

cc BNP

PRIME MINISTER

MEETING WITH M. CHIRAC

You are to spend some three hours with M. Chirac on Sunday. The format is one and a half hours of talks followed by a brief meeting with the press and then a working supper. Christopher Thierry will interpret. The only other people present will be M. Bujon and me. Briefs are in the folder attached. There is a separate note on Franco-German defence co-operation.

Things do not look too good for Chirac. The economy is in a bind, he is having to give up or postpone his privatisation plans, Barre has overtaken him in the opinion polls, and it looks ever more likely that Mitterrand will run. M. Chirac needs friends.

You will want to start by thanking M. Chirac for his message of sympathy about the King's Cross fire and for the excellent work of the French security services in intercepting the arms for PIRA on the Eksund.

The main purpose of the meeting is to prepare for the Copenhagen Summit. Your message will be that we are ready for a deal if the terms are right. But our basic requirements are legally binding financial discipline, effective agricultural stabilisers (not the watered-down version which the French and Germans are discussing), a method to dispose of existing surplus stocks and maintenance of the Fontainebleau abatement. Only if we are satisfied on these points can we agree to an increase in own resources. We recognise that there will have to be a rebasings of the agricultural guideline at a realistic level. If he raises the oils and fats tax, you might suggest an agreement to disagree: we are confident of our blocking minority. It would be helpful to try to agree a common approach on the Structural Funds on the basis (a) that we remain within the maximum rate, and (b) that any increase is

skewed in favour of Spain and Portugal. If Britain, France and Germany keep together on this, we can win.

Chirac may raise with you the subject of Franco-German defence co-operation (I have included in the folder the notes of my meetings with M. Bujon and Mr. Teltschik on this). You will want to leave him in no doubt about our concerns: loosening of NATO's cohesion, substitution of privileged bilateral relations, discussion of strategic issues in the Franco-German defence council which are of legitimate interest to others like us.

Chirac may also raise nuclear co-operation. You might say that the present French air-to-ground missile (ASMP) is not of interest to us: but we do not exclude possible trilateral Anglo/American/French co-operation on a future generation missile.

You should mention the US/Soviet Summit and the need for the European members of NATO to give a warm public welcome to the INF Agreement. We shall need to watch the next round of negotiations, on reductions in strategic nuclear weapons, carefully to ensure that the British and French independent deterrents are not compromised. You might also have a word about Gorbachev's position in the light of Yeltsin's downfall (telegram in folder).

Chirac wishes to discuss the Middle East where he has been recently. I doubt he will be aware of the specific ideas which the Americans put to Shamir and King Hussein. The Arab Summit and the subsequent restoration by many Arab countries of diplomatic ties with Egypt is a positive development. We should continue to work together on Iran/Iraq at the UN.

You will want to discuss the international financial situation in the light of progress made - if any - on the US deficit. Will the French be ready to join at a G7 meeting in pressing the Germans and Japanese to stimulate their domestic economies?

① C.A.P.

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There are a number of other issues which might come up. There can be mutual congratulation on the Channel Tunnel, but he remains sore about our relative lack of investment in new high-speed rail track. He may also complain about our attitude on the European Space Agency. There are still problems over our extension of our Territorial Sea. We have offered referral to the European Court. Chirac did not like the CHOGM communique language on New Caledonia.

Finally, there is Mr. Maxwell's point about student exchanges (please see letter in folder). There is a massive Franco-German investment in this of some £10 million a year. Before committing us to anything with the French, you will need to consider where the money will come from.

C.D.P.

Charles Powell

20 November 1987

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