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Foreign and Commonwealth Office

London SW1A 2AH

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*COB  
26/4*

*Dear Charles,*

Prime Minister's Meeting with M Jacques Chirac: 26 April

Introduction

The Prime Minister's lunch for M Chirac (personality note enclosed) will we believe be their first meeting since Chirac's visit to London in December 1983. His only subsequent visit to Britain was to Guernsey in June 1985 (to visit Hauteville House, the home of Victor Hugo in exile) - a pilgrimage also made last year by President Mitterrand, to mark the Victor Hugo centenary.

This letter will be supplemented in due course by a scene-setting telegram from Paris, and a note on recent developments in the aftermath of the Greenpeace affair. The Foreign Secretary will also be sending a separate minute on EC matters.

Situation in France

President Mitterrand appointed Chirac as Prime Minister on 20 March. On 9 April Chirac presented his programme to the National Assembly. Its main elements are economic policies based on deregulation, privatisation and job creation (the last a major priority), an emphasis on law and order (reflecting the need to steal some of the clothes of Le Pen's National Front, which won 35 seats in the new Assembly), and a return to majority voting. In foreign and defence policy we have so far discerned little real change. This was borne out by the Foreign Secretary's meeting with the new French Foreign Minister, Raimond, at Chevening on 14 April.

Mitterrand and Chirac are still in the process of establishing a partnership. So far the nature of their "cohabitation" is unclear. For the moment, they are condemned to work together - it is in neither's interest to rock the boat, particularly as public opinion appears to favour "cohabitation" (both Mitterrand and Chirac are riding high in the polls). Chirac appears to have secured the predominant right to formulate domestic and economic policy (though Mitterrand is resisting the generalised implementation of measures by decree). But in foreign and defence matters the relationship appears more finely

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*h No, you met in Washington last summer*





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balanced. But Chirac is plainly determined (supported by a substantial team at the Matignon) to play an active role internationally; since his appointment he has already visited Kohl in Bonn (on 17 April), made a symbolic visit to Ivory Coast to see Houphouet-Boigny, and received various foreign dignitaries (including Peres) in Paris.

It is clearly important to strengthen our links with Chirac, but equally clear that to achieve that without adversely affecting our relationship with Mitterrand will be far from easy.

### Chirac's Policies

His economic philosophy is close to the Prime Minister's (which makes him a potential ally over completion of the Internal Market). He is robustly pro Western (the RPR is a founder member of the EDU and IDU, and Chirac has frequently represented his party at their meetings, eg Oslo in June/July 1984). He is strongly Gaullist (thus a potentially awkward customer for us in some areas, but usefully positive on bilateral nuclear cooperation and on the preservation of the Luxembourg compromise). And finally, he is in French terms a strong European.

You may find helpful some further notes on the new French Government's economic strategy:

(i) Privatisation. Chirac's objective is to privatise 33 nationalised industries in the competitive sector over the next five years (total estimated value FF<sup>r</sup> 200 bn). Mitterrand has said he will not sign privatisation ordinances (for which enabling legislation is now going through Parliament) for companies privatised before 1981. This would exclude the "big three" banks, insurance companies and Renault.

(ii) Budgetary restraint. Following the 5.8% devaluation of the franc against the DM on 6 April, the government announced a package of measures including restrictions on public sector pay and cuts in planned public spending. The amended 1986 budget, adopted on 16 April, includes only a 1% cut in the budget deficit, but in the Autumn the government will present its 1987 draft budget, likely to involve cuts in public expenditure, taxation and the deficit. The previous government's 5% target for monetary growth in 1986 is to be retained.

(iii) Deregulation. Some controls on prices and capital flows were removed at the beginning of April, and the government intends to move progressively towards the complete elimination of price and exchange controls. New competition legislation is to be introduced later this year. The government are also looking at other ways of reducing the burden of state-imposed regulations on companies.

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(iv) Job creation. The amendments to the 1986 budget included FFr 4bn to fund reductions in employers' social security contributions for young people and an additional FFr 500m to help the long-term unemployed. Schemes for profit-sharing and employee ownership are to be encouraged.

The new Government have shown themselves keen to benefit from British experience. At the instigation of the new Minister of Economy and Finance, M Balladur, one of his senior advisers, M Raiman, will be visiting London in early May for discussions on privatisation, deregulation and "demunicipalisation". It is hoped this will be followed by a visit of the Minister for Privatisation, M Cabana, later in the year.

#### Objectives/Handling the meeting

Against this background, our objectives should be:

(i) to demonstrate our wish to sustain and enlarge our links with France;

(ii) to explore how contacts at Head of Government level will work, under cohabitation;

(iii) to cover the main Community and foreign policy issues which are likely to require attention in the coming months, and to identify any areas where a significant shift in French positions is likely;

(iv) to stiffen French resolve in dealing firmly with Libya and Terrorism, and to encourage France to work closely with her partners eg at Tokyo.

There is no fixed agenda. But the aim might perhaps be to touch on the following main points:

- (i) Libya/Terrorism, including hostages in Lebanon
- (ii) EC Issues
- (iii) East/West Relations and Arms Control
- (iv) International Economic Issues, pre Tokyo
- (v) Domestic Economic Policy
- (vi) South Africa
- (vii) South Pacific Issues
- (viii) Falklands/Argentina
- (ix) Bilateral Relations, notably the Channel Fixed Link
- (x) Airbus.

#### Libya/Terrorism

The French have given little public support to the Americans to date. As well as refusing overflight rights, they have not been prominent in pushing for measures against the Libyans in Berlin or for tougher measures by the Twelve. The Quai statement on 15 April, apparently drafted





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jointly by the Elysée and the Matignon, was not in very strong terms, though it did say that if Libya carried out its threats against Italy and Spain the Twelve should decide on "an appropriate response". There are however some signs of second thoughts - the French joined the US and UK in vetoing the non-aligned motion in the UN Security Council, and have now expelled a total of 6 Libyans, including two members of the People's Bureau in Paris. Chirac has said in public that he will be ready at Tokyo to discuss further cooperation against terrorism. And you will recall that in his telephone call on 19 April he said that he himself supported completely the Prime Minister's actions, even if France had not taken the same position. (There have been reports - strongly denied in Paris - that Mitterrand at least would have favoured an all-out attack by the Americans to overthrow Gadaffi.)

The Quai issued a statement on 17 April strongly condemning the assassination of the British hostages in Beirut. This was echoed by Chirac on 19 April. The Prime Minister might mention our strong evidence of Libyan involvement in the abduction of Padfield and Douglas, and the uncertainty about Collett and McCarthy. We would be grateful for any information the French can provide. The French still have at least seven hostages in Lebanon - an eighth, Michel Seurat, was reportedly executed some weeks ago. The French Government have been prepared in the past to make substantial concessions to obtain the release of hostages. It is not clear whether Chirac's tough public stance marks a real change in approach.

#### East/West Relations and Arms Control

Chirac told Shultz in Paris last month that he regarded Gorbachev as 'a dangerous individual for the West', and urged the Americans to be firm. The Prime Minister could give Chirac her own impressions of Gorbachev, and ask about Mitterrand's plans to visit Moscow (probably in June/July). Would Chirac go too?

Despite much Soviet propaganda, we see little sign yet of genuine readiness to compromise in the arms control negotiations. We believe the West should continue to press Gorbachev to get down to serious negotiation in Geneva. The recipe for Western countries should be close consultation, a readiness to examine Soviet proposals with an open mind, and a willingness to respond in a reasoned way - not automatically dismissive - to new and more effective Soviet presentation.

French reservations about a genuine zero-zero INF outcome are even stronger than ours, although based on similar concerns about avoiding a "Euro-strategic" balance or endorsing either the US or Soviet version of a nuclear free world. The French also share our concern about

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recurrence of the "Nitze heresy" (third country participation in the negotiations following US and Soviet reductions to 6,000 or so nuclear warheads).

Chirac's only mention of the UK in his 9 April speech to the National Assembly referred to the special responsibilities of Britain and France as the two West European nuclear powers. In bringing out the similarity of UK and French positions, particularly on the involvement of UK/French nuclear forces in negotiations and the need to emphasise European concern about conventional and chemical weapons, it would be useful to stress the importance we attach to bilateral contacts.

The French were apparently a little nervous about our discussing arms control issues with Karpov on 18 April, but by keeping them in the picture we were able to allay their anxiety. In particular we underlined to Karpov our reasons for supporting the firm US rejection of the new Soviet demands on UK/French forces.

Chirac also signalled a change in the French position on SDI, but without endorsing the project. In effect the French will keep their eyes open without at this stage coming to any conclusions

#### International Economic issues

The only point we believe the French may raise at Tokyo is the need for an international monetary conference. We are not persuaded that that would be useful.

#### South Africa

The new French Government are likely to be cautious about sanctions. The Foreign Minister was non-committal when Sir Geoffrey Howe raised the issue on 14 April. The Prime Minister may wish to explore M Chirac's views and to urge on him that the common Western interest lies in seeking to promote peaceful dialogue.

#### South Pacific Issues

Chirac may want to discuss the South Pacific. The French continue, however unreasonably, to be suspicious of an Anglo-Saxon "plot" to undermine their position in the area. They are extremely sensitive about the South Pacific Nuclear Free Zone Treaty (SPNFZT), which they see (with some justification) as an attack on their nuclear testing and a challenge to their political position in the Pacific Islands.

The SPNFZT aims to prohibit the acquisition, stationing or testing of nuclear explosive devices in the South Pacific. Annexed to the Treaty are three draft Protocols

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(to which Treaty signatories hope we will accede) which seek to apply certain key provisions of the Treaty to our dependent territory (Pitcairn) within the zone, and commit us not to undertake nuclear tests within the zone and not to make or threaten nuclear attack against the parties to the Treaty. The draft protocols are likely to be finalised in August, after which we expect to be formally invited to accede to them.

The French would regard UK accession as an unfriendly act. The Prime Minister may wish to assure M Chirac that as a nuclear weapon state ourselves, we understand the reasons for the French tests (while recognising the strength of feeling in the region on this issue). So far as the SPNFZT is concerned, we are waiting to see the final form of the Protocols before we reach a firm decision. We will wish first to have a very full exchange of views with the French.

#### Falklands/Argentina

The Prime Minister could explain our desire to move towards more normal relations with Argentina, setting aside the question of sovereignty over the Falklands. She may also wish to express concern about possible arms sales to Argentina and the hope that the French will keep in touch with us on items of special sensitivity, such as airfield attack weapons. Sir Geoffrey Howe raised the subject on 14 April with M Raimond, who was unbriefed and did not respond.

#### Bilateral Relations

There are no major bilateral problems. On the Channel Fixed Link, there appears to be no substance to recent rumours (probably inspired by Sherwood of Channel Expressway) that the new French Government wants to re-examine the choice of CTG-FM as concessionaire. The French Foreign Minister told Sir Geoffrey Howe on 14 April that the new Government had the same intentions as its predecessor. The Prime Minister may therefore wish simply to reiterate HMG's strong support for the project (the CFL Bill has received its first reading in Parliament and is on course for passage by Easter 1987).

The next bilateral Summit falls due in November. It is for the French as hosts to propose dates. There would be advantage in suggesting dates ourselves; we will be writing separately about this. In view of the problems posed by "cohabitation", we believe it best to approach this through the Quai.

#### Industrial Collaboration

We understand Chirac may wish to raise Airbus. He appears keen to get a launch decision on Airbus Industrie's new projects, particularly the (long-haul) A340: he

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emphasised this to Herr Genscher during their meeting last week. The UK has taken a slightly more cautious approach (as have the French hitherto); we await the outcome of AI's study of the technical and commercial viability of the new programmes. Our caution appears to be justified by the recent (but not public) admission by AI that they are encountering difficulties in obtaining suitable engines for the A340.

The Prime Minister might say as necessary that, while in principle the enlargement of the Airbus family of aircraft is to be welcomed, the UK position of the new programmes remains neutral at this stage. No application for launch aid has been made: when made, it will be considered on its merits.

#### Programme and Participation

M Chirac will be accompanied by an interpreter (M Thierry) and by his Diplomatic Adviser, M Bujon de l'Estang (personality note enclosed: John Weston called on him on 22 April, and a number of the points made above reflect his comments). As you know, he will arrive at RAF Northolt at 1200; Lady Young and the French Ambassador will be there to welcome him. He will be driven direct to Chequers. We understand he will probably wish to leave Chequers by about 1500, to return direct to Paris. An FCO special representative, David Muirhead, will see him off.

#### Publicity

The visit will be announced on 25 April. A photo call will be arranged at Chequers. M Chirac plans to give a brief press conference at RAF Northolt on departure.

Yours ever,

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
PS/10 Downing Street

PS A copy of this letter goes to Michael Stave in the Cabinet Office.

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CHIRAC, JACQUES

Prime Minister, President of the RPR, Mayor of Paris.

Born 1932. Education included course at Harvard. Fought in Algeria. Ecole Nationale d'Administration. Pompidou's Cabinet in 1962. Entered politics in 1967. Junior Minister for Social Affairs and Employment. Junior Minister (under Giscard) of Economy and Finance 1968-71. Subsequently responsible for relations with Parliament. Minister of Agriculture (1972-72) and briefly the Interior. Appointed (Giscard's first) Prime Minister 1974. Secretary-General of the Gaullist UDR from December 1974 to June 1975. Resigned as Prime Minister in August 1976. President of the new Gaullist movement (RPR), in December 1976. Mayor of Paris, since 1977 and of the European Parliament 1979-80.

Chirac rose fast but his record in foreign affairs is uneven. In economic affairs he made his worst mistake: in response to the first oil shock he reflatel, increasing the deficit and inflation: the balance of payments deteriorated. Despite a facade of loyalty began to fall out with Giscard. After Giscard's defeat in local elections in March 1976 Chirac moved too quickly. Giscard fought back, reducing the powers of his Prime Minister. Chirac had to resign. Chirac quickly relaunched himself. His victory in 1977 in the first direct election for the Paris Mairie against Giscard's candidate, further aggravated their relationship. After the Right's victory in 1978 Chirac considered that the Gaullists were given insufficient credit. He stood against Giscard for the Presidency. He received 17.99%.

Chirac (the bulldozer) is a man of action. The Left are suspicious but his authority and nationalism appeal to the Right. After March 1986 Chirac blocked Mitterrand's attempt to keep him out of the Matignon. In his government his RPR have the upper hand over Giscard's UDF. With Mitterrand he has worked to make 'cohabitation' a success, but his prime ambition is to become President.

Married to an attractive and socially assiduous wife, niece of de Courcel. Two daughters. Good English.





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BUJON (De L'ESTANG) Francois

Principal Diplomatic Adviser to the Prime Minister.

Born 21 August 1940. Studied at Institute of Political Sciences, and Harvard Business School. Graduated from ENA 1966.

Presidential Secretariat 1966-1969; Second, later First Secretary Washington 1969-73; First Secretary, later Second Counsellor, London 1973-75; Energy Ministry 1975-77; Director of International Relations, Atomic Energy Commission, 1978-80; Directeur du Cabinet, to Industry Minister Giraud (now Minister of Defence) 1980-81; President of Cogema inc (Washington) 1982-85. He turned down a proposed appointment as Ambassador to Mexico to become Chirac's Principal diplomatic adviser on the latter's appointment as Prime Minister. He heads the six strong "diplomatic cell" at the Matignon.

He is reportedly forthcoming and authoritative in manner, anxious to put his stamp on things and to establish that the role of the diplomatic cell in the Prime Minister's Office will be more prominent than in previous administrations. He speaks warmly of his earlier postings in London and Washington.



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Foreign and Commonwealth Office

London SW1A 2AH

25 April 1986

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Dear Charles,

Visit of French Prime Minister: 26 April

I enclose Sir John Fretwell's telegrams 447 and 448 setting the scene. I should add that he also telephoned the FCO late on 24 April to say that he believes Chirac may raise bilateral and European Defence Cooperation.

This has indeed been a recurrent theme in Chirac's statements before and after the elections. In his speech to the National Assembly on 9 April setting out his government's programme, he underlined his wish to develop consultation and cooperation with France's European allies in the security field. At his meeting with Chancellor Kohl on 17 April, he expressed a clear wish to develop and intensify the security relationship with Germany and to improve the recent poor record of bilateral armaments collaboration.

Sir John Fretwell mentioned last night that the new Defence Minister, M. Giraud, whom he had just met, was evidently much preoccupied with European cooperation, not only with Germany.

In speaking to Chirac, the Prime Minister might recall the progress in developing bilateral defence relations since the autumn 1984 summit and confirm that we look forward to strengthening this vital part of the relationship with M. Chirac and his colleagues. She could add that in addition to our successful bilateral nuclear consultations, we have achieved a higher political profile for the defence relationship, for example by developing operational military contacts.

I am copying this letter to John Howe in Mr Younger's office and Michael Stark in the Cabinet Office.

Yours ever,  
Colin Budd

(C R Budd)  
Private Secretary