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29 January 1988

From the Private Secretary

Dear Lynn,

ANGLO/FRENCH SUMMIT: PRIME MINISTER'S MEETING
WITH M. CHIRAC

The Prime Minister held a meeting with M. Chirac at Lancaster House in the course of the Anglo/French Summit today. M. Bujon was also present.

Their talk covered three main subjects: the forthcoming European Council, arms control and defence co-operation, and the Middle East. Some of their exchanges were vigorous, not to say combative, and I would be grateful if the record could be treated with particular discretion.

European Council

M. Chirac said that the forthcoming European Council presented him with a real political problem. The French Presidential elections were just three months away. His own political interest lay in failure of the Brussels meeting, because any agreement reached there would inevitably be very badly received by French farmers. But for wider international reasons and for the sake of the Community's reputation, he was prepared to work for a success. Even so he could not afford to put all the farmers against him. He could accept a result which was slightly negative for France but not one which was very negative. The blame would all fall on his shoulders not on President Mitterrand's. It was the Government not the President which took decisions on this matter. So he hoped that solutions could be found which would not be too difficult for him. There would have to be compromises.

The Prime Minister said she was worried by the turn which discussions in the Agriculture Council had taken. The German Presidency's proposals would increase agricultural surpluses. They also wanted to substitute co-responsibility levies for price reductions in the cereals sector, with 70 per cent of the levies falling to be paid by the United Kingdom and France. They also proposed weakening the stabilisers in the oil seed and rape sector. She saw no serious prospect of an agreement in Brussels on the basis of

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She proposed the proposals which had emerged from the recent meeting of Agriculture Ministers. She would be discussing these issues with Chancellor Kohl on 2 February. She was not convinced that he was really committed to reducing surpluses. She wanted to make quite clear that there was no question of Britain accepting an unsatisfactory compromise on agriculture in return for continuation of the Fontainebleau abatement.

The Prime Minister continued that she would go to Brussels with the intention of trying to achieve a solution. But judging from M. Chirac's introductory remarks, a solution which was satisfactory to us would be very difficult to him. She recalled that she had first asked him many months ago whether he wanted to bring these matters to a head before the French elections or after them. Perhaps it would be easier for the French Government to agree to effective measures to reduce surpluses at the June European Council.

M. Chirac said that postponement of decisions until June would be a high risk strategy. By then the Community would be running out of money and we would face the uncertain prospect of the Greek Presidency. The Brussels meeting had been fixed for better or worse. But he agreed that a failure would be grave for the Community's international reputation. He wondered whether the most satisfactory course would not be to say that the agreement (sic) reached between Agriculture Ministers should be adopted at Brussels, as a first step towards an overall solution which would be finalised at the June European Council. If the United Kingdom blocked any agreement on agricultural issues at the Brussels meeting, others would focus on the United Kingdom's abatement. France did not have any particular interest in creating difficulties over this - provided it could be agreed that everybody would contribute to the abatement - but other countries were more combative. He was confident that the Netherlands would soon rally to the agreement already reached by 10 Member States on agriculture, in which case the United Kingdom would be isolated with no chance of agreement to continue the Fontainebleau abatement. To sum up the choice seemed to him to lie between a partial solution at Brussels, to be completed at the Hanover meeting in June; or a breakdown in Brussels leading to the United Kingdom's isolation and a major row over the abatement.

The Prime Minister said that this was clearly no time for diplomacy. If M. Chirac thought that ganging up with the Germans to isolate Mrs. T. would lead her to give way they were sadly mistaken. She was ready to work for a solution in Brussels, but not one which would lead people to say that Europe was running away from tackling the agricultural surpluses. A solution must go to the heart of the problems. Anyway, she did not see how M. Chirac could really accept the latest Presidency proposals which would leave French farmers as well as British farmers paying such an unfair share of the co-responsibility levies on cereals. The Community had already demonstrated that stabilisers

ould work in the case of milk. We now had to apply the same solutions to other products. She was perfectly prepared to stand alone on this, because she knew that she had a very strong case. M. Chirac commented that, if the Prime Minister felt like that, it would be better to postpone the Brussels Council. The Prime Minister said she was not suggesting that. Anyway it was a matter for the Presidency.

M. Chirac continued that when the Prime Minister spoke of surpluses she seemed to forget the role of imports. The surpluses were created by imports. For instance France was proposing a Maximum Guaranteed Quantity for cereals of 160 million tonnes to allow exports of some 15 million tonnes. At the same time the Community was importing 56 million tonnes of animal feed. Yet the Community refused to negotiate with the United States to limit imports and refused to impose an oils and fats tax. The result was that the penalty had to be paid by European producers. This in turn bore most heavily on France. He could not accept that. The United States gave ten times more aid to its farmers than Europe did. Europe should insist that others reduced their surpluses too.

The Prime Minister said that M. Chirac seemed to be suggesting that the Community should not accept any imports but aim for self-sufficiency. That was a ludicrous position. Would it apply to textiles or steel or cars? The right way to deal with the problem of agricultural imports from the United States was to negotiate hard in the GATT. She did not for a moment think it was true that United States' subsidies for farmers were ten times those in Europe. Anyway the United States paid its farmers not to produce, while in Europe we paid them to produce surpluses. M. Chirac said that France could not accept any figure lower than 160 million tonnes for cereals. This would allow a fair level of exports. The Americans were engaged in systematic dumping in the Community's traditional markets. It seemed clear to him that there would be no agreement in Brussels. In that case it might be better to postpone the meeting, although France was not proposing this. If it went ahead, the United Kingdom would be isolated.

The Prime Minister said that she had no fear at all of being isolated in demanding that surpluses be brought under control. She recalled her earlier proposal for disposal of surpluses on national budgets, which would allow the Community to start with a clean slate. Allowing half of the Community budget to go to storage and disposal of surpluses was not leadership, it was abdication of leadership. M. Chirac said that if there was to be a bust up on agriculture there would be a bust up on the United Kingdom's abatement. The Prime Minister advised M. Chirac not to threaten her. The United Kingdom remained the second largest contributor to the Community's budget and our contribution had gone up faster than anyone else's since Fontainebleau. Without a satisfactory solution on agricultural spending and on our abatement, there would be no increase in the Community's own resources. This could

only be agreed by unanimity. There was no getting round that.

M. Chirac continued in very much the same vein over lunch, emphasising repeatedly that the German Presidency's proposals on agriculture represented the absolute limit of how far France was prepared to go.

Arms Control and Defence Co-operation

The Prime Minister said that it was important that the NATO Summit in early March should be a success. The overriding aim had to be to keep United States' forces in Europe. The meeting would also be an opportunity to influence American policies before the United States/Soviet Summit in Moscow. But there might well be problems with the Germans on the question of negotiations on short-range nuclear weapons. Her own position on this was absolutely firm. There should be no more reductions in nuclear weapons in Europe until chemical weapons and the imbalance in conventional forces had been dealt with.

The Prime Minister continued that she had written to President Mitterrand with some proposals for greater military co-operation between France and the United Kingdom within the broad framework of NATO. She recognised that France would not rejoin NATO's integrated military structure. But she would like to see the deployment of French forces co-ordinated with NATO deployments. She would also like to see the contingency arrangements for reinforcing British forces in Germany through Channel ports and French airfields exercised.

M. Chirac said that there was no change in the French position on rejoining the integrated military structure of NATO. But there was considerable evolution in French defence policy. The United States' will to defend Europe would steadily weaken. It was necessary, therefore, for Europe to strengthen its own defence. The more Europe co-operated the stronger it would be and the better able to compensate for the inevitable weakening in the United States' commitment. France was trying to move forward in three areas. The first was by strengthening the WEU as an instrument for co-ordinating Europe's defence efforts. The second was to develop bilateral co-operation with Germany. This would continue to develop. Thirdly, they sought a better overall co-operation with other European countries, for instance with Italy and Spain in the Mediterranean, but above all with the United Kingdom. He had made proposals to us about this, for instance over the joint development of an air to ground missile, but there had not been much progress. In none of this was France seeking to erode NATO, of which she was a loyal member. The United States had spoken in support of what France was doing.

M. Chirac continued that, like the Prime Minister, he was opposed to a third zero option in Europe. But the Germans would press hard for it and his own assessment was that it would come, not so much because of the Germans but

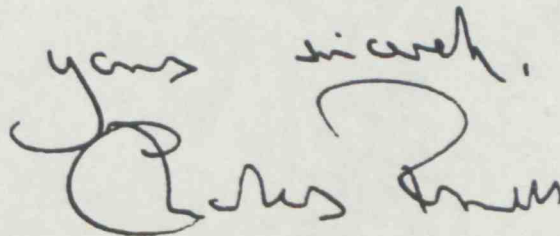
because of the Americans. A future Administration would want it for political reasons. Indeed he would say that the third zero option was inevitable. The Russians would offer to get rid of all their short-range nuclear weapons but would insist that NATO surrendered its dual capable aircraft in order to make it a fair deal (given that they would be surrendering far more short-range nuclear weapons). The Prime Minister said that she did not take such a gloomy view. We had been able to exert considerable influence on American policy, for instance following the Reykjavik Summit. Britain and France must go on making clear that they would not agree to reductions in short-range nuclear weapons.

M. Chirac returned to the question of defence co-operation. He would prefer not to say that this should be within the framework of NATO but rather within a European-American framework. It might be necessary to rethink the structures of the Alliance. The key was to strengthen European co-operation. He was very ready to consider joint manoeuvres between British and French forces in Northern Germany, naval exercises in the Channel and reinforcement exercises through the Channel ports. He also continued to hope that we could co-operate on the air to ground missile, which was by far the most effective response to threats to denuclearise Europe. The point he wanted to stress most strongly was that the United States supported French views on the need for Europe to co-ordinate its defence policies. The Prime Minister said that she did too, provided it was all within the broad framework of NATO. What worried her was that Franco-German activities might in the long term undermine NATO.

Middle East

The Prime Minister said that, as President of the United Nations Security Council, we were doing our best to secure agreement to a resolution imposing an arms embargo on Iran. M. Chirac said that our efforts had France's full support. The Prime Minister referred briefly to President Mubarak's visit and the importance of keeping an international conference in the forefront of attention. M. Chirac said that France was exactly of the same view.

I am copying this letter to Alex Allan (HM Treasury), Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

yours sincerely,


Charles Powell

Lyn Parker, Esq.,
Foreign and Commonwealth Office.