

SUBJECT ex Master Sel **CONFIDENTIAL**

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

Present:

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

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

UN Debate on the Falklands

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 Although colonial association was out of date, the Falkland Islands did not have the usual characteristics of a colony: for example they were inhabited by people from Britain rather than by an indigenous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

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

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

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

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

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

European Budget

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

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

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organised on a community-wide basis. The Chancellor of the Exchequer said that the United Kingdom had absorbed the Treaty of Rome as part of British law. We had also absorbed the undertakings given at the time of Britain's entry to the Community but if unacceptable situations arose through the operation of the budget, they would be corrected. The Community had acted on this understanding in 1980 and in 1982 to correct the position and the British Government took the view that, having accepted the principle thus far, the Community should continue to accept it until a solution was found. The Prime Minister said that any organisation had to adapt to survive. She wanted the budget problem solved, because she was fed up with the difficulties which it caused.

President Mitterrand said that one of his difficulties was that he was dealing with friends and allies who took a forceful position on the basis of apparent logic. In 1½ years he had been nearly convinced by Britain's case, but then Germany had raised a similar complaint that they were losing out. Chancellor Schmidt had not been willing to be left behind by Mrs. Thatcher on this subject. The Prime Minister said that Germany had been hard hit by the recession and were perhaps less resilient than the British. Germany had had a good deal from the Community: for example, they enjoyed free trade with East Germany. But a new generation was arising in Germany, with less of a sense of guilt than the previous one, which would not accept the burden of paying large net contributions for the benefit of other members of the Community. It did not make sense that Britain should pay as much to the comparatively rich members of the Community as it spent on aid to the under-developed world. It was a question of equality and fairness, which had led the British Government to reach the understanding referred to by the Chancellor of the Exchequer as a sort of codicil to their Treaty of Entry to the Community, and the British Government was invoking that codicil now.

Agricultural Issues

President Mitterrand said that French farmers had had their best year for ten years. The Minister of Agriculture said that he hoped that this would be reflected in the French proposals on agricultural prices, and President Mitterrand acknowledged that

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their proposals would be lower than/the previous year. The President said that Madame Cresson had recently been in Moscow to negotiate a commitment to sell grain to the Russians: she had been surprised to hear from the Russians that President Reagan had told them that he was prepared to sell 23 million tons of grain to the Russians, which was more than the Russians needed.

Siberian Gas Pipeline

President Mitterrand said that he had discussed with Mrs. Thatcher earlier in the evening the French and British attitudes towards the talks on ending the United States sanctions, and it was clear that the British and French positions were very close. Both sides agreed that it was a matter of helping the United States to end the deadlock, and Mrs. Thatcher had urged him to be flexible. The Prime Minister said that, if the sanctions were not removed and the United States ban on licensing and on the export of certain essential items remained in place, vital European exports would be affected. It was therefore in the interests of Europeans to get the sanctions lifted, and the opportunity to do so might not be available for long. If the price of getting sanctions lifted was the establishment of working parties which carried no commitment, she thought that the price was worth paying.

President Mitterrand commented that the attitude of the United States was like a man who had stolen your watch and said that he would return it if you would give him your watch. The Prime Minister said that the position was more like a man saying that he would give you back your watch if you would discuss giving your watch, without any commitment. M. Cheysson said that the French Government had two substantial difficulties. They were not prepared for the discussions on the limiting of credit to be restricted only to public credit. Second, they had recently heard that the Americans were proposing to undertake bilateral discussions with each country individually about the lifting of sanctions, and in the French view this was unacceptable. The Prime Minister said that the reports about the American attitude were not clear: her understanding had been that, if the Europeans agreed to the terms now being discussed, all retrospective orders could be lifted in two days. President Mitterrand

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remarked that he had hitherto refused to read the paper prepared by Mr. Shultz, but following his discussion with Mrs. Thatcher, he would do so.

Industrial Co-operation

President Mitterrand said that, if there was more co-operation between European countries in producing the goods which the Americans were now withholding, such problems would not arise. The Prime Minister agreed that specialisation in European countries contributed to the problem. The Secretary of State for Trade added that Western Europe depended on United States technology for many things other than those involved in the Siberian Pipeline.

M. Chevenement said that there were a number of promising areas for European co-operation, for example the fast breeder reactor and the airbus. In reply to a question from the Prime Minister, he said that the French fast breeder was expected to come on stream within a year, producing 13 hundred megawatts of electricity, a five-fold increase on the prototype.

The Secretary of State for Industry said that there was a distinction to be drawn between co-operation on the airbus and the ending of dependence on United States technology. Co-operation on the airbus depended on whether the airbus was a viable commercial project. But in his view, there was a need for Europe to consider, over a wide range of goods, how they should deploy their efforts in order to manufacture in Europe and achieve greater independence from the United States. He thought that the knowledge that Europe was making efforts to become independent in this way would have an important effect on attitudes in the United States. The Prime Minister added that time and again it was discovered that crucial pieces of new products depended on United States technology: one example was the 128k silicon chip.

M. Chevenement commented that there was scope for regular industrial co-operation between European countries in more fields than research and development. For example, British

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firms had made marketing agreements with Japanese firms which might have been made with European firms. The agreement with Westinghouse on nuclear technology provided another example. As regards the airbus 320, he commented that this was not only a commercial issue. While it might be difficult to attract orders in the present dull market, the airbus would be flying to the year 2020. There was only likely to be two manufacturers of narrow-bodied aircraft, and the question was whether the United States should be left with a monopoly.

F.R.B.

5 November 1982

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10 DOWNING STREET

From the Principal Private Secretary

5 November 1982

Dear Brian,

ANGLO/FRENCH CONSULTATIONS

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

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

Yours ever,

Robin.

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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