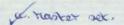
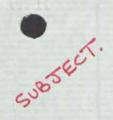
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NOTE ON A DISCUSSION IN THE PRIME MINISTER'S ROOM AT CANCUN ON 23 OCTOBER AT 1630

Present:

Prime Minister President Mitterrand Mr. Alexander M. Cheysson Herr Genscher Herr Lautenschlager

/Much of the discussion was purely social but one or two points of substance were made. 7

The Prime Minister said that M. Mitterrand, Herr Genscher and herself had all been relatively quiet during the Conference discussion. This was a good thing because it encouraged the developing countries to express their views. It was clear that all the participants wanted to agree on an outcome which would be acceptable to all or, at least, not embarrassing for them. Failing an agreement of some kind the press would brand the meeting a failure. Clearly it was important for President Lopez Portillo and Chancellor Kreisky that this should not happen. M. Mitterrand and Herr Genscher agreed.

The Prime Minister, M. Mitterrand and Herr Genscher then went through a Canadian text on global negotiations for inclusion in the co-chairmen's statement. All agreed that the Canadian text was acceptable.

M. Mitterrand said President Reagan's statement of the previous day and the American position in general struck him as surprisingly inflexible. He thought that the Prime Minister's intervention had been most helpful.

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/He agreed

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He agreed with the priority attached by the Prime Minister to the finding of sensible methods of making progress. The Prime Minister commented that she thought some of the real problems facing the participants had shown up in that morning's discussions. It was clear that the developing countries wanted, and indeed needed, more aid. What was not acceptable was the constant effort on their part to turn sound financial institutions into unsound ones.

The Prime Minister asked M. Mitterrand for his assessment of the consequences which would flow from the Greek election result. M. Mitterrand said that he doubted whether Mr. Papandreou would seek an early withdrawal from the European Community. After all he had said nothing about withdrawal during his election campaign. Herr Genscher expressed his personal confidence that M. Papandreou would decide not to leave.

The <u>Prime Minister</u> asked whether Mr. Papandreou would be difficult to deal with. <u>M. Mitterrand</u> said that Mr. Papandreou was a proud man whose family had suffered at the hands of a previous regime. Nor had he ever forgiven the United States for supporting the Colonels in Greece. That said Mr. Papandreou was in fact a man with whom one could get on and do business. The <u>Prime Minister</u> asked about his attitude to NATO. <u>Mr. Mitterrand</u> said that this was not of great concern to him. (He did not, however, demur when the Prime Minister expressed considerable surprise at this statement.) President Mitterrand said subsequently that he thought that the question of the new Greek Government's links with NATO was likely to give rise to more trouble than the links with the EEC.

The discussion ended at 1650.

Ams

23 October 1981