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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE  
PRESIDENT OF FRANCE AT THE ELYSEE AT 0930 HOURS ON FRIDAY  
5 NOVEMBER 1982

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Present:

Prime Minister	President Mitterrand
Mr. Coles	M. Vedrine
Interpreter	Interpreter

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Pipeline/US Sanctions

The Prime Minister said that we had made enquiries overnight about the problems raised by M. Cheysson the previous evening. It appeared that there was a misunderstanding. The United States had no intention of conducting separate negotiations with individual countries. They would deal with us jointly. President Mitterrand said that the point had arisen from a message received from the French Ambassador in Washington, following his conversation with Mr. Eagleburger. The general problem of the pipeline remained a difficult one for France. But as he had promised the Prime Minister the previous day, he would study the documents today. Current French instructions were that the idea of negotiation should not be accepted because the American position was unjust. He did not wish to give the United States any concessions in exchange for their removing gratuitous injuries to France. The Prime Minister said that she understood the French position. Her concern was to get the sanctions lifted.

European Community Affairs

President Mitterrand said that the affairs of the Community were not progressing well. This was not the fault of the United Kingdom, but of all the member states. Take for example the question of protectionism. All member states were practising sub rosa protectionism. It was not easy to determine who practised it most.

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There was protectionism both between member states and vis a vis external countries such as the United States and Japan who were themselves protectionist. Japan raised no official barriers to trade but managed in a masterly way to prevent entry to its markets. A large French glass-manufacturing firm had spent seven years in Japan before selling a single product. Only the strongest firms could wait for seven years before making profits. Most gave up well before.

France complained about United Kingdom protective measures in respect of poultry - and doubtless the United Kingdom had complaints about France. France had just entered the German beer market and the Germans had revived 16th Century legislation on beer. Italy used black market labour. There was a factory near Toulouse whose work consisted of changing French labels for Italian ones. There was a similar factory which changed Hong Kong labels.

It was essential that at the European Council in Copenhagen we all put our cards on the table and had a frank discussion. Member states should decide that there should be free trade among themselves. There was a climate of acceptance of protectionism.

Then there was a special problem with the United Kingdom. It had been the last country to join the Community. It had world-wide influence and special commercial and financial traditions. So integration was particularly difficult. France suffered from Common Market regulations on wine. Italy managed to produce wine with which no-one could compete. Their methods were wrong but France had also been wrong to close its frontiers to wine imports.

Finally, there was the particular problem of the British budget contribution. This had been raised by Britain and, consequently, by Germany. He had said several times that a solution would not be easy to find. We were both suffering from the world economic crisis which each was tackling in its own way. Two thousand million francs was a very heavy item in any budget. Britain had had remarkable<sup>success</sup>/in reducing its budget deficit. It was not lower than

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that of France which until now had flattered itself that it had the smallest deficit of the industrial countries. Difficult decisions would have to be taken. Naturally, we all had selfish reflexes.

The Prime Minister said she would first address herself to the President's remarks on protectionism. We had to decide on our approach to GATT and we should also discuss the issues at Copenhagen. Next year's Economic Summit would be another occasion for discussion. At two previous Summits we had all been determined to tackle the Japanese but had somehow avoided raising the issue directly with them. She understood from OECD figures that Japan was likely to have a balance of trade surplus of \$17-20 billion this year. This would cause great resentment. The British people would feel that Japan was obtaining jobs that ought to be theirs. Like France, we found that we could not sell to Japan goods that we could easily sell elsewhere.

We were trying to deal with this problem through the Community but the Community moved very slowly and Japan played one member state off against another. We had generous voluntary arrangements with Japan. We had now said they would have to be tightened up. But many of their barriers were invisible. She had asked M. Jobert the previous day how France managed to confine the Japanese share of the French car market to 3% (the Japanese had nearly 11% of the British market). She understood that in about 1978 France had simply told Japan that they could have 3% and no more. Cars were not the only problem.

First, we should stimulate the Commission to take more forceful action. Then, we should have to confront the Japanese, especially in the GATT.

There were also problems with the NIC's whose wage costs were low and who did not have the same social security overheads as the industrialised countries.

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She recalled discussion of these issues at Cancun when all had admitted that they operated barriers to trade. She would like to see these barriers reduced but we must take practical measures. We should avoid the replacement of existing obstacles by invisible barriers. It was very difficult to solve these problems at a time of world recession but the recession made a solution even more imperative. Otherwise, we should all retreat into protectionism. Countries like the United Kingdom, France and Germany had to export to live.

How was France approaching the GATT meeting?

President Mitterrand said that he had no firm ideas. France was concerned at the arrival on the European market of large quantities of US soya beans for animal feed. This was upsetting the internal market. France would approach the GATT meeting with an attitude of protest. It was ready to co-operate with any other country. But the existing Community regulations on these questions were not effective.

The Prime Minister commented that Japan presented particularly difficult problems because some EC members had arrangements which had been agreed before the Treaty of Rome and which they were able to keep. One effect of this was that the various member states had different arrangements with Japan which made it difficult for the Community to negotiate as a whole.

President Mitterrand said that we must aim at a thorough discussion at Copenhagen. This should be conducted in private. It might enable us to harmonise our positions before the GATT. Perhaps a semi-official document should be prepared for informal discussion at Copenhagen. The Prime Minister pointed out that the Copenhagen meeting would occur after the GATT conference had begun. President Mitterrand enquired whether we could carry out consultations before the GATT. The current Summit was a beginning. We should also involve Germany. He would raise these issues with the Italian Prime Minister who would be visiting Paris shortly.

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The Prime Minister suggested that French and British officials should meet to consider subjects of this kind in detail. France had special arrangements with Germany. We were not seeking formal consultations on that model. But we should like to have more meetings of officials so that we understood each other's minds - the meetings could deal not just with trade but with other subjects as well. President Mitterrand said that he was in favour of anything that made relations easier. Officials could report to the President and the Prime Minister each month. If they had to report, they would have to meet. It would be good to involve the Germans at some point. Agreements between the United Kingdom, France and Germany on these matters would have a weighty affect. As regards the GATT, we should perhaps aim at Franco/British talks before 20 November (though such talks could of course be carried on in the future as well). Before the Summit ended, the responsible Ministers might be asked to designate the officials who would meet and to name a date. Germany could be brought in later.

Reverting to Copenhagen, the Prime Minister said that there could then be an examination of internal EC trade problems. President Mitterrand said that he would prepare a paper on these matters. This would be better than leaving it to the Commission who would be liable to produce a paper criticising Member States and to give publicity to it. The aim should rather be to have an informal discussion among Heads of Government at Copenhagen, following which the Commission could be given particular tasks. It was for Heads of Government to decide these matters not the Commission. The Prime Minister agreed that this was probably the best procedure to follow.

She hoped that before the Copenhagen meeting, the Danes would have endorsed the approach of the Nine on a Common Fisheries Policy. President Mitterrand said that our cooperation on this question had been very good. The Prime Minister agreed. But the Danes must come into line. Their fishing practices were notorious. President Mitterrand said that this was a serious problem worldwide. African waters were pillaged by the Russians and the Japanese.

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The Prime Minister said that she hoped France would bring pressure on Denmark to accept the agreement. Otherwise national measures would be introduced and this would be bad for the Community.

Reverting to the EC Budget, the Prime Minister said that we intended to reopen the discussion. Anyone in our position would do the same. The question would become more urgent as expenditure rose and the resources to meet that expenditure became less adequate. A fundamental examination was necessary. It was wrong that the UK and Germany should finance the Community. She knew that solutions were not easy but solutions there had to be. As long as the problem persisted, the need for a solution would be there. She did not want to have to revert to the matter every two years.

President Mitterrand said that the problem was one of confusion between the Community and the Budget. The Community was a bigger matter than the Budget. Those who thought they were suffering from the Budget were not necessarily suffering from the Community. The Germans complained of the CAP and its method of financing but the CAP had enabled Germany to build up one of the most efficient agricultural sectors in the world. People failed to take account of benefits which did not appear in the Budget. The latter was a very small proportion of Community GNP. The Prime Minister had described the CAP yesterday as an artificial contract which left no scope for free competition. Clearly, France and Britain had different concepts of Europe. He did not see Europe as part of a world free trade system but as a protective system for Community countries. That was the spirit of the Treaty of Rome. It might be necessary for a number of agricultural products to be de-budgetised and covered by several agreements. The problem would grow as the Community became more involved with Southern Europe and as the one per cent ceiling was approached. He well understood that Britain continued to raise this problem. But it would take us into deep waters and an examination of the real nature of the Community.

The Prime Minister said that agriculture might be a small proportion of the Community's GNP but it absorbed between 60 and 70 per cent of the Budget. She agreed that we would come up against

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the one per cent ceiling. That would force a reconsideration of the Budget and of the operation of the CAP and might, as the President had suggested, lead to discussion as to whether some agricultural products should continue to be covered by the CAP. The one per cent ceiling problem would arrive anyway and would provide an opportunity for solutions.

She then enquired how President Mitterrand saw the problem of Spanish accession to the Community. President Mitterrand said that all Spaniards wanted Spain to enter the Community. The Prime Minister said that she hoped this was indeed the case. Entry was necessary to keep Spain democratic. President Mitterrand said that when he went to Madrid, he had been reproached for slowing down Spanish entry. But France merely wanted to protect its legitimate interests. It could not see the economies of Provence, Languedoc and part of Aquitaine demolished through the indiscriminate import of agricultural products. Wine, fruit and vegetables posed particular problems and an agreement on Mediterranean fishing was necessary. If suitable arrangements were not made, the jobs of 7-8 million Frenchmen would be put at risk. Spanish accession was a political necessity. But France did not want a Community which Spain had entered unconditionally. France reproached the UK for constantly applying vetoes and did not wish to have to apply vetoes on Spanish questions in the Community in the future. The Commission must speed up its work on the transitional period for Spain. He had to have a clear picture of the likely effects of Spanish entry. The industrial problems were less great. They involved steel, textiles and leather. France had commercial agreements with Spain going back to 1970. These gave Spain advantages and were therefore a card in the French hand. Some regions of France favoured Spanish entry. He was not against this. In principle, the problems could be settled in a few months. But current progress was slow.

The Prime Minister said that we had a particular problem with Spain over cars. The 1970 agreement allowed them to impose a tariff of 37% whereas we could only impose a tariff of 4%. President Mitterrand expressed surprise at these figures.

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The Prime Minister enquired whether the President viewed the Spanish problems as fundamental or transitional. President Mitterrand said it was of a transitional nature. It was necessary to be realistic. One could not write everything down in advance. But the transitional period must be a long one as regards agricultural products. He had earlier agreed with Spain that there should be meetings between Foreign and Agricultural Ministers to try and move things forward. But these arrangements had been upset by political events in Spain. He hoped that such meetings could resume early next year. France could simply not bear the shock of Spanish entry without a shock-absorber.

The Prime Minister asked how long the President thought it would take to reach agreement. Was he thinking, for example, of 2 years? President Mitterrand said that he envisaged a shorter period. Portugal presented no problems except/<sup>that</sup> it was difficult to admit her without Spain. The Prime Minister commented that it was very important that Portugal should enter as soon as possible. Italy would also be affected by Spanish entry. President Mitterrand agreed. Mr. Spadolini had adopted a very Italian position. Italy was encouraging France to resist Spanish entry while the Spaniards thought that in Italy they had an ally against France.

#### Terrorism

President Mitterrand said that the Basque problem posed great difficulties. There was now a real war in progress similar to that in Northern Ireland. He was taking a tougher attitude than had his predecessors. There was now an agreement between frontier police. France was arresting terrorists and imprisoning them though there were difficulties with the judiciary. Terrorists had not yet been extradited - that would present big problems. The main Basque terrorist leaders had been arrested and would not be released for some time.

The Prime Minister recalled that the French Minister of the Interior had visited London recently to discuss the problem of terrorism with the Home Secretary. President Mitterrand said that his Government had been much criticised by the French press for

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arresting three Irish terrorists. It was not France's job to deal with Irish terrorism but the fact was that international terrorists, whatever their objectives and political persuasions, were linked. They used the same channels for buying arms and obtaining false identity papers. The Irish terrorists in question had obtained identity papers from the same source as certain Red Brigade terrorists in Italy. He had noted differing attitudes as between the British police and the secret services.

The Prime Minister said that we would always be grateful for French action against terrorists. The problem of adducing evidence was a difficult one because of intimidation. But the more closely we cooperated against international terrorism the better.

President Mitterrand said that the French police network had been greatly improved in the last six months. Since 1979 there had been 150 anti-semitic outrages in France, 130 before his Election and 20 since. Until six months ago, no arrest had been made. But the first results were now appearing. Problems were created by those who released Middle Eastern terrorists for fear of reprisals. There were two adherents of Carlos in prison in France. He had received a letter from Carlos who had threatened that if they were not released there would be a terrorist attack each month. The President had rejected this threat and a serious outrage had occurred each month. For example, a train had been blown up, and a bomb exploded in the Champs Elysees. There would be others. But once one surrendered the consequences were grave. The Prime Minister entirely agreed; concessions always led to more terrorism.

The President said that of all the problems that had been covered, the one that remained outstanding was that of the British Budget contribution. He was not hostile to making a contribution. France might be in the same position as us one day. But there were two questions of principle: how much? and for how long? The Prime Minister said that we could not solve the problem now. But she agreed that any country might be in our position. We would expect that country to adopt our attitude.

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President Mitterrand said that, like the Prime Minister, he had received Mr. Rumsfeld, President Reagan's emissary, who had asked France not to sign the Law of the Sea Convention. The Prime Minister said that the arrangements in the Convention for deep sea bed mining were very bad. It would be better to reopen discussion on those clauses before signature. Otherwise, investment in deep sea mining would not take place. There were other aspects of the Convention which we favoured. But she was very loath to put her signature to a Convention which contained such provisions as those on deep sea bed mining. An alternative course would be to sign but not to ratify but that was not a course she favoured. We were continuing to examine the matter.

The President said that France had decided to sign the Convention. He recognised that the mining provisions were objectionable. It was not a good idea to give to a United Nations body the responsibility of deciding who should have mining rights but France saw advantage in the other aspects of the Convention and had decided to sign.

President Mitterrand said that these personal contacts were very useful. He and the Prime Minister could not negotiate details but they could create the right atmosphere for negotiation. The Prime Minister said that it would be very useful for our officials to meet more frequently. President Mitterrand agreed. They should meet once a month in alternative capitals.

The discussion concluded at 1045 hours.

A. J. C.

5 November 1982

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10 DOWNING STREET

From the Private Secretary

8 November 1982

Dear Brian,

Anglo-French Summit

I enclose copies of the records of conversation at the two tête-à-tête meetings held between the Prime Minister and the President of France - the first on 4 November and the second on 5 November.

I am copying this letter and enclosures to John Kerr (HM Treasury), John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry), John Halliday (Home Office), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

The Prime Minister wishes that these records should not be circulated outside Private Offices except where this is operationally essential - and in that case only the relevant extracts from the record should be distributed.

Yours ever

John Major

Brian Fall Esq  
Foreign and Commonwealth Office

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