RECORD OF A MEETING BETWEEN SIR ROBERT ARMSTRONG AND M BEREGOVOY, SECRETARY GENERAL OF THE ELYSEE, HELD AT THE CABINET OFFICE AT 5.45 PM ON THURSDAY 10 SEPTEMBER 1981

After an initial exchange of courtesies, M Beregovoy asked what were likely to be the principal subjects of discussion between the French President and the Prime Minister. He added that the French thought it important that there should be discussion of the areas of bilateral co-operation in which future projects might be possible between the two countries. He mentioned aviation, space and the Channel Tunnel. On the latter, M Beregovoy said that the French believed it would be important for the President and the Prime Minister to "re-launch" the project. It was not satisfactory that the Channel Tunnel remained nothing more than a project under discussion. If the President and the Prime Minister could make a joint statement of intent now, this would demonstrate the willingness of both sides to improve bilateral co-operation and would make a major public impact. Sir Robert Armstrong said that the British Government already had eight separate proposals for a fixed Channel link before them. These went from the modest British Rail-SNCF proposal for a single-bore tunnel to the ambitious British Steel Corporation project for a joint bridge and tunnel which would involve a massive investment in steel which could be of importance to the steel industries of both countries. He emphasised, however, that for the British Government the question of financing was of prime importance. The British Government was not interested in a project which merely envisaged public financing. They would, however, be favourable to a project, the British contribution to which could be privately financed. He also pointed out the implications which any fixed Channel link would have for transport systems in the United Kingdom both between the tunnel exit and London and between London and the rest of the country. In particular, a fixed link could involve heavy investment on rail and road projects in South East England. He wondered whether there would be similar implications for Northern France: would, for instance the new French high-speed train system have to be extended to the Channel coast? M Beregovoy said that it would be open to consideration whether a new network of high-speed rail links would be needed in Northern France and the Low Countries. These were, however, the sort of technical problems which could be dealt with once the principle of construction had been settled. As for financing, he thought that a major

contribution could be made by a loan from European Community funds. M Beregovoy concluded this part of the discussion by emphasising that he had spoken at some length on the question of a cross-channel fixed link because he believed that it would be important for public opinion to be shown that both Britain and France wished to underpin their improved bilateral relations with a major and visible project. In the view of the new French Socialist Government improved relations between France and Britain were as necessary a feature of French policy in Western Europe as close relations between France and the Federal Republic of Germany. Sir Robert Armstrong agreed with M Beregovoy's comments and added that, speaking personally, he believed that the future of the European Community depended on the closeness of links between Britain, France and the Federal Republic of Germany.

After some discussion of the likelihood that the Prime Minister would wish to talk to President Mitterrand about the forthcoming Cancun Summit, Sir Robert Armstrong enquired whether M Mitterrand would also want to seek the Prime Minister's views on developments in Poland. M Beregovoy confirmed that this was the case. He said that France had always believed that the Soviet Union would not intervene in Poland as long as the Polish Communist Party had the situation under control and could be relied upon to ensure that Poland remained in the Warsaw Pact and also within the Communist system. Hitherto this had been the case. But the current Congress of Solidarity had produced major new developments with its call to the unions in other Communist countries and its demand for free elections. This was pushing the Soviet Union to the limit of its tolerance. But even in these new circumstances, there could be no certainty that the Soviet Union would feel that they were impelled to intervene. The economic and political price of intervention would be enormous. We had therefore arrived at a point at which it had simultaneously become both necessary for the Soviet Union to intervene and more difficult for them to do so. This pointed to the conclusion that the Soviet Empire was after all more fragile than had before been imagined. Sir Robert Armstrong agreed with this assessment. One of the problems for the Soviet leadership was that they were unsure of what forces would be unleashed either as a result of their failure to intervene in Poland or on the other hand as a direct consequence of their intervention. In particular, the Soviet leadership would undoubtedly be watching for signs of any infection of the Poland disease in East Germany. If there were indications of destabilisation in East Germany as a result of events in Poland,

the situation would deteriorate dramatically on both sides of the Iron Curtain. M Beregovoy agreed. The Soviet Union had, he thought, been counting on Solidarity to create economic disorder in Poland and thereby to bring about its own downfall. But a spread of Solidarity influence to East Germany would bring a wholly new dimension to the affair both to the East and to the West.

M Beregovoy then turned to the North/South dialogue and the idea of a new Energy Affiliate of the World Bank. He commented that it was evident at Ottawa that the United States and Britain were less happy about the Affiliate proposal than France. Sir Robert Armstrong said that it was correct to think that Britain was less enthusiastic about the idea than France. However, if there were general agreement among those governments concerned that the new Energy Affiliate was desirable, we would probably be able to go along with it. What preoccupied him at the moment, however, was the indication that Saudi Arabia was not enthusiastic about the idea nor about proposals to increase Arab aid to the developing world. If Saudi Arabia saw no advantage in a new Energy Affiliate, there seemed little advantage in pursuing it. M Beregovoy replied that development aid and the management of international development resources was a possible field in which increased international responsibilities could be given to Arab oil producing states. He also wondered whether there might be grounds for enhanced Franco-British co-operation.

M Beregovoy then turned to Northern Ireland. He said that the new French Socialist Government had received a large number of approaches from their own electorate about the British Government's policy in Northern Ireland and particularly the H Block hunger strike. President Mitterrand had been scrupulous in refusing to see representatives of French protest groups himself and had instructed M Beregovoy to hear their views. M Beregovoy emphasised, however, that strong feelings about the hunger strike were held not merely among left-wing intellectual and human rights groups in France but also among what he described as Catholic circles. In particular, Socialist Catholics disapproved strongly of the British Government's policy. He asked Sir Robert Armstrong if he could give him a description of the present situation. Sir Robert Armstrong said that first of all he wished to thank the French Government for two things. First, he wanted to express the British Government's appreciation for the way in which the French Government had scrupulously refrained from any public comment on the H Block issue and

had refused to become involved in what was a domestic British issue. Secondly, he wished to express Britain's appreciation for the protection which the French authorities had afforded to the British Ambassador and his staff in Paris in the face of repeated demonstrations over the hunger strike. Sir Robert then went on to describe in detail the current state of the hunger strike and Britain's attitude to the five demands of the strikers. These were, he said, tantamount to a demand to be treated as political prisoners or prisoners of war and could not be conceded by the British Government. In dealing with the hunger strikers, Britain's objective was not to maintain an intransigent position; it was to try to find a way to bring the hunger strike to an end. But we still lacked any signs that, if certain minor concessions were made to the hunger strikers, they would bring about that result. Furthermore, it was important to remember that in dealing with the hunger strike, the Government had to maintain a balance between the Protestant majority and the Catholic minority. If the Government were thought by the Protestants to have made excessive concessions to the Catholics, there was a risk that the Protestants might resort to major civil disorder. In 1974, for instance, after the Sunningdale Agreement the previous year, the Protestants had shown that, if sufficiently aroused, they could make Ulster ungovernable. As for the immediate state of the hunger strike, Sir Robert said that the facts that a number of prisoners had now come off the hunger strike after several weeks and that the INLA had decided not to commit any more of their prisoners to the hunger strike, suggested that it might be weakening. If so, the point might be reached where there was a scope for more political activity. On the political side, Sir Robert referred to the history of proposals made by successive British governments for various forms of power-sharing culminating in the most recent idea of a Consultative Assembly. This had not so far been welcomed by any of the parties. Britain was also making an attempt to improve relations between London and Dublin in ways which might lead to better North/South relations and also some weakening of the tension between the two communities in Northern Ireland itself. Mrs Thatcher and Mr Haughey had commissioned a series of joint studies at their meeting in Dublin in December 1980 and there would before long be a further meeting between the Prime Minister and the new Irish Prime Minister which would receive the results of the studies to date and decide whether to take them further. Sir Robert thought that the British Government was probably closer to its Irish counterpart now than at

any time since the Irish Free State had come into existence. M Beregovoy thanked Sir Robert Armstrong for this very full description of the Irish situation. He had found it most useful and it had contributed considerably to enlarging his knowledge of the problem. His only comment was on the Joint Studies: he thought that this initiative was very astute. It was often the case that if problems were insoluble through a direct approach, progress could best be made by adopting a more indirect method which by-passed them, or absorbed them in a wider framework, and this could be one of the benefits of the Joint Studies.

M Beregovoy went on to speak about the French Government's nationalisation proposals. He emphasised that, where these affected companies in which there were important foreign interests, these would be scrupulously respected. It would be wrong, however, to try to pretend there would not be problems over foreign interests. This could be true in both directions: for foreign companies with investments and subsidiaries in France and for French companies which were to be nationalised with subsidiaries overseas. The French Government's objective was to do everything possible to facilitate negotiations involving foreign interests. As for the speed at which the French Government would go, M Beregovoy said that the Government intended to approach the problem realistically. The programme of nationalisations had been announced at the Council of Ministers on 9 September. The Bill would go to the Conseil d'Etat on 11 September. M Beregovoy explained that one group of leading companies would be totally nationalised; a further group of major companies which had significant foreign shareholdings would have their capital structure examined; finally, the Government would take a majority shareholding in the two principal arms manufacturing industries. As for the banks, the French Government was interested only in nationalising those with deposits of over F.1 billion. This involved 33 banks, which amounted to 95 per cent of the banking sector. Another 65 banks would remain unnationalised and foreign banks would be unaffected. The Boards of the nationalised companies would be drawn from 3 groups: representatives of the State, of the employees and of the principal consumers of the products of the company. The Managing Directors would be nominated by the Government. Broadly speaking, the objective of the nationalisation plan would be to make these Government-owned companies the centres of investment and innovation in the French economy.

Reverting to Summit questions, Sir Robert Armstrong enquired who would be accompanying M Mitterrand to the North/South Summit in Cancun. M Beregovoy said that the Ministers involved would be M Cheysson and M Cot; M Attali would also be going. M Beregovoy then went on to talk about President Mitterrand's views on Economic summitry. The President, like Mrs Thatcher, believed that the Summits should be "de-bureaucracised": both Venice and Ottawa had been over-prepared in advance. The French President attached importance to the Summits providing an opportunity for wide-ranging and informal discussion between those present. It was at the Summits that the political leaders could exchange views and attitudes of a largely political nature. They should not become involved in technical questions which were essentially a matter for departmental Ministers. Sir Robert Armstrong agreed with this view. He believed that the preparation for Ottawa had been excessive, although this had largely been the result of the aid mandate put on the Personal Representatives at the Venice Summit. Equally, the Venice Communique had been prepared three to four months in advance, and had been too rigid and over-structured. Naturally some preparation was necessary because the meetings were short, and the international media were looking to the Summits for something of substance. He believed that the preparatory work for Summits should be primarily concerned with establishing on which questions there was agreement between the participating Heads of State or Government, leaving the Summits themselves for discussion and exchanges of views on those subjects on which there was disagreement.