

Qz.03054

MR COLES *AR 15/3* *Mr.*

cc: Mr Bone, APS/Foreign and Commonwealth Secretary
Sir Robert Armstrong, o/r

EUROPEAN COUNCIL: PRESIDENT MITTERRAND

Mr Evans of the Foreign Office has just telephoned from San Diego to report on the talks that he and Sir Robert Armstrong have had with the French representatives there.

2. Monsieur Attali, President Mitterrand's senior advisor on international matters, did not in fact go to San Diego and the President was represented by Monsieur Pierre Morel of the Elysee staff. Both Monsieur Morel and Monsieur Jean Claude Paye of the Quai d'Orsay said that the line which the Prime Minister intends to take on the budget problem would come as no surprise to President Mitterrand. They were not able to predict how President Mitterrand would react but they did reveal that Monsieur Chandernagor's surprisingly forthcoming statement on the long-term solution to the Foreign Affairs Council on 14 March was quite deliberate and had been authorised by the President. (My minute of 15 March summarizes this statement.)

3. Monsieur Paye also told Mr Evans that he was hoping to get authority from his Ministers for a further round of bilateral discussions at official level with the United Kingdom. He indicated that the delay in arranging these discussions had not been caused by any ill-will but simply by the fact that French Ministers had been totally preoccupied by their elections.

4. We have not suggested that the Prime Minister should arrange a bilateral with President Mitterrand on this occasion. If they were to talk together the best subjects to discuss would probably be the preparations for Williamsburg and the danger of a trade war with the United States. On the budget issue, we would recommend that the Prime Minister confined herself to saying that:-

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- (i) for domestic political reasons she had to have a settlement of the immediate problem by June; and that

- (ii) on the longer-term solution she had noted with interest what Monsieur Chandernagor had said at the Foreign Affairs Council. She understood that French and British officials were discussing these matters and she hoped that these bilateral discussions would continue. It would of course be essential to keep the Germans fully informed.

D.H.

D J S HANCOCK

18 March 1983