests attending a D-Day Garden Party.
- 6.15 p.m. Leave by car.
- 6.30 p.m. Embark HMY Britannia at Whale Island.
- 7.00 p.m. HMY Britannia sails.

Wednesday 6th June

- 7.00 a.m. HMY Britannia ties up at Caen.
- 11.00 a.m. Disembark for private visit to Caen Mairie. Received by the Mayor. _____
- 11.15 a.m. Visit Reception Room, Cloisters, Salle des Marriages and the Abbey.
Sign Golden Book.
- 12 noon Leave by car.
- 12.15 p.m. Embark in HMY Britannia.
- 12.45 p.m. Lunch guests arrive.
- 1.00 p.m. - 2.30 p.m. Lunch on board HMY Britannia (? visiting Heads of State).
- 2.50 p.m. Leave by car.

- 3.35 p.m. Arrive Commonwealth War Graves Cemetery,
Bayeux.
Received by Mr. Michael Heseltine (Secretary of
State for Defence and President of the Commonwealth
War Graves Commission).
National Anthem.
- 3.40 p.m. Greet President Mitterand on arrival at the
Cemetery.
French National Anthem.
Move past the Stone of Remembrance to the Cross
of Sacrifice. Introductory sentences read by the
Chaplain General of the Forces.
The Queen and the President lay wreaths on the
base of the Cross.
Last Post.
Two minutes' silence.
Reveille.
Hymn ("O God Our Help . . .").
Prayers.
- 3.55 p.m. Leave via the Lodge, signing Visitors' Book.
Mr. Heseltine presents Mr. S.T. Grady (Director
of Commonwealth War Graves Commission, France) who
presents the gardeners who tend the Bayeux Cemetery.
- 4.00 p.m. President Mitterand leaves.
The Queen and The Duke of Edinburgh leave by
car.
- 4.50 p.m. Arrive Utah Beach.
Greeted by President Mitterand at the Reception
Marquee.
The Heads of State and their spouses walk past
the Km 00 marker to the podium on the beach, facing
the sea.
21 Gun Salute.
National Anthems. National flags are raised on
flagpoles facing the podium.

President Mitterand speaks.

Heads of State only walk across the beach to the flagpoles, where photographs are taken.

Return to the Marquee.

THE QUEEN

5.50 p.m. Leave by car.

THE DUKE OF EDINBURGH

5.55 p.m. Leave by helicopter with President Mitterand or Prime Minister Trudeau.

6.25 p.m. Arrive Canadian Cemetery, Beny sur Mer.

6.30 p.m. Wreath laying, with President Mitterand and Prime Minister Trudeau.

6.45 p.m. Leave by helicopter.

7.00 p.m. Arrive Arromanches.

THE QUEEN

7.05 p.m. Arrive Arromanches. Received by the Mayor.

THE QUEEN AND THE DUKE OF EDINBURGH

Take places on dais with General Sir John Mogg (President, Normandy Veterans).

National Anthem.

Review the Veterans (1200 drawn up in the square).

7.20 p.m. Return to dais.

Mayor welcomes The Queen and The Duke of Edinburgh.

(S) Her Majesty replies and addresses the Veterans.

7.35 p.m. Withdraw to D-Day Museum, while Veterans re-group.

7.45 p.m. Return to dais. Veterans march past.

8.00 p.m. Leave by car.

8.30 p.m. Arrive Caen Airport and leave in an Andover of The Queen's Flight (1 hour 15 mins flying time).

? Dinner in the air.

8.45 p.m.

Arrive LAP and leave by car.

9.20 p.m.

Arrive Buckingham Palace.

28th April, 1984.

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PRIME MINISTER'S VISIT TO PARIS, 4 MAY
EUROPEAN SECURITY AND THE WESTERN EUROPEAN UNION

UK OBJECTIVE

1. To show the French that we are ready to pursue the discussions of a more active role for the Western European Union (WEU) in an open minded but cautious way, so as to influence the development of WEU in a direction which preserves Alliance interests.

POINTS TO MAKE

1. Agree we need to improve European defence cooperation. Our main concern is to strengthen not undermine the trans-atlantic link. No substitute for NATO or the US strategic guarantee.
2. Ideal solution would be for France to rejoin NATO's integrated military structure, and come into the Eurogroup to which we attach importance. Hope you will eventually see your way to this. In the meantime, WEU could offer play a role, and we are considering French ideas in an open-minded but cautious way.
3. See some merit in deeper consultation in the WEU Council on security issues of concern to European countries. The key is identifying which items are better



discussed there than elsewhere. Maintaining quality of WEU Assembly proceedings and improving relations with the Council can contribute to public support for defence policies.

4. UK welcomes arms collaboration. It must be efficient and competitive. Guard against European protectionism. But we do not want to revive the Standing Armaments Committee of WEU to give it more work in this area. The IEPG is the right forum for this.

5. Nor do we think that WEU's Armaments Control Agency should be given work on the verification of future arms control agreements. This is best done elsewhere.

6. We need to keep closely in touch with the Americans on all this, and not present them with rigid positions. They are not opposed to reactivation but want to be kept in the picture. We shall need also to keep other allies who are not members of WEU informed. WEU should not be an easy substitute for full NATO membership (e.g. for Spain).

BACKGROUND

7. The Modified Brussels Treaty of 1954 on which WEU is based contains a mutual defence commitment stronger than



that of the North Atlantic Treaty, and the commitment to keep British forces in the FRG. The Treaty is still of value, but the role of the Organisation itself has diminished in importance since the creation of NATO and the EEC. The seven members are the UK, France, FRG, Italy and the Benelux countries.

8. Recent renewed interest in WEU reflects concern to strengthen the European contribution to our common defence, among other reasons in order to be seen by our US ally as credible partners; and an increasing desire among our European allies to discuss defence and security issues among themselves. The German-led attempt to have such issues placed on the agenda of Political Cooperation achieved only slight progress owing to Irish, Greek and Danish opposition. The French have taken the lead in arguing that the WEU could play a greater part. Of her WEU partners, the Germans support French ideas for developing the WEU as a place for reflection by Ministers on questions affecting European security. Belgium and Italy also support, the former enthusiastically. The Netherlands is more sceptical.

9. The French have proposed developing the WEU Council as a forum for discussion; and giving the work of the parliamentary Assembly a higher profile. They also



suggest using WEU's Standing Armaments Committee for discussion of co-operation in weapons procurement. Underlying their proposals is probably a desire to tie the Germans more securely into a purely European defence organisation at a time when many in France are disturbed by what they see (we believe wrongly) as German neutralist tendencies. They also believe that the WEU Assembly could play a role in increasing public support for defence policies: a view with which it is possible to have some sympathy. The Germans on the other hand, in supporting the French ideas, want to exploit an opportunity to tie the French in to multilateral discussions of security questions, taking advantage of Mitterrand's readiness to move closer to his allies over practical defence co-operation. Ideal solution would be for France to rejoin the NATO integrated military structure or come into the Eurogroup in the near future. But the Germans see, we think rightly, France's willingness to co-operate in another forum as to be encouraged.

10. A paper on WEU reactivation is currently being prepared by the WEU Council Working Group intended for consideration by Foreign Ministers at a meeting originally due to take place in Paris on 24 May but for



which the French have now suggested 12 June. 12 June is inconvenient for the Foreign and Commonwealth Secretary.

Western European Department

3 May 1984

PRIME MINISTER'S VISIT TO PARIS, 4 MAY
ANGLO-LIBYAN RELATIONS

Objectives

1. United Kingdom: to seek French understanding for our action vis a vis the Libyan Government and their support in tightening controls on diplomatic missions which indulge in unacceptable activities.

Points to Make

1. We must consider urgently ways of preventing diplomatic premises being used as cover for terrorist operations, whether by diplomats or expatriate residents. We have instituted a review of Vienna Convention, but this will take time. Therefore taking immediate unilateral action to strengthen control over operations of foreign missions in this country. We shall be ready to make exemplary expulsions of staff of embassies and to use powers to control size of diplomatic missions when the government has good reason to believe they are responsible for unacceptable activities in this country.

2. We expect most of British Community to remain in Libya. We have no intention at present of imposing trade sanctions.

3. We recognise that France needs to discuss the Chad problem with the Libyans. But a visit by Cheysson in the aftermath of our difficulties with Libya would be the wrong signal. Hope France may find some other way of carrying on necessary discussions with Libya about Chad.

/Background



Background

1. France has an unpublished military cooperation agreement with Libya dating from 1976. Some 300 French personnel work with the Libyan armed forces. Between 250 and 400 Libyan military personnel are studying in France. The cooperation agreement survived high tension in 1983 over Chad. The French Embassy in Tripoli was burnt down in 1980, but relations were maintained.

2. M. Gutmann the Secretary General of the French Foreign Ministry visited Libya on 24 April for a 24 hour visit to make arrangements for an official visit by M. Cheysson to discuss military disengagement in Chad. Sir J Bullard has pointed out to the French Ambassador that a visit at this stage by M. Cheysson would be seen in the same light as that planned by Herr Genscher but which he had cancelled.

3. The French spokesman issued a low-key statement on 24 April deploring the violation of international conventions and principles which had led to the severance of diplomatic relations between UK and Libya.

Near East and North Africa Department
2 May 1984



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PRIME MINISTER'S VISIT TO PARIS : 4 MAY

CHANNEL FIXED LINK

Points to Make (if raised)

1. When received the Banks' report will be carefully examined by the UK Government.

2. The UK Government remains ready to consider any proposals, provided these meet the conditions that any link should be privately financed.

Essential Facts

3. The Prime Minister agreed with the French Prime Minister, M. Mauroy in May 1982 following the report of the UK/French study group, that further studies should be undertaken on the financial and organisational arrangements for a channel fixed link (CFL) of whatever type (tunnel, bridge or combined solution). The studies are being carried out (on the basis of private and unguaranteed finance) by a group of English and French Banks - National Westminster, Midland, Credit Lyonnais, Banque Nationale de Paris and Banque Indo-Suez. The group's remit has been extended by a contract from the European Commission to cover the possible role of EC financial institutions in any financing plan. The group's report has been delayed but its presentation in final draft form to the

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- 2 -

UK and French Governments is imminent. This is expected to occur this week, but no public announcement to that effect will be made. The Banks will present the report publicly at a press conference on 22 May. Both governments recognise that they will then need some time to consider the report before any conclusions are reached. We understand that the Banks' report as presently drafted is unlikely to meet HMG's criteria of no public finance or government financial guarantees.

4. The Secretary of State for Transport will be consulting the Prime Minister and colleagues very shortly on the next stage of the discussions with the French.

5. M. Fiterman is known to want a decision to be taken on whether or not a fixed link project will go ahead before 30 June. Given the need to give the report careful study, which will take at least three months, this deadline is unlikely to be met. Also given the present uncertainties over whether the financial criteria can be met, it would be tactically wise not to make known our conclusions until after the French Presidency and the European elections. At the same time we must avoid giving the impression to the French of procrastinating unnecessarily.

6. M. Fiterman is the French Minister responsible for the CFL and is particularly keen on a rail link, as is French

/Prime

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Prime Minister. The French are unenthusiastic about UK insistence that any scheme should be financed privately without government guarantee and are probably prepared to contemplate some form of public financial support.

7. M. Fiterman met Mr Ridley in Paris on 21 March to discuss European Transport issues. As substantial discussion would not be possible until the banks report was received and studied, Mr Ridley reiterated the government's commitment to no public funds or government financial guarantees; and to emphasise the importance of also giving the financial markets adequate time to make their appraisal.

MARITIME, AVIATION AND
ENVIRONMENT DEPARTMENT

3 May 1984

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PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND, 4 MAY

Check List of points on reform of the Community's financing

1. Objective. To settle the outstanding question on a fair basis as soon as we can achieve it. Presidency did set up in its text the basis for the settlement, ie the system for correcting budget imbalances. United Kingdom made substantive moves (VAT share/expenditure share gap; reduction in reference figure to be inserted in the system). Margin for manoeuvre very small but prepared to move if others will also do so and this will clinch agreement on the single outstanding issue.

2. Timing and Handling. Chancellor Kohl says that he wants agreement before European elections get under way. So do I, if settlement is fair. Remains objective to show in European election that Europe is working - an end to unacceptable financial situations - and building up to a relaunch at the June European Council in Fontainebleau. Avoid the current dispute overshadowing the Fontainebleau European Council - but only if I can defend the budget settlement as an adequate correction of the present situation. Link with increase in own resources. Do you want, as Chancellor Kohl and I do, an early agreement? If so, recognise that it is for you as President to decide how you want to carry this forward and to handle your own role.

The figures. United Kingdom prepared to see settlement either by agreement on the notional figure to be inserted in the blank space in the Presidency text. This would demonstrate that Presidency had succeeded in achieving what was tabled at Brussels. It would be the least complicated way of handling the work of heads of government.

or by seeking agreement now on the threshold and rate of compensation within the system.

Would you see this as being, in the first instance, an understanding between Chancellor Kohl, you and myself which the Presidency would put to all member states? You will know that, if you do feel that the threshold and rate of compensation should be settled, the Commission (Mr Davignon) is prepared to play a role. But method of reaching agreement on the figures primarily a matter for the Presidency.

If necessary

Relative positions of United Kingdom and France

United Kingdom has moved a long way from its original demands. All our forecasts show that in the foreseeable future [up to 1988] the United Kingdom will remain, even after adjustment through the system in the Presidency's text, the second largest contributor to the Community budget. On the same basis and after enlargement the United Kingdom will be a bigger contributor than France.

An ad hoc solution?

We must not go backwards. In reality the present negotiating situation is that we have agreed to one ad hoc year and the system thereafter. We have arrived at this situation after a difficult negotiation and I would not like to see it reopened.

Enlargement / President Mitterrand may say that, because the costs of enlargement are unclear, the system should not be put into place unconditionally now⁷.

The United Kingdom's net contribution to the Community and its relative prosperity in the Community will increase after enlargement. As the mechanism to correct budgetary imbalances varies according to relative prosperity, the United Kingdom will in any event be making a significant contribution to the costs of enlargement.

The German position

Your Presidency text already deals with the full German contribution to United Kingdom refunds within the system. As to the threshold and possible refund for Germany itself, I recognise the importance of this question for you and some other member states. It seems that the arrangement would not give rise to any refund in the immediate future.

The 1984 budget (Commission request for a 2.33 billion ecu loan

I think that France shares the view of Germany and ourselves that the first task is to examine critically the Commission's figures and assumptions. A unanimous decision will be needed later when we have all taken a view on the possible courses. I believe that it is widely understood in the Community that the United Kingdom cannot come to a decision on this point until the wider question of the budget refund is settled.

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MIPT: PRIME MINISTER'S MEETING WITH MITTERRAND, 4 MAY: EC AFFAIRS

SUMMARY

1. ALTHOUGH MITTERRAND MAY RAISE OTHER QUESTIONS EG ENLARGEMENT, THE MAJOR OUTSTANDING ISSUE FOR FRANCE AS FOR BRITAIN REMAINS THE UK BUDGET REFUND, NOT LEAST BECAUSE OF THE EFFECTS OF CONTINUING DISAGREEMENT ON THE COMMUNITY'S BUDGETARY SITUATION LATER THIS YEAR. THE FRENCH GOVERNMENT CLAIMS THAT IT IS IN NO HURRY TO REACH AGREEMENT AND THAT THE BALL IS IN THE BRITISH COURT, BUT THERE ARE SOME INDICATIONS THAT MITTERRAND, WHILE VERY CAUTIOUS, MAY BE READY FOR A SERIOUS EXCHANGE ON 4 MAY.

DETAIL

2. IN THE LAST FEW WEEKS MITTERRAND HAS GIVEN THE IMPRESSION OF ACCORDING A LOWER PRIORITY TO EC AFFAIRS. HIS VISITS SINCE EASTER TO ATHENS AND ROME HAVE BEEN CONDUCTED IN LOW-KEY FASHION, QUITE DIFFERENT FROM THE HIGH PROFILE PRESIDENCY VISITS IN WHICH HE ENGAGED IN THE EARLY SPRING. IN PART THIS IS DUE TO OTHER DOMESTIC AND FOREIGN POLICY PREOCCUPATIONS (MIPT), BUT, IT IS ALSO A DELIBERATE TACTICAL CHOICE. WHILE THE FRENCH MUST PRIVATELY RECOGNISE THAT WE HOLD THE HIGH CARDS IN A SITUATION IN WHICH THERE IS A REAL RISK OF AN EC FINANCIAL CRISIS THIS AUTUMN AND THAT THEY NEED A SETTLEMENT WHICH WILL ENSURE THAT THEIR FARMERS ARE PAID, AND WOULD LIKE TO CLEAR THE DECKS FOR A RELAUNCHING OF THE COMMUNITY AT FONTAINEBLEAU UNDER THEIR PRESIDENCY, TO ADMIT ALL THIS PUBLICLY WOULD WEAKEN THEIR NEGOTIATING STANCE. SO THEY AFFECT A NONCHALANT AIR. THIS APPROACH ALSO SUITS THEIR STRATEGY FOR THE EUROPEAN ELECTIONS. SINCE THE LEFT IS LIKELY TO DO BADLY IN THEM, THE LESS ATTENTION PAID TO EUROPEAN ISSUES (AND THUS TO THE ELECTIONS) AT THIS TIME THE BETTER.

3. THE FRENCH GOVERNMENT THEREFORE IS DELIBERATELY GIVING THE IMPRESSION THAT IT IS IN NO HURRY TO REACH AGREEMENT. LEGRAS (QUAI) HAS CLAIMED TO US THAT ALL THE OFFERS MADE IN THE CLOSING SESSION OF THE BRUSSELS SUMMIT HAVE BEEN WITHDRAWN - HE SAID THE POSITION RESTED WITH KOHL'S PROPOSAL FOR 5 ANNUAL REPAYMENTS OF 1 BILLION ECU EACH AND THAT IT WAS FOR BRITAIN TO MAKE THE NEXT MOVE. HE HAS TAKEN THE LINE THAT THERE WAS NO GIVE IN THE FRENCH POSITION AT PRESENT (AND UNLIKELY TO BE MUCH MORE AS THE EUROPEAN ELECTIONS APPROACHED AND FRANCE'S DOMESTIC BUDGETARY POSITION BECAME INCREASINGLY DIFFICULT).

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4. HOWEVER, NALLET (ELYSEE) TOLD US TODAY THAT HE REGARDED THE MEETING ON 4 MAY AS AN IMPORTANT OPPORTUNITY FOR THE PRIME MINISTER AND MITTERRAND TO RESUME THEIR DISCUSSION ON THE BRITISH CONTRIBUTION. HE THOUGHT THAT THEY MIGHT BE ABLE TO SKETCH OUT THE MAIN LINES ON WHICH AGREEMENT COULD BE REACHED FOLLOWING - AND POSSIBLY GOING SLIGHT BEYOND THE PROPOSALS ADVANCED IN RECENT WEEKS BY NOEL AND ERSBOELL. MITTERRAND MIGHT MENTION SOME ADVANCEMENT OF THIS KIND, INVOLVING THE INTRODUCTION OF A MECHANISM FOLLOWING AN INITIAL YEAR. NALLET COMMENTED THAT TWO MAIN PROBLEMS REMAINED - THE DATE ON WHICH A SYSTEM WOULD COME INTO OPERATION, AND, MORE DIFFICULT, THE INITIAL FIGURE TO BE WRITTEN INTO THE FORMULA.

5. AGAINST THIS BACKGROUND, IT SEEMS LIKELY THAT MITTERRAND WILL OPEN THE MEETING WITH THE PRIME MINISTER ON FRIDAY BY REFERRING TO THE UNITED FRONT AMONG THE NINE AGAINST BRITAIN ON THE BUDGETARY ISSUE AND INDICATING THAT FRANCE IS PREPARED TO WAIT FOR SETTLEMENT. HE WILL BE WARY OF INDICATING ANY READINESS TO MOVE IN OUR DIRECTION. BUT AFTER HE HAS BEEN REMINDED GENTLY OF THE COMMON INTEREST IN AVERTING A CRISIS IT SHOULD PROVE POSSIBLE TO BRING THE DISCUSSION BACK TO CONCRETE ISSUE OF FIGURES AND DATES.

FRETWELL

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PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND : 4 MAY 1984 :
THE FRENCH SCENE

SUMMARY

1. SINCE THE BRUSSELS EUROPEAN COUNCIL DOMESTIC POLITICAL PROBLEMS AND NON-EUROPEAN FOREIGN POLICY ISSUES HAVE BEEN IN THE FOREFRONT OF MITTERRAND'S ATTENTION.

DETAIL

2. MITTERRAND'S POPULAR SUPPORT IS AT ITS LOWEST POINT SINCE HIS ELECTION. ACCORDING TO THE OPINION POLLS A MAJORITY OF VOTERS NOW DISAPPROVE OF HIM AND HIS POLICIES. ON THE LEFT, THE COMMUNISTS AND THE LEFT-WING OF THE SOCIALIST PARTY ARE VOICING OPEN DISSENT. EVEN MAINSTREAM SOCIALISTS ARE UNENTHUSIASTIC ABOUT THE GOVERNMENT'S ECONOMIC AND SOCIAL POLICIES. THE OPPOSITION, UNITED AT LEAST ON PAPER, HOPE TO DEMONSTRATE IN THE JUNE EUROPEAN ELECTIONS THAT THEY COMMAND MAJORITY SUPPORT IN THE COUNTRY. BUT MITTERRAND HIMSELF APPEARS, AS ALWAYS, UNMOVED. IN RECENT INTERVIEWS HE HAS REPEATEDLY EMPHASISED THAT NOW IS NOT THE TIME TO CHANGE COURSE, WHATEVER THE POLITICAL COST OF CURRENT POLICIES.

3. HE PROBABLY RECKONS THAT HIS POLICIES SHOULD SOON START TO RECOVER SOME POPULAR SUPPORT. IN THE PAST 12 MONTHS THE TRADE AND CURRENT ACCOUNT DEFICITS HAVE BEEN SHARPLY REDUCED AND THE FRANC HAS STABILISED FOR THE TIME BEING WITHIN THE EMS. THE LEVEL OF WAGE SETTLEMENTS HAS DECLINED AND INDUSTRIAL UNREST HAS BEEN KEPT WITHIN MANAGEABLE BOUNDS. IN THE NEXT 12 MONTHS THE EXTERNAL ACCOUNTS SHOULD CONTINUE TO IMPROVE, INFLATION SHOULD DECLINE, REDUCING THE DIFFERENTIAL WITH MAJOR PARTNERS, AND THE MODEST RECOVERY, FROM A LOW BASE, OF COMPANY LIQUIDITY AND INVESTMENT SHOULD CONTINUE. THERE WILL HOWEVER BE A CONTINUED RISE IN UNEMPLOYMENT. ALTHOUGH NEITHER UNEMPLOYMENT NOR THE SLIGHT DECLINE IN LIVING STANDARDS HAS SO FAR PROVOKED SERIOUS SOCIAL UNREST, THERE IS A CONTINUING RISK OF OUTBREAKS OF VIOLENCE CAUSED BY DISCONTENT IN PARTICULAR REGIONS OF SECTORS OF THE ECONOMY, INCLUDING AGRICULTURE.

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4. MITTERRAND HAS A RANGE OF FOREIGN POLICY PREOCCUPATIONS BUT NO ACUTE CRISIS AT THE MOMENT. HE MADE A SUCCESSFUL VISIT TO THE US LAST MONTH, WHICH SHOULD STAND HIM IN GOOD STEAD AND EASE HIS DOMESTIC PROBLEMS FOR HIS VISIT TO MOSCOW AROUND 20 JUNE. FRANCE'S MILITARY INVOLVEMENT IN CHAD IS A MATTER OF SOME, BUT NOT ACUTE CONCERN. MITTERRAND HAS NOT COME TOO BADLY OUT OF THE LEBANESE CRISIS: HE MANAGED TO WITHDRAW FRENCH TROOPS WITH RELATIVE DIGNITY AND YET STILL MAINTAIN A ROLE FOR FRANCE. HE REMAINS IN A FAIRLY EXPOSED POSITION IN RELATION TO THE IRAN/IRAQ CONFLICT.

5. SEE MIFT.

FRETWELL

FRAME ECONOMIC

ECD (1)

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CONFIDENTIAL

● PART 3 ends:-

DB to the Mr. e de Margerie.

PART 4 begins:-

Paris tel 530 2.5.84

