

CBPC



Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

26 May 1988

C D Powell Esq  
10 Downing Street  
LONDON SW1

CDP 26/5

Dear Charles,

*file with CDP*

Thank you for your letter of 19 May, asking whether there were any issues in the financial or monetary area which might form the basis for an initiative to be taken at the Prime Minister's meeting with President Mitterrand.

It would be well worth the Prime Minister seeking the President's support for interest subsidies on the official (non-aid) debts of the poorest Sub-Saharan African countries, on the lines of the initiative put forward by the Chancellor a year ago. The President seems committed to the complete writing-off of old aid loans, something which itself is part of the Chancellor's initiative for these countries, providing they pursue appropriate domestic policies; but it is not absolutely clear what he is prepared to do for commercial (ECGD-type) loans, which is the key issue on which we seek French support. In any case, the Prime Minister could give warning that the UK intends to press this subject at Toronto. We shall supply a full brief for the meeting.

You asked whether the Prime Minister and the President might make a joint statement on the development of the ecu. Certainly, we would like to see the ecu developed, inter alia as a European reserve currency and currency of intervention. This would effectively get round the problems we faced recently over the attempted German veto on our purchases of deutschmarks. But it may not be wise to raise this. The French have floated a number of ideas relating to European economic and monetary union including, in the short-term, a timetable for all EC currencies to join the ERM and, in the longer-term, the development of a single currency area and the possible creation of a European central bank. There must be a risk that if the Prime Minister were to raise a subject like the role of the ecu, President Mitterrand would seek to broaden the discussion to cover these other proposals. He may, of course, raise them anyway on his own initiative, and we shall be supplying a brief for the meeting.

*Yours  
Alex*

A C S ALLAN  
Principal Private Secretary

FRANCE: Relations p 4



FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

FRANCE: Relations p 4

CONFIDENTIAL

FILE

KAHADR



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

19 May 1988

**PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND**

I enclose a copy of a letter which I have sent to FCO and MOD seeking ideas for a possible initiative at the Prime Minister's meeting with President Mitterrand in Paris on 10 June.

It occurs to me that it might be worth extending the trawl to the Treasury, in case there is something in the financial and monetary area where an advance could be registered. One possibility might, for instance, be a joint statement on the development of the private ecu on which I gather the Treasury have had discussions with the French Ministry of Finance. If something were possible here, it might stand us in good stead in the discussion of financial matters at the European Council. More practically, I suppose it could also benefit the London market in ecu.

I may be wide of the mark. But perhaps you could let me know whether you see any possibilities here?

(C. D. POWELL)

Alex Allan, Esq.,  
HM Treasury.

CONFIDENTIAL

✓



CONFIDENTIAL



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

18 May 1988

*Dear Tony,*

**PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND**

You are, I am sure, giving thought to how we can take advantage of the Prime Minister's meeting with President Mitterrand to take a step forward in Anglo-French relations. The speed and warmth of the Prime Minister's message of congratulations, the fact of her telephone call and the suggestion of an early meeting have been useful in themselves but have also created a certain expectation which we shall need to meet. A routine consultation will appear a let-down. On the other hand, the fact that the visit comes in the middle of the election campaign for the National Assembly will presumably be something of a damper on the French side.

The most promising area for an initiative might be an attempt to build on the Prime Minister's earlier message to President Mitterrand about Anglo-French Defence Cooperation. There are constraints. We cannot plausibly agree anything which suggests a step forward on cooperation over TASM: indeed we may - in the light of the experts' judgment of what the French have to offer - need to start steering public expectations away from that. It would presumably be too much to expect the French to endorse the specific proposals in the Prime Minister's letter at this juncture. But perhaps an agreed statement from the meeting that both sides had instructed their respective Ministers, military staffs and officials to consider how defence cooperation between Britain and France could be taken further in practical ways in the context of strengthening the collective defence of Europe and to report to them could have a useful impact.

Although European Community issues and the Economic Summit are both bound to feature largely in the talks, the scope for any particular initiative or practical step looks to me a good deal less. I assume that we are in fact likely to face some difficulties with the French in both areas, and in particular over the prospects for the GATT round and the discussion of agriculture in it. Unless there is something lurking in the bilateral field of which I am unaware, the only other possible area to announce some form of enhanced Anglo-French consultations, cooperation or initiative might be the Middle East. I confess that I do not see at all clearly what form this might take. But we both have a clear common

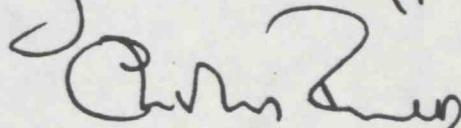
CONFIDENTIAL

interest in avoiding Arab/Israel matters becoming a preserve of the US/Soviet bilateral contacts. We neither of us want to be excluded from an eventual international conference or framework meeting. I find it harder to see what joint action we could take: we should certainly encounter strong resistance from the United States, and French conduct over the hostages does not make them very credible partners just at present. But it might be worth looking at for the longer term.

A final possibility is some sort of commitment to more regular Anglo-French consultation at the highest level in future. But I think that we are already finding the obligation to hold regular and full-dress Summits a bit of an albatross. I doubt there is really scope for anything new here.

// In short, defence seems the only candidate for an initiative. What do you think?

I am copying this letter to Brian Hawtin (Ministry of Defence) and to Trevor Woolley (Cabinet Office).

*Yours sincerely,*  


(C. D. POWELL)

A. C. Galsworthy, Esq., C.M.G.,  
Foreign and Commonwealth Office.