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~~cc- Mr. Powell (No 10)~~  
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Sir Patrick Wright KCMG  
Permanent Under-Secretary of State

30 January 1989

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Sir Robin Butler KCB CVO  
Cabinet Office

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*My dear Robin,*

**ANGLO-FRENCH SUMMIT: 27 FEBRUARY**

1. This letter sets the scene for the Anglo-French Summit, which is due to take place in Paris on 27 February, a week after the Summit with the Germans in Frankfurt (the subject of my letter of 23 January).
2. The last Summit with France was at Lancaster House in January 1988. Since then there have been a number of bilateral meetings between British and French leaders, most recently between the Prime Minister and President Mitterrand at Mont St Michel on 30 November.
3. Consideration is currently being given to Ministerial participation in the Summit. The French have just proposed that a choice be made from Ministers for Foreign Affairs, Defence, Home Affairs, Industry, Finance, Education, European Affairs, Employment, Culture, Research and Environment. Our initial view has been that, as well as the Prime Minister, at least the first four proposed and Ministers of Agriculture could take part.

UK Objectives

4. In essence the Summit is an opportunity to build on the present excellent bilateral relationship and to give it publicity. European Community and strategic issues will be at the top of the agenda. We shall want to ensure close Anglo-French co-operation in the run-up to the French Presidency, in order to influence their thinking towards realistic aims.
5. We shall also wish to discuss the latest developments in arms control and to encourage the French to continue their movement towards practical co-operation in defence matters, on which the Prime Minister wrote to the President in January 1988. An important subject will be SNF modernisation and the need to take decisions at a NATO

/Summit



Summit this spring. We shall want to keep President Mitterrand firm over his expressed intention not to put obstacles in the way. The French voice could also be important in resisting German pressure for early negotiations on SNF.

6. On nuclear matters we shall wish to reassure the French of our continuing interest in further developing the Anglo-French dialogue.

7. Apart from Community and defence issues, we shall want to:

- intensify bilateral anti-terrorist co-operation;
- resist any French attempt to focus the July Economic Summit on debt and development issues at the expense of other major international economic concerns;
- convince the French of the need to maintain a flexible EC position on agriculture in the GATT Uruguay Round.

8. The French share our wish to advertise the closeness of bilateral relations. They are likely to want to explain their aims for their Community Presidency, giving emphasis to their pet themes of audiovisual, monetary, social and tax issues.

#### FRANCE: BACKGROUND

##### Internal Political

9. François Mitterrand was re-elected President in May 1988. A socialist government was formed under Prime Minister Rocard, thus putting an end to the uneasy period of cohabitation between a socialist President and M Chirac as Prime Minister. In the legislative elections of June 1988 the electorate applied the brakes by denying the socialists an overall parliamentary majority.

10. President Mitterrand made clear during the 1988 election campaign his desire to "open" French politics through detaching centrist politicians from the Right and creating a more fluid, consensus-based system. The appointment of a number of non-socialists as Ministers (industrialists, academics and former centrist MPs) reflected this attempt at "ouverture". However, the process seems currently stalled. Key centrist politicians are unwilling to be wooed until at least after the municipal elections in the spring.

/11. The right-wing





11. The right-wing parties remain in disarray following M Chirac's defeat. There is a good deal of malaise on the left too, with the Socialist Party unsure of its goals and Communist Party support steadily declining. Since his re-election President Mitterrand has maintained a lower profile, though he follows certain dossiers closely, especially defence, international economic and Community questions. His apparent aloofness has led to some public criticism.

12. The French continue to consider themselves (and the Franco-German relationship) the locomotive of European construction. French rhetoric about European vision and purpose is no hindrance to their single-minded pursuit of national interests within the Community.

#### Economic Policy

13. After a sustained period of rapid growth, France's national income per head overtook the UK's in the early 1970s. However, problems multiplied in the late 1970s and early 1980s. The Socialist reflationary programme proved unsustainable and expansionary goals were abandoned in 1983 in favour of more market-orientated policies aimed at controlling inflation, strengthening the Franc and reducing the budget deficit. The Chirac government that took office in 1986 introduced measures to liberalise the economy such as privatisation, abolition of price restrictions and partial lifting of exchange controls. These measures, combined with beneficial external factors, led to a strong economic performance in 1988, with growth at 3.5%, inflation 3% and the Franc steady.

14. The Rocard government remains committed to the control of inflation, reduction of the budget deficit and a strong Franc, but is more concerned than its predecessor with social issues, particularly unemployment (currently 10%). The privatisation programme has been halted, though there will be no renationalisation. A mild wealth tax has been introduced to please the left. Despite a wave of public service strikes the government have stuck to their policy of "rigueur".

15. Higher than forecast tax revenues, the result of faster growth in 1987 and 1988, have given the Finance Minister, M Bérégovoy, room for manoeuvre over the 1989 budget. Expenditure is to increase by 4.7% over 1988 with concentration on the government's main priority areas: education, culture, research, employment, transport and

/overseas





overseas territories. The target deficit is down and there will be tax reductions.

European Community

16. EC issues are at present at the top of the French political agenda. We shall want to ensure that progress is sustained under the French Presidency on the Hanover/Rhodes priorities for the Single Market (public contracts, banking and other financial services, intellectual property and approximation of standards). We also want progress on transport liberalisation. The French will want to focus attention on social issues and monetary co-operation. Our purpose is to maintain a close dialogue so that any French initiatives remain within realistic bounds.

17. We must present our ideas on the social dimension in a positive way, making clear that if the French stick to measures to combat unemployment and non-burdensome proposals in the health and safety area, there are real achievements to be had. But we should make it equally plain that the imposition of unnecessary burdens on business, or mandatory forms of worker participation, are not acceptable.

18. On monetary co-operation we shall want to stress our support for practical progress, step by step (eg. on the lines of the Basle/Nyborg 1988 ERM reforms, or our own ecu initiative), and the dangers of any leap in the dark.

19. We shall need to argue against French calls for a withholding tax on savings, pointing out the danger of driving capital out of the Community altogether. On indirect taxation, there are no signs that the French wish to force the pace, but we should remind them of our market forces approach.

20. The French are likely to return to the charge on audio-visual developments: we can rest on the Rhodes Conclusions which contained satisfactory references to the promotion of high definition television, and to the need to ensure consistency between the Council of Europe Convention and any subsequent EC directive on broadcasting.

21. It may also be necessary to press President Mitterrand for a solution to the problem of access to the French market for UK-built Nissans, if this has not already been resolved.

22. We envisage, if possible, a further meeting between the Prime Minister and President Mitterrand just before or early in the French Presidency.

/Defence





### Defence and Arms Control

23. A welcome shift in French attitudes to defence and strategic issues towards a slightly more atlanticist outlook continues, though slowly. Gaullist dogma is still well enough entrenched to keep France out of NATO's integrated military structure for the measurable future. However, progress is being made discreetly on the proposals for bilateral defence co-operation made by the Prime Minister to President Mitterrand in January 1988; these would increase their practical defence collaboration alongside their NATO allies.

24. France will also participate in the new negotiations on Conventional Armed Forces in Europe, which bring together the 23 members of NATO and the Warsaw Pact, though it has been at pains to avoid any suggestion that these are bloc-to-bloc negotiations (it stayed out of the preceding MBFR talks on these grounds).

25. President Mitterrand has taken a firm tone on East/West relations, though he favours an improvement in relations with Eastern Europe. He took a less helpful stance last autumn on nuclear defence, especially SNF modernisation, which he suggested should be left aside subject to progress in conventional arms control; but he has subsequently indicated to the Prime Minister that he will not continue to press this line. On SNF negotiations French officials well understand the dangers, but they need to be emphasised to President Mitterrand and we need him to confirm that he will help resist any German pressure for early negotiations.

### Terrorism

26. Our co-operation on terrorism with France remains good. The continuing PIRA campaign of violence shows the long-term value of the "Eksund" coup of October 1987 when the French intercepted a shipment of 120 tons of Libyan arms bound for the IRA. In the wake of the Lockerbie air disaster we shall be seeking French support for our initiatives in The Summit Seven to improve aviation security and aircraft design and on the detection of plastic explosives like Semtex.

### World Economy

27. France is host to the Economic Summit this year (on 14-16 July, immediately after their Bicentenary Celebrations); so international economic issues are likely to be among their preoccupations. 1988 was a good year for

/the major





the major industrialised countries, with more stable financial and exchange markets than in 1987, an average growth rate of just over 4% and only a small increase in inflation. The task of economic policy co-ordination this year will be to sustain this improved performance, by pursuing micro-economic reform and addressing the main uncertainties over inflation and the prospects for further reductions in the current account imbalances of the US, Japan and Germany. The imbalances have fallen as a percentage of GDP, but progress seems to have slowed; Germany's surplus actually rose last year. The financial markets will also be watching how the Bush Administration plans to tackle the US budget deficit. Reform of the international monetary system is a traditional French aim, but there have been no new initiatives since Balladur's February 1988 paper, which is currently being considered by a G7 study group.

28. We will want to see in April a successful conclusion of the GATT Mid-Term Meeting which broke off in December without confirming any agreements. This will mean the EC finding common ground with the US on agriculture. To do so, both sides will need to show flexibility. We may well have to resist French attempts to tighten the Community negotiating position, and to persuade them of the need for greater flexibility, particularly on further short-term measures of agricultural reform.

#### Debt

29. Following the success of the Toronto Summit in agreeing debt relief measures for sub-Saharan Africa, President Mitterrand is expected to argue for making the problems of middle-income debtors a major theme of the forthcoming Paris Summit. At the UNGA he proposed a new scheme for facilitating commercial bank debt reduction: developed countries' share of a new allocation of SDRs would be used to provide partial guarantees on debt. We are sceptical about this scheme, which represents a substantial transfer of risk from commercial banks to creditor country taxpayers. In any case we oppose an SDR allocation. We believe that President Mitterrand may well float other Summit Seven initiatives to help developing countries.

30. In the context of our recent efforts to raise an international aid package for Nigeria (to which France has agreed to contribute around \$10 million) the French have made it clear that they are seeking similar international support for francophone countries in West Africa. We have

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pointed out that Nigeria, unlike eg. Côte d'Ivoire, is committed to serious economic reform and has already undertaken substantial adjustment measures. But, even if the francophone countries followed suit, ODA would not have funds to help. If pressed on this, we shall need to repudiate any linkage.

#### Bilateral Relations

31. Bilateral relations have improved markedly in recent years. The climate is occasionally affected when attitudes differ over major international issues. But in general the instinct on both sides is now to look for consultation and convergence rather than adopt antagonistic positions. The importance attached by the French to the relationship was epitomised in the unlimited effort and goodwill they put into the successful visit of the Prince and Princess of Wales in November.

32. Work on the Channel Tunnel remains behind schedule and relations between the Eurotunnel and the contractors are causing concern to both governments. French interest in the arrangements for customs and immigration controls for Channel Tunnel trains remains active. The bilateral youth exchange programme is moving ahead: we plan to announce improvements at the Summit. Difficulties over the Carriers Liability Act 1987, under which Air France and French ferry companies have incurred fines, may be raised by the French.

#### Public Handling

33. The Summit will be announced about ten days beforehand. In order to help achieve the maximum impact in France, we hope that requests from the French media for interviews with British Ministers in advance of the Summit will be considered favourably.

34. The Summit is expected to conclude as usual with a press conference. We intend to use this to draw attention to some of the positive developments in Anglo-French relations over the last year or so and to future plans. I should be grateful if Whitehall Departments would draw attention to any items appropriate for mention.

35. The draft brief for the Prime Minister will be circulated by 13 February for consideration at a meeting of the MISC 76 Committee in the Cabinet Office on 20 February. I should be grateful to know as soon as possible of any subjects Departments consider it should cover in addition to

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those in the enclosure to this letter. I understand that Departments will as before brief their own Ministers for their separate bilateral meetings.

*Yours,*

*Patrick Wright*

Patrick Wright

cc: Derek Andrews Esq CB CBE, MAFF  
Sir Michael Quinlan KCB, MOD  
Geoffrey Holland Esq CB, Dept of Employment  
Sir Peter Gregson KCB, Dept of Energy  
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PROPOSED LIST OF TOPICS FOR ANGLO-FRENCH SUMMIT: 27 FEBRUARY

1. East/West Relations and Arms Control.
2. Bilateral Defence Relations.
3. European Community.
4. Other International Issues:
  - (a) World Economy
  - (b) Co-operation against terrorism
  - (c) Regional Issues
  - (d) Environment
5. Bilateral Issues:
  - (a) Youth Exchanges
  - (b) Any current problems (eg. fisheries, carrier liability, Channel Tunnel)