

PRIME MINISTER

ANGLO-FRENCH SUMMIT

The Anglo-French Summit is on Friday. There is a separate note on the arrangements. We have no formal briefing session. But you will want to look through the attached papers.

You are likely to find Mitterrand and Chirac watching each other unusually closely for points which they can exploit in the election campaign. Mitterrand will want to wrap himself in the mantle of guardian of Europe and of Franco-German co-operation. He may therefore be looking to create some distance between France and the United Kingdom, particularly in his remarks at the press conference. Chirac is more likely to be willing to seek points of agreement on agriculture and on defence, but cannot afford to seem less European than Mitterrand. This is not a very promising background for a productive meeting. But on the eve of the European Council we have no interest in allowing the French to suggest that Britain is odd man out in Europe. In your remarks in the plenary and at the press conference you will want to stress the areas where, over the past year, we have drawn closer together (with the Channel Tunnel as the foremost example).

There is only quite limited time for discussion, an hour each with President Mitterrand and Monsieur Chirac. You will want to concentrate on two main issues: the prospects for the European Council and defence matters. If there is time, the next priorities are the Middle East and the Economic Summit. There are no bilateral matters which you need raise, although Chirac may revert to Youth Exchanges. All other matters can be dealt with in the plenary.

On the European Council the broad line of your presentation might be:

- at the last Brussels European Council everyone accepted a commitment to real financial discipline and control;

CONFIDENTIAL

- 2 -

- the proposals discussed in Copenhagen took us an important step forward in that direction;
- but what the German Presidency are now proposing is a serious and significant weakening of what was on the table in Copenhagen. It does not provide the basis for agreement at Brussels;
- to dispel any possible misconception: there is no trade-off to be made between our accepting weaker agricultural stabilisers and the others agreeing to leave the British abatement untouched. There have got to be effective stabilisers and a continuation of the Fontainebleau abatement;
- so between now and the Council in Brussels, the agriculture stabilisers have got to be put back into a form which ensures that spending can be contained within the budget, and surpluses eliminated;
- you recognise that the problem lies above all with the Germans, with their particular structure of farming and desire to drag prices up to German levels. You will therefore be making these points very forcefully to Chancellor Kohl next week;
- details are for the specialist Ministers to discuss. But the crucial points which need attention on cereals are the Maximum Guaranteed Quantity (which should be 155m tonnes), the need for price reductions not just a co-responsibility levy (which raises money rather than reducing expenditure) and the 20-tonne levy exemption (which discriminates against the United Kingdom and means that the levy would apply to only 20 per cent of producers and 50 per cent of output). France and the United Kingdom would end up paying 70 per cent of the levy;

CONFIDENTIAL

CONFIDENTIAL

- 3 -

- on oil-seeds and rape, where Community expenditure has tripled over the last three years, the MGQs should be at the level agreed in Copenhagen with a 0.5 per cent price reduction for every 1.0 per cent excess over the MGQ;
- all the other stabilisers must be endorsed by the European Council and not left to Agriculture Ministers alone to settle;
- the other crucial issue is the size of the increase in the Structural Funds. It is vital to keep the increase within one-and-a-half times the maximum rate for non-obligatory expenditure otherwise all semblance of budget discipline will be lost. We have circulated a paper which shows that within that limit there could be:
  - a 50 per cent overall increase in the funds;
  - a doubling of the receipts of the four least prosperous member states from the regional fund;
  - doubling of the overall receipts of the two new members;
  - a 60 per cent increase in aid to backward regions.
- there is no point in re-opening the question of the British abatement. Our share of receipts from the Community budget has fallen in all main areas since 1984, and our budgetary burden (even with the abatement) has increased more rapidly than anyone else's. We are not asking for anything more - although we would be entitled to do so - but certainly shall not accept less;
- it would be a pity if the Brussels Council were to be a scratchy and unproductive meeting. Yet it is clear that there is going to have to be a major evolution in the German Presidency's position for there to be any chance of success. It will be interesting to see whether, after the conclave of Foreign Ministers, the Presidency reach the conclusion that it would be better to continue discussions and postpone the European Council. But that

CONFIDENTIAL

CONFIDENTIAL

- 4 -

of course is entirely a matter for them: you are not suggesting it.

On defence matters, the basic texts are your exchange of letters with President Mitterrand. The points you could argue are:

- the single most important task is to maintain the US commitment to the defence of Europe. This is particularly important in a US election year;
- the NATO Summit will have an important part in this. We need a declaration from the Summit which restates the US commitment in the strongest possible terms and reaffirms the importance of nuclear deterrence;
- we also need to give evidence of greater European efforts to strengthen the Alliance;
- the ideas in your reply to President Mitterrand - involvement of French forces in the forward defence of Germany in the NORTHAG area, exercising reinforcement of British forces through Channel ports and French airfields, joint naval exercises in the Channel - were intended to demonstrate how our common security in Europe could be strengthened by greater practical, military co-operation between France and other European members of the Alliance;
- you would welcome Mitterrand/Chirac's reaction to these ideas;.
- you look forward to hearing the report in the plenary session on the discussions between Mr Younger and Monsieur Giraud;
- you are not trying to undermine France's co-operation with Germany which is very important. But you are anxious to see all such bilateral arrangements put firmly

CONFIDENTIAL

CONFIDENTIAL

- 5 -

in the context of contributing to the collective security of Europe.

On the Middle East, you will want to see whether the French have any ideas on how progress on an international conference could be unblocked. You might also see what response a question about the fate of their hostages evokes. On the Economic Summit, you will want to enlist support for your views that the Summit must concentrate this time on economic issues and that we should stick to the existing format (rather than embrace Mr Mulroney's ideas on an earlier start and a retreat).

In the plenary you will want to give a brief account of your talks with President Mitterrand and Monsieur Chirac and then ask the individual Ministers to report. In summing up, you might say that the present Summit comes after a year in which there have been an almost unprecedented number of direct contacts between Britain and France at all levels. You yourself have met on numerous occasions with both the President and Monsieur Chirac. One reason of course was the agreement on the Channel Tunnel, which was the single most exciting development in Europe last year and itself a very important step towards drawing Britain and France closer together. But you are also impressed by the range of issues on which we worked and acted together last year - arms control, | the WEU declaration, | our common determination to preserve our independent nuclear deterrents, | our respective naval activities in the Gulf, | our support for an international conference in the Middle East, the steady advance of our co-operation in defence. They add up to a degree of thinking alike and acting alike which, against the background of history, would probably surprise both our peoples if they added it all up and realised just how much common ground there now is between us. You pay tribute to the role both of President Mitterrand and Monsieur Chirac in achieving this.

*C.D.P.*

C D POWELL

27 January 1988