



Foreign and Commonwealth Office

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20 November 1987

*Dear Charles,*Prime Minister's Visit to Paris: 22 November

The three hours the Prime Minister will spend with M Chirac during her visit to Paris on 22 November will be devoted principally to discussion of European Community issues before Copenhagen. Chirac is likely to be accompanied only by Bujon and an interpreter. The Elysée are aware of the visit, but President Mitterrand has not (so far) invited the Prime Minister to call on him also.

Internal Political Situation

As the Presidential elections in late April/early May 1988 approach, the jockeying for position in Paris becomes more intense and the atmosphere more confrontational. The basic rules of cohabitation continue to be respected, in that Chirac and Mitterrand avoid direct criticism of each other. In private, however, the Elysee and the Matignon are each more and more inclined to act without consulting the other, and mutual suspicion runs deep. Even in public, the restraint shown by the two principals does not extend to their political lieutenants.

A series of scandals, one of which gave rise to allegations against Mitterrand himself, have been published and exploited for partisan advantage; but they have probably not much altered the balance of support for either side. At present, according to the opinion polls, Barre would get more votes than Chirac in the first round of the election, but be defeated by Mitterrand in the second. The major difficulty for the Right continues to be the competition between Chirac and Barre and in particular how to ensure that in the second round Chirac supporters vote for Barre or vice versa. The main questions for the Left are whether Mitterrand will stand again and how to build up a viable alternative in case he does not. He is not expected to announce his decision until the last moment. I enclose a copy of Sir Ewen Fergusson's despatch of 27 October "Impressions of France", which provides a comprehensive account of the current state of the country.



French Economy

Chirac's Presidential prospects are not much helped by the economic news. Growth in 1987 will be only about 1.5%, and forecasts of 2.5% for 1988 were criticised as over-optimistic even before the falls on world stock markets. These events have now further complicated fiscal and exchange rate policy and slowed plans for privatisation. On the other hand, inflation is only running at 3-4% and may fall, and unemployment has stabilised at around 2.65 million (11%) although slower economic growth may cloud the prospects here.

Non-EC Issues

There are two other subjects which the Prime Minister might mention briefly to Chirac and a few issues which Chirac himself may raise.

Operation Beer

We recommend that the Prime Minister express again her gratitude to Chirac for the French interception of the Eksund. She could also thank him for French approval of the paper on the implications of the seizure which we are circulating to EC partners before the Foreign Affairs Council on 23/24 November, and for the French support that has been promised us at that meeting. She could add that she hopes that we can continue to cooperate closely on counter-terrorist matters.

If there is opportunity, we also recommend that the Prime Minister emphasise the need for Britain and France to work closely together in the UN on Iran/Iraq. She could refer with regret, but little surprise, to the lack of progress by the UN Secretary General towards implementation of Security Council Resolution 598. The urgent need is for pressure on the Russians to begin work within the Five on an arms embargo. The three Western Permanent Members must keep closely in step on this. We are concerned that there may be divergences between our views on ways forward, even if not on the objectives.

Chirac may raise the difficulties resulting from the Territorial Sea Act 1987 (which at one stage led French fishermen to blockade French Channel ports). Officials will meet for the second time on 20 November in Paris to try to resolve this dispute. We have proposed to the French a joint referral to the European Court of Justice as the best (and quickest) way to do so, though the Commission may make difficulties.



The prospects on the Channel Tunnel are generally looking good with the news of the successful underwriting of Eurotunnel's share issue. The French have now formally approved a new high-speed track from the Tunnel to Paris. But French resentment of the disparity between French and UK investment in the Tunnel project remains. The Prime Minister will remember that Chirac, who has been heavily involved in decision-making on railways for the Tunnel, raised this with her when they met in Berlin on 25 September. Since then officials have been trying to ensure that the position is better understood on the French side, particularly in Chirac's office. Another area where British policy has encountered some criticism in France is European space policy.

Chirac may also raise defence cooperation. A paper prepared by officials in response to your letter of 22 October is now being considered by the Foreign and Defence Secretaries. They intend to submit it to the Prime Minister, with their conclusions, before she meets Chirac. On arms control, the Prime Minister may wish to underline the importance of public European support for the INF agreement, in order to help its passage through the United States Senate.

I am writing separately about EC issues.

long ever,

A handwritten signature in blue ink, appearing to read 'L. Parker'.

(L Parker)
Private Secretary

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