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FM PARIS  
TO DESKBY 230800Z FCO  
TELNO 1189  
OF 222152Z NOVEMBER 87  
AND TO DESKBY 230800Z COI  
INFO IMMEDIATE EC POSTS, WASHINGTON, TOKYO

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FRAME GENERAL

THE PRIME MINISTER'S MEETING WITH THE FRENCH PRIME  
MINISTER, PARIS, SUNDAY 22 NOVEMBER 1987: PRESS CONFERENCE

1. AFTER TWO HOURS OF DISCUSSION, AND BEFORE ADJOURNING TO  
AN INFORMAL WORKING SUPPER, THE PRIME MINISTER AND MR  
CHIRAC MET JOURNALISTS AT THE HOTEL MATIGNON AT 1915  
HOURS.

DETAIL

OPENING STATEMENTS

2. INTRODUCING THE PRESS CONFERENCE, MR CHIRAC SAID THAT  
HE AND THE PRIME MINISTER HAD DISCUSSED A WIDE RANGE OF  
SUBJECTS. THEY HAD NOTED WITH SATISFACTION THE RECENT  
AMERICAN DECISION ON THE BUDGET, WHICH BRITAIN AND FRANCE  
WELCOMED AS A POSITIVE STEP TOWARDS CALMING THE MONETARY  
AND FINANCIAL SITUATION. THEY HAD REVIEWED THE PROSPECTS  
FOR THE REAGAN/GORBATCHEVY SUMMIT, AS A WELCOME  
DEVELOPMENT IN DISARMAMENT, AND AS A FIRST MOVE IN A  
PROCESS THAT SHOULD EVENTUALLY COVER STRATEGIC,  
CONVENTIONAL AND CHEMICAL WEAPONS. IN REVIEWING THE  
PROSPECTS FOR THE COPENHAGEN SUMMIT, BOTH SIDES HAD  
CONFIRMED THEIR DESIRE TO SEE THE SUMMIT REACH AN  
AGREEMENT, WHILST AWARE OF THE PROBLEMS THAT EXISTED WHICH  
WERE CURRENTLY BEING EXAMINED BY THE APPROPRIATE  
MINISTERS. THEY ALSO WELCOMED THE RESULTS OF THE RECENT  
AMMAN SUMMIT WHICH IN PARTICULAR RESTATED THE NEED FOR AN  
INTERNATIONAL CONFERENCE IN THE PRESENCE OF THE FIVE  
PERMANENT MEMBERS OF THE SECURITY COUNCIL, A FRAMEWORK  
THAT COULD ULTIMATELY LEAD TO BILATERAL NEGOTIATIONS. ON  
THE GULF WAR, THEY HAD NOTED THE URGENCY OF FOLLOW UP

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ACTION TO SC RESOLUTION 596: AND TO THE EXTENT THAT ONE OF THE PARTIES (IRAN) DID NOT ACCEPT THAT RESOLUTION, OF THE NEED TO EXAMINE THE SANCTIONS FORESEEN IN THAT RESOLUTION, NOTABLY AS REGARDS AN ARMS EMBARGO. ON TERRORISM, BOTH PRIME MINISTERS HAD NOTED THAT COLLABORATION WAS AT A HIGH LEVEL, AND SHOULD BE MAINTAINED. MR CHIRAC HAD GIVEN THE PRIME MINISTER AN ACCOUNT OF HIS RECENT MEETINGS WITH ISRAELI LEADERS. HE HAD ALSO GIVEN HER A DETAILED ACCOUNT OF THE FRANCO/GERMAN SUMMIT AT KARLSRUHE. FINALLY, THEY HAD BOTH WELCOMED THE SATISFACTORY RESOLUTION OF PROBLEMS OVER THE CHANNEL TUNNEL. IN THE LIGHT OF THIS, OF THE PROSPECTS FOR THE SINGLE MARKET IN 1992, AND OF THE PROSPECTS THIS OPENED UP FOR GREATER CLOSENESS BETWEEN BRITAIN AND FRANCE, THEY HAD AGREED TO STUDY MACHINERY THAT WOULD GREATLY INCREASE OR FACILITATE YOUTH EXCHANGES BETWEEN BRITAIN AND FRANCE (FOLLOWING THE LONG-STANDING ARRANGEMENT BETWEEN FRANCE AND WEST GERMANY).

3. THE PRIME MINISTER ADDED HER GRATITUDE FOR MR CHIRAC'S MESSAGE OF SYMPATHY ON THE KINGS CROSS FIRE. AND FOR THE PROFESSIONALISM DISPLAYED IN THE FRENCH SEIZURE OF ARMS DESTINED FOR THE IRA. ON COPENHAGEN, WE WOULD GO THERE HOPING TO ACHIEVE A SETTLEMENT AT THIS SUMMIT: THE PROBLEMS WERE CONSIDERBLE AND WE WOULD BE IN A BETTER POSITION TO JUDGE PROSPECTS AT THE END OF THIS WEEK, ESPECIALLY AFTER THE AGRICULTURAL COUNCIL. THE VERY SPECIAL RELATIONSHIP BETWEEN FRANCE AND BRITAIN, ACCENTUATED BY THE CONSTRUCTION OF THE CHANNEL TUNNEL, AND THE PROSPECT OF 1992, MADE THIS THE RIGHT MOMENT TO ACCEPT MR CHIRAC'S SUGGESTION TO SET UP A WORKING PARTY TO EXAMINE THE POSSIBILITY OF INCREASING EXCHANGES AMONG YOUNG PEOPLE.

#### QUESTIONS AND ANSWERS

4. PROSPECTS FOR COPENHAGEN AGREEMENT ON BUDGET?  
MR CHIRAC: WOULD NOT WISH TO PREJUDGE: THERE WERE DIFFICULT TECHNICAL QUESTIONS, ESPECIALLY IN THE AGRICULTURAL SECTOR. BUT THERE WAS A SHARED FRENCH AND BRITISH WISH TO ARRIVE AT A SOLUTION THAT BOTH SIDES COULD ACCEPT AS REASONABLE. QUOTE I CANNOT GIVE YOU AN ASSURANCE THAT WE SHALL SOLVE ALL THE PROBLEMS UNQUOTE.

THE PRIME MINISTER : TWO THINGS NEEDED TO BE SOLVED



TOGETHER. FIRSTLY, THE COMMISSION'S PROPOSALS FOR A PROGRAMME OF STABILISERS FOR EACH COMMODITY. IN OUR VIEW THEY MUST BE EFFECTIVE AND ENFORCEABLE FOR EACH COMMODITY, TO STOP THE BUILD UP OF NEW SURPLUSES. ON EXISTING SURPLUSES, THE COMMISSION'S PROPOSALS NEEDED TO BE IMPLEMENTED AT THE SAME TIME (BY 1992): WE NEED TO AGREE ON THESE PROPOSALS TOO. THE COMMUNITY HAS CONSISTENTLY DUCKED THE SURPLUS PROBLEM. WE NOW HAVE PROPOSALS WHICH WOULD ALLOW FARMERS TO KNOW WHERE THEY ARE AND TO PLAN ACCORDINGLY.

5. BRITAIN'S ATTITUDE IF THESE PROPOSALS NOT IMPLEMENTED BY 1992?

THE PRIME MINISTER : SHE SAW IT AS HER TASK, AND THAT OF OTHER HEADS OF GOVERNMENT, TO ENSURE THAT THEY DID DEAL WITH THE PROBLEM DURING THE COMING PERIOD. THERE HAS ALREADY BEEN PROGRESS ON SURPLUSES OF CERTAIN COMMODITIES. WITHIN THE AGRICULTURAL GUIDELINES, PROVISION CAN BE MADE FOR THE DISPOSAL OF SURPLUSES OVER A 5-YEAR PERIOD, PROVIDED THE STABILISERS ARE EFFECTIVE AND ENFORCEABLE. OTHERWISE, WE SHALL BE BACK WHERE WE STARTED, AND THE DISPOSAL OF EXISTING SURPLUSES WOULD ONLY LEAD TO THE PRODUCTION OF MORE. WE REALLY MUST GET IT RIGHT THIS TIME. QUOTE I BELIEVE WE CAN: IT IS AS QUESTION OF POLITICAL WILL AND OF DOING IT AT A SPEED WHICH PEOPLE FEEL THEY CAN TAKE REASONABLY UNQUOTE.

6. DIFFERENCES BETWEEN FRANCE AND BRITAIN ON STABILISERS?  
THE PRIME MINISTER : NONE, ON STABILISERS: WE ACCEPT THE COMMISSION'S PROPOSALS.

MR CHIRAC: DIFFERENCES ARE NOT ON STABILISERS. FRANCE FAVOURS A SYSTEM OF STABILISERS IF IT COVERS THE TOTALITY OF PRODUCTION. OUR PROBLEM IS TO ENSURE THAT THE COMMUNITY BUDGET IS ENDOWED WITH SUFFICIENT MEANS: ON WHICH ISSUE FRANCE TAKES A QUOTE HIGHER UNQUOTE VIEW THAN BRITAIN. A SECOND POINT OF DIVERGENCE CONCERNS THE OILS AND FATS TAX, WHICH BRITAIN OPPOSES FOR ECONOMIC REASONS BUT WHICH FRANCE FAVOURS.

THE PRIME MINISTER : MUCH DEPENDS ON THE MEETING OF AGRICULTURAL MINISTERS THIS WEEK. THERE WILL BE NO CHANGE IN THE POSITION ON THE OILS AND FATS TAX. THERE WILL BE VERY CONSIDERABLE ARGUMENT ABOUT THE BASELINE FOR

AGRICULTURAL EXPENDITURE FOR THE COMING YEARS.

7. THREAT TO VETO BUDGET DEAL?

THE PRIME MINISTER : THREAT? SHE HAD BEEN THROUGH THIS SEVERAL TIMES BEFORE. IT WAS IMPORTANT BOTH TO DEAL WITH THE EXISTING SURPLUSES AND TO STOP THE BUILD UP OF NEW SURPLUSES. WE HAVE TO DO THAT ON THIS OCCASION. SHE HOPED THAT THE WILL WOULD BE FORTHCOMING ON THE PART OF OTHER LEADERS. IT WOULD BE A FAILURE IF THE COMMUNITY RAN AWAY FROM THE FUNDAMENTAL PROBLEM. SHE WOULD ALSO TRY TO INSIST, IN THE LIGHT OF PAST EXPERIENCE, THAT ANY AGREEMENT WAS ENSHRINED IN EFFECTIVE COMMUNITY LEGISLATION, NOT JUST IN COUNCIL MINUTES. AND THAT THE REGULATIONS MADE THE PRICE MECHANISM AUTOMATIC, SO THAT IF SURPLUSES DEVELOPED, IMMEDIATE MEASURES COULD BE TAKEN TO LIMIT THE AMOUNT TAKEN INTO INTERVENTION., AND THE PRICE AT WHICH THAT HAPPENED. QUOTE ON THAT I DO ANTICIPATE A CERTAIN AMOUNT OF FIRMNESS, WHICH WILL BE FAMILIAR TO YOU FROM PAST OCCASIONS UNQUOTE.

MR CHIRAC: ADMITTED TO A SLIGHTLY DIFFERENT APPROACH. BUT IMPORTANT TO LET AGRICULTURAL MINISTERS TRY TO NARROW THE GAP. BUT IF THE EC OUGHT TO BE WORK TO REDUCE SURPLUSES, THERE SHOULD BE SIMILAR ACTION ON A GLOBAL SCALE. (STATE AIDS FOR U.S. FARMERS MUCH HIGHER THAN IN EC). SO DID NOT MAKE SENSE TO LIMIT OUR PRODUCTION TOO MUCH WHEN OTHERS IN NORTH AMERICA OR SOUTH AMERICA WERE INCREASING THEIRS. BUT ON CEREALS FOR INSTANCE, HE ENTIRELY SUPPORTED BRITAIN'S INSISTENCE ON THE NEED FOR REDUCTIONS. THERE WERE MANY ISSUES WHERE FRANCE AND BRITAIN WERE IN TOTAL AGREEMENT, EVEN IN THE AREA OF AGRICULTURE.

8. NEED FOR: TIMING OF NEXT G7 MEETING?

THE PRIME MINISTER : AFTER WE SEE HOW IT WORKS OUT IN CONGRESS, WE SHALL NEED A G7 MEETING. THE MOST OBVIOUS NEED IS FOR THE COUNTRIES THAT ARE IN ENORMOUS CURRENT ACCOUNT SURPLUS SHOULD BE PREPARED TO INCREASE DEMAND IN THEIR ECONOMIES, THE BETTER TO BRING THEIR TRADE POSITIONS INTO BALANCE WITHOUT INCURRING INFLATIONARY PRESSURES. NO COUNTRY HAS A RIGHT TO PURSUE ECONOMIC AND CULTURAL POLICIES WHICH ENTRENCH AN ENORMOUS TRADE SURPLUS INTO ITS WAY OF LIFE. WE OURSELVES HAVE ECONOMIC POLICIES WHICH ARE LEADING TO GROWTH THIS YEAR: WE ARE PLAYING OUR PART



ALREADY. VITAL TO RESIST PROTECTIONISM, WHICH WOULD DIMINISH WORLD TRADE AND THE POSSIBILITY OF EACH COUNTRY TO REDUCE ITS UNEMPLOYMENT.

MR CHIRAC'S CONCLUDING STATEMENT ON ANGLO/FRENCH RELATIONS

9. ON THE CAP, FOR EXAMPLE, FRANCE AND BRITAIN DIVERGED ON CERTAIN POINTS. BUT WE HAVE THE WILL TO FIND SOLUTIONS. AND ON ALMOST ALL THE MAJOR PROBLEMS FACED BY BOTH COUNTRIES, THERE IS A COMMON POINT OF VIEW. QUOTE MORE THAN A CONVERGENCE, GENERALLY AN IDENTITY OF VIEW UNQUOTE. ON THE U.S. BUDGET, E/W DISARMAMENT, MIDDLE EAST, GULF, TERRORISM - ON THESE ISSUES, FRANCE AND BRITAIN WERE INCREASINGLY AT ONE. LOOKING FORWARD OVER THE NEXT FIVE YEARS, THE PRIME MINISTER HAD MENTIONED THE TUNNEL AND YOUTH EXCHANGES: THIS DEMONSTRATED THIS INEVITABLE AND GROWING TREND TOWARDS GREATER CLOSENESS AND QUOTE FRATERNITY UNQUOTE BETWEEN FRANCE AND BRITAIN. HE SAW THIS AS OF GREAT IMPORTANCE FOR A BALANCED EUROPE AND FOR BALANCE ON A GLOBAL SCALE (GIVEN OUR TWO COUNTRIES' INTERNATIONAL OBLIGATIONS). AS WELL AS FOR THE DEFENCE OF OUR SHARED DEMOCRATIC AND HUMAN VALUES. HE WAS STRUCK, AT HIS MEETINGS WITH THE BRITISH PRIME MINISTER, BY THE EXTENT TO WHICH THIS CLOSENESS OF VIEW ON EVERYTHING THAT MATTERED WAS CONTINUALLY GROWING MORE SOLID.

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