

PRIME MINISTER

MEETING WITH M. CHIRAC: CHEQUERS, SUNDAY 26 APRIL

You are meeting M. Chirac at Chequers. He will arrive at 1200 noon and plans to leave at about 1445/1500 hours. He will be accompanied by his Diplomatic Adviser, M. Bujon, by the French Ambassador, and by an interpreter.

There will be a photocall on the steps on arrival. Thereafter, you will probably want to talk for about an hour and continue over lunch.

The purpose of the meeting is to enable us to continue our delicate balancing act between Mitterrand and Chirac: to co-ordinate British and French views on East/West relations, arms control and European Community issues: and continue the de facto process of establishing an Anglo/French/German triumvirate at Europe's helm.

Chirac's domestic position is looking a bit sick. The French economy is not doing well with inflation and unemployment up and the growth rate down. He is lagging behind Barre and Mitterrand in the opinion polls. His visits to Washington and Moscow and his talks with you are intended in part to burnish his image at home. He will also see his meeting with you as 'compensation' for your session with Mitterrand in March.

You will want to thank M. Chirac for his recent letter (in folder) about his visit to Washington. This seems to have gone well. The main issues discussed were arms control, Chirac's WEU initiative, protectionism and Third World problems. The tone of the letter is remarkably warm about the United States (for a Frenchman).

Chirac will want to give pride of place to East/West relations and Arms Control. His own visit to Moscow is still not finally fixed but is likely to take place on 14/16 May subject to agreement on a satisfactory programme. The Russians seem

likely to receive him in a considerably lower key than they welcomed you. (One of your achievements is to have replaced the French as the Soviet Union's preferred interlocutor in Europe, without making the sort of concessions which the French were all too ready to pay). You will want to give Chirac an account of your visit and talks. I have put a copy of your message to President Reagan in the folder as an aide-memoire.

There are a number of points to discuss on arms control. The main one is the state of the INF negotiations. You will want to welcome the Americans' readiness to consult their NATO partners on Gorbachev's proposals. It would be best not to take up too firm a position with Chirac ahead of the NATO consultations, not least to avoid complications in your separate contacts with Mitterrand. But you could say that there seems little realistic prospect of NATO developing and deploying new missiles in the 500 km - 1000 km range. If that judgement is shared by others in NATO, there is much to be said for eliminating as many Soviet systems as possible (SS20s, SS22s, SS23s - the last is vital) but making clear that we should not negotiate any further zero option for missiles below the range of the SS23. Any future reductions in shorter-range weapons must depend on elimination of chemical weapons and the establishment of parity in conventional forces. It would be better to present this as a possible hypothesis rather than a firm position. But it should be generally welcome to the French whose main interest is to avoid any limits on their own shorter-range systems.

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You might briefly mention conventional arms control. The French are bringing the West into disrepute by a pointless procedural wrangle over the link between negotiations on conventional arms and the CSCE process. The French want an explicit link. The Americans want them separate (which is actually more sensible). Our compromise is to say that negotiations on arms reductions will, in practice, take place between NATO and the Warsaw Pact, but there could be a system for informing neutral countries of the progress of

negotiations. Confidence-building measures would continue to be discussed in the CSCE framework.

M. Chirac is likely to raise his initiative for a WEU Charter of Principles, which seeks to rally support for nuclear deterrence and European defence co-operation. But one wonders a bit about French motives. Do they really want to make WEU more effective? If so, why not agree to move its Secretariat from Paris to Brussels? Or do they just want it as an alternative stage on which they can strut, to cover their failure to participate fully in NATO? A certain coolness towards French initiatives in this field would not come amiss.

You ought also to touch on Anglo-French Defence and Nuclear Co-operation, which you discussed quite fully last time. Mr. Younger has agreed with his French opposite number on an agenda for Anglo-French nuclear exchanges (in folder), while making clear politely that there is no scope for putting French missiles in Trident submarines. The current French air-launched missile (ASMP) is too short-range for our requirements, but we would like to be kept abreast of its development. We might be interested in a longer-range version.

There are quite a number of European Community issues to cover. We agree with the French on the need to settle the agricultural price fixing before the European Council and on the need for a restrictive price package. But we cannot accept an oils and fats tax which would simply pass on costs to consumers, hit the exports of developing countries and infuriate the Americans. On future financing, we shall be looking for better public expenditure control and mechanisms in the agricultural sector to avoid wasteful imbalances. We are not prepared even to consider any increase in own resources until there is a satisfactory agreement on these points, and there is no question of decision at the June European Council. And, by the way, no fiddling with the Fontainebleau mechanism. We are still the second biggest net contributor to the Community. This year's financial problems

will have to be dealt with by shifting from advance FEUEA payments to reimbursement. We will not agree to a new intergovernmental agreement. Other EC issues which could come up are Research and Development (we cannot decide how much the Community can afford to spend on research until we know how it intends to manage other expenditure). Chirac is likely to say that the French held out as long as they could but think the outcome reasonable. We have not publicly said that we cannot accept the 5.6 bn. ecu. Our position is that we are still reflecting); EC/Turkey (Turkey's application should be handled correctly but there's no great hurry); and EC/Japan (with which you are all too familiar).

You may want to touch on the Venice Summit. This should focus on world growth prospects, imbalances and exchange rates. We need to see a more credible approach by the US Administration and Congress to reducing their fiscal deficit, action by Japan to reduce its external surplus, and more vigorous growth of German democratic demand. Chirac may mention his ideas for treatment of the poorest countries. These involve some undesirable meddling with the instruments of the international financial institutions to make them favour Francophone African countries. The ideas floated by the Chancellor at the IMF/IBRD meeting - conversion of aid loans to grants, long rescheduling periods for official debt, reduction of interest rates on official debt - are much better.

There are a number of bilateral issues:

- Channel Fixed Link. You can reassure him that, even in the event of an early election, final passage of the Channel Tunnel Bill could still take place by the summer recess. But there could be a problem with French ratification. Their Senate goes into recess in early July, but they may be reluctant to ratify before we do which would mean delaying until the Autumn. This would cause great distress to the Channel Tunnel Consortium who say it would greatly increase the

difficulty of raising money. You might urge Chirac to ensure that French ratification procedures are completed before the Summer Recess even if there is some delay on our side until the end of July. There are also disagreements between British Rail and SNCF on high-speed trains, which threaten to delay the whole project. There is a note in the folder by the Transport Secretary about this.

- he may press you on Airbus, where the French are expected to announce 90 per cent launch aid soon;
- French officials are dragging their feet over compensation for lamb lorries. You will want to remind him that this is a sensitive political issue and needs to be settled soon.
- you will want to reassure him that you continue to see an important role for the Franco-British Council (you and Chirac have both agreed not to attend the next meeting). You will be sending a message to the Conference in Cardiff at the end of May and will receive the co-Chairmen afterwards to hear a report. You hope that he will do the same.

Finally, you might raise the question of the Secretary General of the Commission and David Williamson's candidature. You have previously discussed this with President Mitterrand but not with Chirac. We understand that the French also now have a candidate. But he is almost certainly a straw man put up so that they can claim compensation for not getting the job. You will want to extoll the virtues of David Williamson. Since the French have had the job continuously since 1967 they cannot seriously maintain a claim to have it again, although they will of course be entitled to something for giving it up. It would be very helpful if you could get some sort of commitment out of Chirac on this.

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I attach some briefs and cards.

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C.D. POWELL

24 APRIL 1987

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