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Head of Chancery

cc: Minister Co/ro:  
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LUNCH WITH THE DIRECTEUR DE CABINET : 14 NOVEMBER 1988

Atmospherics

1. Monsieur Jacques Attali gave me lunch today at the Ritz Hotel. He arrived a quarter of an hour late and it took him sometime to calm down. Before we parted he revealed the reason: the President has a regular Monday morning foursome of golf at one of the private links in the Paris region. M. Attali is a permanent participant, the others being André Rousselet and a doctor who plays off scratch. M. Attali himself has a generous handicap. I did not discover what was the President's. I had commented that, to my untutored eye, the President had tremendous dignity, rivalled only by that of Haile Selassie. M. Attali commented that I would not say so if I had seen him play golf.
2. As an instance of the way in which the President keeps his eye on everything M. Attali said that the President had just noticed my name on a proposal (from M. de Grossouvre) that I should be invited to a Presidential wild boar shoot at Chambord. After confirmation of the agreement to announce the Mont Saint Michel meeting at 1100 on 18 November I said that Mr Powell had agreed that it made no sense for me to travel to Mont Saint Michel. M. Attali concurred. When I commented that it was very difficult for an Ambassador to judge the President's personality at first hand M. Attali said that it was an absolute rule that Ambassadors did not have private appointments with the President. There had been an occasional breakfast meeting eg with the US Ambassador, but that did not break the rule. Ambassadors normally did not get access to any restricted meetings with the President's high level visitors.

The Royal Visit

3. I took the opportunity to thank M. Attali for the President's welcome to the Prince of Wales, Marigny, Elysée banquet, personal conversations, admirable organisation and so on. M. Attali said that the President had taken a real interest in the personality and views of Prince Charles. He had thought it important to give public exposure to the Anglo-French relationship at this present juncture.

Bilateral relations

4. The message that followed on powerfully from this was the general one that British and France shared many and important interests in common. It was not healthy that European affairs should be based to such a preponderant extent on the Franco-German relationship. There had been sixty meetings between Mitterrand and Kohl. The meetings

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between Mitterrand and Mrs Thatcher were conspicuous by their infrequency. He personally had far more frequent telephonic and personal contact with Teltschik in the Chancellor's office than he had with Charles Powell, although he knew from experience how effective bilateral or trilateral contact at that level could be. He was sure that M. Dumas had far more frequent contact with Herr Genscher than he had with Sir Geoffrey Howe, often on the telephone. He recognised that there were bilateral contacts at official level but they were insufficient. At a time when there was a risk of serious disagreement between France and Britain with the UK allowing itself by default to be left out of a number of important European developments, he thought it most important to try and find a way of thickening and raising the quality of our bilateral exchanges. There was certainly no hesitation on President Mitterrand's part. He had a high regard for Mrs Thatcher, her performance, her skill as a politician and her intellect. Nevertheless it was felt at the Elysée that Britain did not show adequate interest in working at the relationship with France. Given the number of difficult specific issues which could cause major tension between us over the next year, he expressed the personal view that, were similar problems to be facing the French vis-à-vis the FRG, a special high level task force would long ere now have been appointed to try to reconcile the differences. I tried to draw him out on how that would fit with our respective situations and personalities but he went no further.

5. I referred to the number of recent and forthcoming bilateral and multilateral Anglo-French contacts between now and the Anglo-French Summit, including the prospect that M. Rocard might go to London in early February (M. Attali warmly welcomed that) and emphasised our willingness to work constructively to reconcile our differences and to find common ground.

#### Community matters

6. Predictably M. Attali picked out the following as the most serious potential problems between us on which major progress in the EC as a whole could be expected during 1989, particularly during the French Presidency:-

- (a) the liberalisation of capital movements;
- (b) the harmonisation of VAT;
- (c) monetary cooperation and in particular the creation of a European Central Bank.

Recent Franco-German contacts showed willingness on the German side to take account of French concerns. If the UK was not ready to move forward next year, then regrettably the train would go on without us.



7. I challenged this view of a Britain isolated on these financial/economic issues. It seemed to me that on liberalisation the French had made a commitment from which they could not escape. We had liberalised our capital movements in 1979. It was now a French, not a British, problem. M. Attali alleged that the FRG were on board with Italy, Spain, Belgium and the Netherlands; they would all be ready to accept some kind of with-holding tax. He pooh-poohed my point that a European tax regime would merely send deposits outside the Community. I also said that on tax harmonisation it was surely the French, too, who had a problem. They were the odd man out, not least so far as the balance between direct and indirect taxes were concerned. M. Attali saw this as a problem for the longer term. Third, I suggested that the Bundesbank problem was far from being resolved. M. Attali referred to the recent remarks by Herr Poehl's deputy. The Germans would be ready to make significant moves in the interests of European monetary cooperation. I said that we recognised the importance of the subject. We saw the timetable for negotiation as falling within the period of the French Presidency after the Delors Committee had reported. We were already prepared to take useful practical steps (like the recent ECU denominated bond issue). We were ready to work closely together, as could be seen from Lankester's recent visit to Paris. We did not have any serious discussion about the underlying intellectual arguments about the implications of economic and monetary union. Nor did we discuss the sterling/snake issue in detail though I referred to the problem of the current British inflation rate. Overall, however, the message was clear: «We have fixed the Germans and they are on our side».

8. M. Attali said that the President would certainly wish to touch on these issues on 30 November.

#### Other economic issues : debt

9. I said that the Prime Minister would not want to discuss M. Mitterrand's proposals on medium term debt until financial experts had analysed the French ideas in detail. I knew however that we were worried about the transfer of risk from commercial banks to creditor governments and about any new allocation of SDRs. M. Attali thought that the transfer risk was a small one and the need for greater liquidity genuine. He hoped, despite what I had said, that the Prime Minister might be able to indicate some reaction to his paper, which had been distributed in the Sherpas framework.

#### Audiovisual

10. M. Attali confirmed that the President would wish to raise the Audiovisual Eureka. I said that we were waiting for the French ideas, mentioned at Hanover and by Mme Cresson, to be spelt out in greater detail. We supported Eureka activity on high definition TV, as at Brighton. We were interested in other ideas too. I asked whether M. Attali was aware that 80% of British TV programmes were already produced in Europe. His surprise and scepticism confirmed me in my view that the French do not really think of programmes

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produced in the UK in English as qualifying for a European label. I should like to send M. Attali a short note confirming the figure and what it covers. He told me that what the French have in mind is a very light structure, perhaps one senior official per Member State, aimed at facilitating industrial collaboration, mergers and so on, in the production and dissemination of programmes. Some financing would be involved and he referred to the parallel of the European Investment Bank (though he did not spell out what that might imply). He commented that Robert Maxwell was a personal friend.

#### East-West strategic and defence issues

11. We agreed that the President and Prime Minister would want to have a wide ranging exchange in the aftermath of their respective visits to Moscow and Washington. M. Attali commented that it was particularly important to collaborate on the major strategic issues since M. Mitterrand and Mrs Thatcher, as the European Statesmen with experience of the past and stable political futures had a major role to play in briefing and steering the new President in the right direction (this point also came out of the discussion about meetings/practical collaboration at all levels).

12. I said that the Prime Minister placed considerable weight on getting the SNF modernisation decision through in 1989, if at all possible, though we recognised the need for sensitive handling, notably vis-à-vis the FRG. We were opposed to any organic link between SNF and conventional force reductions since that would only be an unrequited gift to the Soviet Union. We feared that if the FOTL decision was deferred till after 1989 it would become more not less difficult to take. The French might say that they had no direct role, because of the theological differences between us and the French on flexible response but we nonetheless looked to them for benevolent neutrality, if they could not actively support a 1989 decision. M. Attali said firmly that the French were not involving themselves in the issue at all.

13. I referred to the President's IHEDN speech and to my letter to M. Bianco. M. Attali seemed surprised that we had even learned about the President's remarks. I referred to the English speaking press reports immediately after the speech and said categorically that French suggestions, from whatever quarter, that the British deterrent might be less than wholly independent, created an unhelpful background for the consistent efforts which we were making to enhance our bilateral defence collaboration. Referring to President Mitterrand's October 1987 message, I then went through the main nuclear issues - warheads, targetting, water space management and ASMP etc explaining where and why we could and could not collaborate. M. Attali confirmed his general understanding of what was going on and did not try to suggest that anything significant was lacking. He did not suggest that defence collaboration would necessarily be raised by the President at Mont Saint Michel.



14. I then tackled M. Attali about the volte face by the French in Vienna and at the Quint meeting in Bonn. I referred to the Reykjavik compromise on which the work of the last two years and more had been based and to the efforts which we had made, eg over ATTU, to help the French. The latest French action was disruptive both in terms of European/US relations and, even more seriously, in terms of the prospects for a coherent alliance position at the NATO Council meeting on 8/9 December. We had the chance of presenting the Warsaw Pact with a sensible and coordinated Western stance. The French action risked throwing that chance away. M. Attali confirmed that it had been Herr Genscher's remarks at the Franco-German Summit which had drawn the President's attention to the bloc-to-bloc implications of current work on the CST. It was impossible for the Elysée staff to keep its eye on the detail of every single negotiation. The fact was, however, that those responsible had acted in violation of long-standing instructions. All that was happening now was a reassertion of standard French policy. I expressed scepticism, given the time which had elapsed since June 1986, and I reaffirmed the potentially damaging consequences of current French actions. Incidentally, I got no hint that the French line owes anything to current short term political considerations. M. Attali thought that we could certainly expect the President to mention his views at Mont Saint Michel.

#### Economic Summit

15. M. Attali said that there seemed to be some misunderstanding «in British circles» (eg Reuter) about what was planned. He confirmed what he had told the Sherpas about the arrangements for the 7 Nation Summit ie starting on the afternoon of 14 July through to p.m. on 16 July. Those meetings would definitely take place in the Arch of the Défense. The ceremonies/celebratory commemoration of the bicentennial would take place on 13 and the morning of 14 July, including the traditional march past, ending with a ceremonial lunch. The President would also invite the seven Heads of State and Government to this first part, as well as numerous other Heads of State and Government (eg from the third world). This would be a major opportunity for the world's leaders to meet. The President very much hoped that Mrs Thatcher would be present for the first part but, unlike the commitment to the 7 Nation Summit itself, it could not be called mandatory.

#### Residual issues

16. We did not talk about social Europe, merger controls, GATT, regional problems or the Moscow Human Rights Conference.

#### Jean Monnet

17. I took the bull by the horns and said that I had been sorry to see some hints in the press of French disappointment at the level of our representation at the ceremonies. As the President would know from the Prime Minister's letter, she and the Foreign Secretary were fully taken up with the State Visit by the President of Senegal. We had given very careful thought to the invitation to the Prince of

Wales but had concluded that, in a gathering of present and past practising European politicians, he would not have been an appropriate choice. On the other hand we had been at particular pains to ensure that he could announce the Jean Monnet scholarships. I handed over a copy of our press release with an annotation showing the sum to be provided annually. M. Attali made no attempt to press the question of representation.

18. A final snippet. M. Attali seemed interested in the size of our Embassy diplomatic staff and strongly in favour of the practice whereby commercial work is integrated within the Embassy and under the Foreign and Commonwealth Secretary (this in contrast to French practice and the role of the DREE). He asked about the number of «diplomats» in the Embassy. I should like to send him a short letter indicating the number and role of our diplomatic staff, perhaps showing Whitehall department of origin. I think that his interest was not malign but reflected his known views on the effectiveness of British interdepartmental coordination, at home and abroad.

19. *he should have been kept in mind.*

E.F.

Ewen Fergusson

15 November 1988

cc: P J Goulden Esq, AUSS  
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