

PRIME MINISTER

VISIT TO PARIS

You are to visit Paris on Friday for talks with President Mitterrand and Prime Minister Rocard. The date is not quite as auspicious as when we selected it, with the second round of the parliamentary elections on Sunday. Nonetheless, there are a lot of pressing issues to be discussed.

Programme

We shall need to leave No.10 at 0910 for take off at 0945 from Northolt. The programme is:

1200	Arrive Paris
1230	Meeting with President Mitterrand
1315	Working lunch
1445	Meeting with M. Rocard
1630	Depart for London

You should be back in No.10 shortly after 5 pm.

Substance

You took the initiative for suggesting this meeting and the French will see it as a significant gesture intended to continue the improvement of relations of the last year or two. The fact that M. Rocard is an Anglophile will help. President Reagan's visit to London and your known special relationship with Mr. Gorbachev puts us very much centre stage. We should make the most of the meeting to underline Britain's position as the country which best encompasses the European, transatlantic and East-West roles.

Even so one is conscious of quite a number of problems looming in Anglo-French relations. President Mitterrand feels reinforced by his election victory and glad to be rid of the burden of co-habitation. He intends to make the construction

of Europe a priority and wants France to take the lead, counting on his ability to transfix Kohl and get him to agree to whatever France wants. We are likely to be seen and presented as an obstacle. The difference compared with past phases of Anglo-French confrontation is that we are in a much stronger overall position this time.

Disagreements are not likely so much on the defence and East/West relations side, although even here President Mitterrand is by no means sound on modernisation of short range nuclear weapons or in his opposition to negotiations on the further reduction of such weapons in Europe. Rather they will arise primarily in the EC. The French profess to be keen to make progress on long-term economic and monetary cooperation in Europe, partly to be seen to be taking a lead and partly as an alibi for not taking the steps required of them to liberalise capital movements. They are getting cold feet on agricultural reform and are likely to be very difficult on agriculture in the GATT. They intend to make the "social dimension" the theme of their Presidency of the EC next year. So far as this means anything, it is concerned with "a minimum threshold of social rights" for workers *who needs* *the social* *obligation?* throughout the EC and worker participation in the decision-making. They seem increasingly unhappy about some of the implications of the single market and do not want third countries to have access to it unless they provide reciprocal access to their home market. Another issue on which we could fall out is South Africa where they are working on a list of possible additional sanctions including a ban on imports of South African fruit and vegetables. Trouble on some of these issues is closer than on others and we do not want to precipitate unnecessary rows. You probably won't want, therefore, to tackle all of them head on. The two most urgent are monetary cooperation and agriculture.

You might therefore take the issues in the following order:

East/West relations

You will want to discuss the recent Summit and

developments in the Soviet Union. You might sound him out gently to see if and when he expects to meet Gorbachev. You will also want to establish the maximum of common ground on nuclear matters. It will be important for Britain and France to be seen to be united in their determination to maintain independent nuclear deterrents, particularly if there is a change of Administration in the United States.

Defence

You will want to encourage further consideration of the proposals you put to him in your message in January (copy in the folder). You ought also to mention where we are on the stand-off missile: we are conducting feasibility studies with a view to reaching a decision in 1989. He may ask you about our forthcoming Presidency of WEU. One of the main issues here will be the question of enlargement to bring in Spain and Portugal. We continue to believe that Brussels is the right place for the WEU to be sited.

Bilateral matters

You might ask whether he is yet in a position to agree the proposed dates for the major visit by the Prince and Princess of Wales (7-11 November).

Middle East

You will want to tell him of your concerns about developments in the area both in the Gulf and on Arab/Israel where there seems little hope for results from the Shultz initiative. The important thing is to keep up activity, so that there is not a vacuum and the next US Administration have something to take up. You should mention our concern about the spread of ballistic missile technology. You will probably want to keep well away from the subject of hostages.

Hanover European Council

The main problem we are likely to encounter with the

French is on monetary cooperation. There is a note by the Treasury in the folder which sets out the main points to be made on this. The key is to try to hold the French to their commitment to go ahead with liberalisation of capital movements and not make harmonisation of withholding tax on savings a pre-condition. He seems bound to raise the question of a study by wise men on future monetary cooperation. There are two important points to make on this. First there are some practical and attainable objectives like greater use of the ecu and wider cross-holdings of community currencies in foreign exchange reserves which could usefully be studied. But there is no point in a study of futuristic propositions like a European Central Bank or a common currency. Second, any study should be done by those with a direct responsibility in the area rather than just a dilettante political interest. This points firmly to Finance Ministers in ECOFIN and Central Bank Governors. He is also likely to urge you to reconsider British membership of the ERM of the EMS. You will want to elicit from him a statement that the French continue to see progress on the single market as the first priority in the EC.

Toronto Economic Summit

The main problem here is of agriculture where the French seem to take the view that the Community has done quite enough to put its house in order and that agriculture should not anyway be singled out for special treatment in the GATT. You might say that we certainly agree that the Americans should stop denigrating the steps to reform the CAP which the Community has already taken, and should abandon their unrealistic insistence on eliminating all agricultural subsidies by the year 2000. But we cannot just reject any further movement or discussion: there is going to have to be a serious negotiation in the GATT otherwise we shall face an American Farm Bill next year which will get Europe involved in a subsidy war which will be hideously expensive.

South Africa

You will want to caution him against getting on the slippery slope of further sanctions. There are some signs that Botha is prepared to resume progress towards reform while behaving more sensibly towards South Africa's neighbours (notably in relations with Mozambique and in agreeing to negotiate with the Angolans).

You will want to cover much the same ground in your talk with Rocard. It is not yet clear how much responsibility he will have for these matters, and he will not attend either the Toronto Economic Summit or the European Council. But President Mitterrand's intention seems to be to keep strategic direction to himself while leaving Rocard to supervise detailed implementation of policies. There is therefore everything to be said for getting the main points of your thinking over to him.

C.D.P.

CHARLES POWELL

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