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PRIME MINISTER

ANGLO-FRENCH SUMMIT

You attend the Anglo-French Summit in Paris next Monday. It is a brisk affair:

- a meeting with President Mitterrand from 1030-1200
- a plenary from 1215 to 1300
- lunch at the Elysée from 1300-1500
- press conference from 1515-1545
- depart for London at 1600

Broad Themes

There are no really dominant issues for this Summit, and anyway Mitterrand tends to prefer rather general philosophical discussion. Some themes which you might pursue are:

- his assessment of Gorbachev's prospects:
- the conclusions which he draws for Western strategy and for the particular position of the UK and France as nuclear powers:
- what he expects from the new US Administration (he will just have met President Bush in Tokyo):
- his view of trends in Germany and the political prospects there:
- his vision of the way which the European Community should develop over the next few years, in particular during the French Presidency:

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- the likelihood of a developing confrontation between the West and Islam stemming from the Rushdie affair.

In addition there are quite a lot of detailed issues to discuss. I suggest that you take them under the following broad headings.

East/West and Defence

The main immediate point here is to keep the French as close to us as possible on SNF modernisation. They are sounder on the 'no arms control' aspect than on modernisation. But Mitterrand told you at Mont St. Michel that he would not be an obstacle to a decision to modernise. This could lead on to quite an interesting discussion on how Mitterrand sees Germany at present. How does he rate Kohl's prospects? How does one steady German opinion? Does he fear a drift to neutralism under the potent influence of Gorbachev?

You should also take the opportunity to mention the importance of not alienating Turkey, either in the NATO proposal for Conventional Force Reductions or in our response to Turkey's application for EC membership. But the French are likely to be less sympathetic than the Germans.

Gorbachev will visit Paris in early July. You should encourage Mitterrand to challenge him about Soviet dissembling on chemical weapons.

The French want to play a major role in Eastern Europe and Mitterrand is visiting all East European countries except Rumania. The purpose is not clear. But he may have in mind some sort of EC initiative on Eastern Europe during the French Presidency. You might discuss in a philosophical sort of way the ideas on Eastern Europe with which the Americans are toying.

The subject of our bilateral defence cooperation also needs discussion. The French claim to be disappointed about lack of

progress on the nuclear side and our decision not to order their ASMP. On the conventional side, we have suggested to the French that they participate in Exercise Lionheart 92 (a BAOR not a NATO exercise) and await a response. Since they took part in Exercise Cheeky Sparrow with the Germans, there is surely no reason not to take part in one with us.

European Community

You will want to find out how Mitterrand sees the French Presidency in the second half of this year and what he expects to achieve. Obviously we want them to press on with the Single Market. They will want to concentrate on the Social Dimension. That is all right provided it is agreed that measures like worker participation are optional. We do not want to add unnecessarily to industry's costs.

You will want to explain the practical disadvantages of an EC withholding tax, as well as our objections of principle. You can welcome the more flexible French approach on VAT approximation, while explaining our unwillingness to see the Community set VAT rates. You will need to go through the arguments on the Delors Committee, in the hope of getting Mitterrand to set realistic objectives for the European Council in Paris in December. You can quote the views of Herr Poehl and his colleagues. But Mitterrand has shown scant understanding of this issue in the past and sees it purely in political terms.

On the external side the main point is the need to make a success of the GATT round. There are welcome signs of American flexibility on agriculture, but the EC will have to move too.

Finally you will want to encourage Mitterrand to give prominence to action against fraud during the French Presidency.

Regional Problems

It would be useful to compare notes on the Middle East. You will want to thank him for France's support over Rushdie. On Arab/Israel, you have seen Arens and Shamir has just been to Paris. It would be interesting to know what impression Mitterrand formed of Israeli intentions. We share an interest in avoiding an exclusively US/Soviet framework for negotiations.

You might try to draw him out on Cambodia, although the French take a rather exclusive view of this and want to keep the reins of an international conference firmly in their own hands. Recent developments - contacts between China and the Soviet Union and between Cambodia and its neighbours, and developments within the Khmer Rouge - have been moderately encouraging. You will want to suggest discussions among the Five in New York, in parallel not in competition with French efforts.

If there is time you might touch on South Africa and explain your attitude to Ministerial contacts.

Economic Summit

You will want to make clear that you do not see this just as a forum for French ideas on debt. On this, you will not be party to transferring the risk from the private sector to the taxpayer. The main task of the Summit will be to reaffirm sound economic and monetary policies and try again for some reduction in the structural surpluses of Germany and Japan. You also envisage a good discussion on the environment, concentrating on the economics of environmental change and protection, and the need for practical steps. This will be an opportunity to explain direct to Mitterrand why you are not attending the Hague meeting. You will also want to ask about the thinking behind his latest letter about transparency of international financial transactions.

Bilateral Issues

There are several themes which you ought to raise here.

The first is Nissan on which you will want to continue to press hard. It is a question of principle and must be resolved.

The second is the Channel Tunnel, which the media will expect you to discuss. After recent management changes, things are going better. You can note progress with satisfaction.

Thirdly, you could mention drugs. Until very recently the French have been reluctant to discuss a bilateral agreement, preferring a multilateral approach. But they have just agreed to open negotiations. To be welcomed.

Fourthly, he may raise French concerns over our statements on listeria in soft cheese.

A fuller brief is in the folder.

C.D.P.

(C. D. POWELL)

23 February 1989

MEETING WITH PRESIDENT MITTERRAND

General Themes

- assessment of Gorbachev's prospects
- conclusions for Western strategy
- expectations from new US Administration
- view of trends in Germany
- vision of future development of the EC and French Presidency
- dangers of confrontation between the West and Islam

East/West and Defence

- SNF modernisation
- Turkey and conventional force reductions
- Gorbachev visits to London and Paris:
chemical weapons
- policy towards Eastern Europe
- bilateral defence co-operation: Exercise
Lionheart 1992

European Community

- prospects for French Presidency
- social dimension
- EC withholding tax
- VAT approximation
- Delors Committee: monetary co-operation
- GATT round
- fraud

Regional Problems

- ✓ Middle East (Iran, Arab/Israel, Shamir visit)
- Cambodia (discussions among the Five)
- South Africa

Economic Summit

- debt
- sound economic and monetary policies
- structural surpluses
- environment
- Hague meeting
- Mitterrand proposal on transparency of financial transactions

Bilateral

- Nissan
- Channel Tunnel
- drugs
- soft cheese

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22 February 1989

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ANGLO-FRENCH SUMMIT: 27 FEBRUARY 1989

BRIEF

by the Foreign and Commonwealth Office

INTRODUCTION

This brief is designed to serve the Prime Minister's bilateral with President Mitterrand. Prime Minister Rocard will join for the Plenary and the lunch.

The following are attached to the Brief:

- | | |
|---------|---|
| Annex A | Programme |
| Annex B | Personality Notes on French Ministers participating |
| Annex C | Possible press points |

OUR OBJECTIVES

GENERAL

- To influence French views and underline importance of working closely with the UK.
- To demonstrate our commitment to the relationship.

A. EUROPEAN COMMUNITY

- To influence French plans for their EC Presidency, particularly:
 - to maintain momentum on the Hanover/Rhodes single market priorities;
 - to ensure social issues focus on measures to bring down unemployment;
 - to encourage a pragmatic approach to monetary cooperation, with no leap in the dark.
- To persuade France that the Community will have to give more on agriculture if the GATT Round is to succeed.
- To press for an end to French discrimination against imports of UK-built Nissans.
- To agree to maintain the Community's constructive but cautious approach to relations with Eastern Europe.

B. EAST/WEST

- To confirm that our analysis of East/West relations is similar and discuss our approach to the different perception in the FRG.
- To compare notes on approach to Gorbachev in forthcoming bilaterals.
- CSCE: to urge the French to join others in activating the new human rights review mechanism, and to field a strong team at the London Information Forum.

C. SECURITY ISSUES

- To enlist French help with the Germans over SNF modernisation. /
- ~~To underline~~ the importance of a fully agreed Western conventional arms control proposal being ready for tabling

OUR OBJECTIVES

when negotiations open in March.

D. DEFENCE COOPERATION

- To maintain momentum of bilateral cooperation.

E. OTHER INTERNATIONAL ISSUES

- World Economy: To register our view that the Paris Economic Summit should discuss a broad range of world economic issues (not just debt/LDCs).
- Environment: Ozone Layer: to secure French acceptance of our proposal that March Environment Council agree an 85% reduction in CFCs by 2000.

Rocard initiative: [to follow]

- Terrorism: to keep the French firm over Libya and to thank for continuing cooperation on Irish terrorism.
- Drugs: to encourage conclusion of an agreement on drug traffickers' assets.
- Arab/Israel: to compare notes on ways of promoting peace process.
- Southern Africa: to caution against further restrictive measures and to press for unity amongst the UNSC Five on Angola/Namibia.
- Libya: to support French over prevention of supply of 3D radar.

F. BILATERAL

- Youth Exchanges: to note agreement.
- Channel Tunnel: To confirm that recent difficulties are under control and do not require Government intervention.
- To put down a marker for the next Summit.

FRENCH OBJECTIVES

GENERAL

- (For Mitterrand) to demonstrate personal involvement in promoting French interests with a key partner.
- To show that the Anglo-French relationship matches the Anglo-German one.

A. EUROPEAN COMMUNITY

- To explore extent of UK flexibility on French Presidency priorities (including electricity).
- To urge agreement on EC-wide tax on savings.
- To avoid early moves on agriculture or change in the CAP's basic structure.
- (Possibly) To pave the way for a political initiative on EC/Eastern Europe relations during the French Presidency.

B. EAST/WEST RELATIONS

- To compare notes in the light of the new US Administration.

C. SECURITY ISSUES

- SNF: to seek confirmation that UK does not favour arms control negotiations.
- To air the difficulties of re-opening the NATO conventional arms control position at this stage.

D. DEFENCE COOPERATION

- To urge the UK not to let nuclear defence cooperation stagnate.
- To support moves for wider bilateral defence cooperation generally (but possibly resist our invitation to participate in Exercise Lionheart).
- (possibly) To promote Rocard's proposal for a WEU research institute.

E. OTHER INTERNATIONAL ISSUES

- East/West: to compare notes.

FRENCH OBJECTIVES

- World Economy: to concentrate Economic Summit discussion on debt, development and environmental issues.
- To secure UK support for a global scheme for middle-income country debt relief.
- To secure support for Mitterrand's proposal for action to curb abuse of international money transfers.
- (Possibly) To seek UK financial support for Francophone countries in return for French contribution (\$10 million) for Nigeria.
- Environment: to plug the Rocard initiative.
- Terrorism: to avoid commitment over Libya.
- Drugs: (possibly) to argue that multilateral agreements are more important than bilateral ones.
- Arab/Israel: to retain freedom of policy movement and to win support for their preparatory conference proposal.
- Southern Africa: (possibly) to argue case for further restrictive measures.

F. BILATERAL

- Youth Exchanges: to confirm agreement.
- Channel Tunnel: to ensure HMG keeps an eye on problems.
- Carriers Liability Act: to persuade UK to waive fines.
- Cheese: to remonstrate over HMG's action.
- Bicentenary of French Revolution: to secure Prime Minister's participation on 13/14 July.

ARGUMENTS FOR USE

A. EUROPEAN COMMUNITY

- Single Market: must press ahead with Hanover/Rhodes priorities - banking and financial services, public contracts, standards and intellectual property and transport.
- Hope French Presidency will take this forward, especially Second Banking Directive, Investment Services Directive, Public Procurement and Transport (road haulage, shipping and the next stage of civil aviation liberalisation).
- Social issues: recognise that you will want progress but must concentrate on unemployment and improving labour market flexibility, eg by training, increasing labour mobility, helping long-term unemployed.
- Also work to be done on Health and Safety at work.
- EC-wide withholding tax on savings could damage EC. Drive investment out. Difficulty of principle for us.
- Indirect tax approximation: welcome signs that Commission more flexible.
- Understand your officials have produced alternative ideas which show clearing house unnecessary and how fiscal frontier formalities could be eliminated. Strongly agree: close to ideas we are working on too. Should find way forward on these alternative lines.
- Zero rating in UK a sensitive political issue. Have given clear pledges. No trade distortion.
- GATT Uruguay Round: both want successful GATT Round. Best defence against protectionism. Much to gain - eg services, intellectual property.
- But agriculture remains the key. Without progress Round as a whole will fail.
- US is clearly moving from utopian position on total elimination of agricultural support. EC must now show flexibility on short term.
- Can claim credit for recent CAP reforms. Price freeze proposals welcome. But Community will have to go substantially further to avoid GATT isolation.

ARGUMENTS FOR USE

- Frontiers: detect less absolutist approach in EC. Want to ease circulation of legally traded goods and bona fide travellers. Abolish all non-essential checks.
- But must reinforce cooperation against terrorism, international crime etc. Cannot give up water's edge checks without adequate alternative safeguards.
- Nissan: grateful for your assurances at Mont St Michel.
- Commission has stated clearly UK-built Nissans must be treated as EC-built cars.
- Can you give reassurance that they will not be counted against your quota for Japanese built cars?
- Otherwise weakens commercial incentive for distributor to buy UK-built cars. Amounts to restriction on free circulation of British exports within Community.
- EC/Eastern Europe: constructive but cautious approach proving its worth. Differentiate carefully between countries, ensure agreements based on mutual advantage - and reflect reforms already achieved, not just promised. Leave Romania out.
- Negotiations with Russians bound to be lengthy. Impatience will compromise our position. They are demandeur.
- Fraud: recent useful work by Court of Auditors and European Parliament shows need for determined action by Commission and member states.

B. EAST/WEST RELATIONS

- East-West relations at their best for many years. Result of Soviet new thinking and strongly held Western line.
- Each Soviet step is vindication of our long-standing policies. No case for major change. Remain ready to adapt as Soviet reforms continue.
- No call for dramatic gestures in response to Gorbachev moves. Important to explain why Russians can make such eye-catching announcements (military superiority, no public opinion worries) and reasons for our defence and security policies.
- New US administration bound to take time to resume pace of

ARGUMENTS FOR USE

US-Soviet exchanges. Valuable that Gorbachev visiting London, Bonn and Paris: should hear same message.

- Must not appear to endorse empty Soviet concept of Common European Home.
- Inevitable that FRG perceptions differ. Geography, emotion. Should be candid listening friend, but firm on Western security and unity. German public needs firmer lead from Bonn.
- Security policy must still be based on something like worst case.
- Soviet Internal: increasing contrast between Gorbachev's success abroad and growing internal problems.
- Economic problems daunting (Government deficit of 100 billion roubles, disappointing harvest, costs of Chernobyl and Armenia etc).
- Will get worse before improvement.
- Difficult to overestimate task facing Gorbachev. Not under immediate threat, but cannot go on indefinitely without economic success/popular support.
- Western Response: help Soviets face up to problems where we can, eg management training. Do nothing to help postpone decisions.
- Impossible for West to "rescue" perestroika economically. Soviet economists estimate short-fall of consumer goods and services at 90 billion roubles.
- COCOM blunt instrument, but necessary. Work to focus its efforts but resist pressure (eg from FRG) to relax controls.
- CSCE: progress at Vienna. Long way to go. Must use agreed Human Dimension mechanism to come down hard on backsliders.
- Important to have tested mechanism by (May) Paris Human Dimension meeting.
- London Information Forum preparations on course. Hope for strong French team. Independent media figures for frank, spontaneous debate.

ARGUMENTS FOR USE

C. SECURITY ISSUES

- Grateful for Mont St Michel assurance that France will not impede decision on FOTL.
- Without decision on modernisation this year, risk defensive gap in mid 1990s; send wrong signals about our resolve. Decision no easier if postponed.
- Believe Kohl basically agrees. But faces considerable coalition/public opinion problems. Urged him to give firm lead.
- Must steer FRG off SNF arms control. Obvious risk of Soviet pressure for third zero: slippery slope to de-nuclearisation. Hope you will do all possible to persuade Kohl of dangers.
- Best scheme: challenge Soviets to reduce nuclear weapons unilaterally, in line with the substantial reductions in NATO stockpile made possible by modernisation.
- Conventional arms proposal good as stands. Need to take account of Turkish concerns without altering proposals' basic structure. Essential agreed proposal ready by 6 March.
- CW: congratulations on Paris conference. Consensus on final declaration helpful; would have liked stronger treatment of proliferation problem.
- Shevardnadze statement commits Russians only to begin destruction of CW stocks this year. Small step, but he also repeated earlier claims we believe false.

D. DEFENCE COOPERATION

- My 1988 proposal (more joint maritime activity; reinforcement route exercising through France; French exercising in Northern Germany) intended to build on existing strengths and geographical factors.
- Must maintain momentum. Defence staffs looking at exercise on lines of communication through France, and French participation in exercise Lionheart 92 in Germany. Both valuable. Lionheart participation confirmed soon?
- Value relationship in defence procurement: reciprocal purchasing initiative going well; shared interest in more

ARGUMENTS FOR USE

open European arms market.

E. OTHER INTERNATIONAL ISSUES

- World Economy: Economic Summit must address all items on economic agenda current in July.
- Environment: Ozone Layer: now top of environmental agenda. EC should act, send message to rest of world..
- Rocard initiative: [to follow]
- Terrorism: Qadhafi still supports terrorism. Arms for PIRA, Abu Nidhal and other terrorist groups. We should not become demandeurs/set conditions. Just keep up firm pressure.
- Drugs: bilateral agreements essential to deal with specific differences in legal systems. Complementary to multilateral initiatives. Faster to conclude.
- Arab/Israel: Palestinian move towards moderation an important opportunity. EC troika visits worthwhile but EC efforts need focussing, eg encourage Israel towards negotiation and urge restraint on PLO. Must complement central US role. Favour further informal consultations amongst Five.
- Arens visit: no sign new Israeli thinking. Some risk that US might buy Shamir's preference for "superpower umbrella" for international conference, rather than Five's involvement. Not good: cut us both out and deliver Arabs to Russians. Informal discussions in New York one way of heading this off.
- Shamir Paris visit (21-24 February)?
- Southern Africa: political uncertainty: P W Botha reluctant to relinquish power completely. De Klerk calm, pragmatic but concerned by right-wing challenge in Transvaal home base.
- Election timing uncertain. Meanwhile cannot expect much progress on reform.
- Angola/Namibia: recent agreements vindicate policy of engagement. Namibia's future will have crucial bearing on future of South Africa.
- Should build on success by encouraging internal Angolan

ARGUMENTS FOR USE

peace process.

- Libya: Agree important to deny high-tech systems to Libya. Ideas for approach to potential suppliers?

F. BILATERAL

- Channel Tunnel: recent changes at Eurotunnel and Trans Manche Link, and agreement with the banks, augur well.
- Tunnelling at UK end now proceeding apace. Perhaps complete our part of service tunnel ahead of schedule.
- Youth Exchanges: welcome agreement to increase exchanges. For press conference?
- Welcome forthcoming Educational Exchange Colloquium: should yield practical benefits.
- Summit: next in about a year: let us clear dates early. UK to host.

OUR RESPONSE TO THEIR ARGUMENTS

A. EUROPEAN COMMUNITY

- Banking reciprocity clause: oppose Commission proposals. Must handle carefully, not antagonise trading partners. Better to work for multilateral liberalisation.
- European Company Statute: no evidence that business sees need for ECS. Complex legislation. Not priority.
- Audio-Visual: exciting technology for future. Government's role to set right framework eg standards. Eureka collaborative research effort needs to be followed by competitive production to encourage market to develop.
- European programme production: audiovisual Eureka should stick to technology model: wider than EC and industry-led. No case for quotas. Lively industry in UK without protection.
- Energy: Support need to complete Energy market. Must be though liberalisation not central interference. Support common carriage principle.
- GATT Agriculture: US intransigence on agriculture was main problem at MTM in Montreal. But had US been less utopian, EC would have been isolated.
- US already showing evidence of less rigidity. Must honour commitments to sustained reductions in agricultural support, which means further response.
- Nissan [If argued that no obstacles to distribution of UK-built Nissans]:
 - Requirement that they be counted against Japanese quota has been confirmed to us (by M Fauroux). Thus a problem.
 - [If it is argued that cars must have local content of 80%]: EFTA-built cars need local content of 60% to circulate freely in Community. Cannot expect higher proportion from EC-built cars. Commission will back us. In any case, local content already over 70%.
 - [If argued that problem is temporary because content will soon reach 80%] 80% not due to be reached until first half of 1991. Problems anyway recur with each new model as 60% transitional period will also apply to them. Question of principle: must resolve once and for all.
- EC/Eastern Europe: do what we can to encourage Gorbachev,

OUR RESPONSE TO THEIR ARGUMENTS

but EC cannot substantially affect pace of reform process eg by economic concessions. Will be determined by internal factors. Measured, patient EC approach.

B. EAST/WEST RELATIONS

- Soviet changes not irreversible. And still far to go before we can treat USSR as "normal" member of international community.
- Respect for human rights must be institutionalised.
- Public presentation of our policy must keep sight of problem areas, as well as welcoming new developments. Public opinion in West susceptible to "charm offensive". Responsible lead from Western leaders needed, especially in FRG.
- Poland: welcome progress at Polish Round Table: but many pitfalls remain. Would be sympathetic to any call for debt rescheduling but firm that political conciliation insufficient grounds for further economic help: insist on IMF Standby Arrangement before considering debt rescheduling/new credits.

C. SECURITY ISSUES

- LANCE essential part of NATO's requirement for flexible response strategy. Unmaintainable after 1995. Need congressional funds now for of FOTL: requires NATO decision this year. Must settle now, stop disagreement festering in NATO.
- Understand sensitivity in FRG, especially with 1990 Federal Elections. But NATO cannot maintain defences if governments shirk difficult decisions.
- Conventional: agree we must try to get Turks to join other 15 Allies on basis of existing proposal. Perhaps table proposal without providing details about sub-zonal arrangements.

D. DEFENCE COOPERATION

- Lionheart: [Germans against?] Have told us they would welcome French participation.

OUR RESPONSE TO THEIR ARGUMENTS

- Greater nuclear collaboration? Greatly value exchanges over last 2 years, eg on:
 - strategic nuclear targetting philosophy
 - Soviet air and anti-ballistic missile defences
 - requirements for tactical air-to-surface missile
 - nuclear security etc etc
- Some scope for cooperation in other areas, eg water space management for ballistic nuclear submarines (Defence Secretary will elaborate). But limits imposed by eg assignment of forces to NATO etc.
- Regret cooperation on French tactical air-to-surface missile (ASMP) not possible; does not meet our range requirements, and no variant likely to do so. But happy to continue exchanges on design concepts in this field.
- WEU: [Research Institute?]: no need: colocated WEU in Brussels remains best solution.

E. OTHER INTERNATIONAL ISSUES

- US Administration: good start. Experienced team. Attaches importance to Allies (consult, not notify).
- World Economy: Onus on G7 to maintain world economic growth and fight inflation; Summit should address trade, external positions and issues, such as currency markets, current account imbalances and structural policies. Give impetus to Uruguay Round: agriculture a key issue.
- Debt policy under review within G7. Expect progress at IMF and World Bank Spring meetings; against schemes which simply transfer risk from private to public sector; SDR allocation difficult to justify on global liquidity grounds and possibly inflationary. Danger of shift from reform/conditionality together with finance to finance only.
- Help for Francophone countries. Their position different to Nigeria's. Much richer and seem less prepared to take necessary structural adjustment measures. Playing our part in Paris Club.
- Welcome proposal for Summit discussion of ways of fighting laundering of drug traffickers' assets. In line with conclusions of Toronto political declaration.

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OUR RESPONSE TO THEIR ARGUMENTS

- (If necessary) But against widening scope of proposal to include monitoring or controls by governments of all international financial flows. Central banks (through Basle machinery) have already drawn the attention of their banks and financial institutions to their agreed Statement of Principles on the prevention of the criminal use of the banking system.

- Environment: Ozone Layer: clear scientific evidence already exists that Montreal Protocol provisions insufficient to save ozone layer. Action in March Environment Council last chance to send message to 2-5 May Helsinki Meeting on Montreal Protocol.

Rocard Initiative: [to follow]

- Terrorism: experience shows only sustained pressure works on Qadhafi. Talked to him in 1985: catalogue of horrors since.

- Drugs: UK supports multilateral agreement but Council of Europe Convention unlikely to be completed soon. Bilateral approach quicker.

- Arab/Israel: not convinced formal preparatory conference would help. Simply anticipate problems at Conference itself. What form could it take?

- Southern Africa: not the time to discuss further measures: Namibia elections on 1 November: must not provoke South African deviation from UN plan.

- With current uncertainties, time not right for fresh initiatives. Could drive whites into laager.

- Difficulty with New York activity on Cambodia: complementary to French efforts at reconciling Cambodian factions under Sihanouk. Discussion between Five would not prejudice form of international involvement in the settlement. French readiness to host conference is constructive.

- Rushdie: many thanks for your robust support.

F. BILATERAL

- Channel Tunnel: (Immigration controls on board trains): looking closely at the arguments.

OUR RESPONSE TO THEIR ARGUMENTS

- (Rail routes through Kent) Understand the need for new track: public consultation now proceeding.
- Carriers Liability Act: considering French approach. Will respond as soon as possible, but not likely to be favourable.
- Cheese: (listeria) acting only on scientific evidence (which French now have; no ban on sale/imports of soft cheese.
- (Unpasteurised milk/milk products) UK public consultation will also give member States opportunity to submit views.
- Bicentenary: have accepted 13-14 July in principle. But morning and afternoon 13 July difficult (Cabinet and Parliamentary Questions). Programme plans?

BACKGROUND

A. EUROPEAN COMMUNITY

- Social Issues: French Presidency likely to make Social Issues a priority. Mitterrand has taken a lead on this.

Main French concerns appear to be:

- a higher profile for the "social dialogue" between employees and labour;
 - progress on practical measures such as Health and Safety, training, labour market flexibility (acceptable in principle);
 - a social charter for workers setting minimum rights (eg to leave, training), model employment contracts and consultation with the workforce (we have opposed);
 - progress on the European Company Statute including provision for worker participation (we have opposed).
- Tax on Savings: the French want an EC-wide withholding tax on savings because they fear a flight of capital from France when they liberalise capital movements. Tax could drive money out of the EC, damaging London and other financial centres. Commission presented proposal for a 15% withholding tax to be presented to ECOFIN on 13 February.
- Indirect Tax Approximation: Mme Scrivener (Tax Commissioner) told Chancellor on 19 January that Commission's VAT clearing house proposal would need to be re-considered, and that Commission need to start afresh on excise duty harmonisation. She acknowledged importance to UK and Ireland of VAT zero rates.
- French officials recently circulated proposals for removing fiscal frontier controls on freight based on retaining destination system for VAT, and thus making clearing house mechanism redundant. But French proposals do not address VAT approximation. French believe some central approximation necessary to avoid revenue losses through cross border shopping by individuals. They argue that VAT rate adjustments will take time. They are thus unlikely to give priority to indirect tax approximation during their Presidency. They argue that our market forces approach to

BACKGROUND

approximation will result in competitive rate cutting, with an inverse auction damaging all concerned.

- Frontiers: Debate currently in Paris between ideologues and realists. The French potentially useful allies on cooperation against terrorism, moving fiscal checks away from frontiers etc.

- Audio-visual: French stand to gain from production of European hardware (HDTV). Thomson of France is a main participant in the HDTV EUREKA project. UK commercial interest now low, but we can support project, provided it is industry-led.

- French want to counteract dominance of Anglophone TV programmes, by quotas and by cooperating with others in subsidising the programme-producing industry. They anticipate that a levy and/or fiscal incentive would be necessary to weaken the existing strong links between national broadcasters and national programme makers.

- Rhodes Council noted French idea of an audio-visual meeting (now likely to take place in September), but did not endorse their other proposals.

- GATT Uruguay Round: the GATT MTM in December reached provisional agreement on 11 out of 15 areas. Agriculture, textiles, intellectual property and emergency safeguards remain to be resolved. Without progress on agriculture the LDCs, in particular, will not allow agreement in remaining areas to be reached/confirmed. The French are among the more protectionist EC member states, particularly on agriculture, though there have been helpful comments since Montreal from Nallet (Agriculture) and Bérégovoy (Finance).

- Nissan: President Mitterrand assured the Prime Minister on 30 November that the problems encountered by UK-built Nissans in entering the French market were "over". But the French Industry Minister, M Fauroux, confirmed to our Paris Embassy on 11 January that the cars would be counted against quota on Japanese imports, as long as local content less than 80%. Prime Minister wrote to Mitterrand on 30 January making it clear that she expected him to hold to his assurances, and that UK-built Nissans should be treated on

BACKGROUND

all fours with other Community cars. Made same points to Rocard on 8 February: no sign of movement. Commission see no justification for treating UK-built Nissans differently from other cars manufactured in the Community. On 30 January Sir Leon Brittan and Commissioner Bangemann indicated that they would be ready to support us if further Commission action were needed.

- Energy: free market for French exports of nuclear electricity high among French internal market objectives. FRG and several other Member States maintain local generating monopolies which prevent cheaper French electricity being exported directly to their industrial consumers or local distribution boards. Given the liberalisation involved in privatisation, we have supported France out of principle but there is little national interest involved in what is primarily a Franco-German squabble.

- EC/Eastern Europe: French support our cautious approach. But negotiations with USSR likely to begin during French Presidency: might tempt Mitterrand to push for more forthcoming line.

B. EAST/WEST

- French analysis on East-West is close to ours. French concerned about Germans sliding to East. Gorbachev due to visit Paris in July (dates not yet public); he may also visit European Parliament in Strasbourg.

- French making a concerted effort to regain their position in Eastern Europe. Have abandoned differentiation between East Europeans in favour of "encouraging reform wherever found". Mitterrand visiting all capitals except Bucharest. In Prague (December) he met dissidents and spoke forcefully on human rights issues. In Bulgaria (January) French secured in advance release of some dissidents. Poland, Hungary and the GDR are scheduled for later this year, Rakowski visited Paris privately on 14-16 February: sought help over debt rescheduling. Dumas to Warsaw in April; Mitterrand thereafter. Framework for legalisation of

BACKGROUND

Solidarity agreed subject to latter's support for official policies.

- CSCE: Human Rights Mechanism: France has been less disposed than others to take up specific cases and issues. The new mechanism agreed at Vienna needs to be activated by as many partners as possible before the Paris meeting on the "human dimension" in June 1989. It allows specific cases to be tackled.

C. ARMS CONTROL

- Nuclear: French Ministers suggested publicly (1988) that LANCE modernisation be postponed pending developments in conventional arms reduction talks. When the Prime Minister met President Mitterrand on 30 November, he assured her that he would not be an obstacle to a 1989 decision to modernise LANCE.

- The French are as opposed as we to NATO/Warsaw Pact negotiations on short range nuclear forces: they fear involvement of French SNF systems. But danger is: if French believe that they face a choice between LANCE modernisation with SNF negotiations or no modernisation at all, they may prefer to put off a modernisation decision.

- Conventional: securing Alliance agreement on European zones for conventional arms control purposes has created major difficulties: French, for bloc to bloc reasons, have opposed treating Europe as a single entity with a common ceiling between East and West. Germans have resisted any focus on the central front because it "singularises" them; flank countries, in particular Turkey, have been fearful of arrangements that might isolate them. The Western Proposal, which all bar Turkey now support, gives priority to the measures applying to the whole zone and emphasises Alliance solidarity. But one of provisions is for a regime applied to an extended central zone (from which Turkey, Greece, Norway and Iceland would be excluded on the NATO side). The Turks fear that this extended "central zone" represents the WEU (even though it includes Denmark), from which they feel excluded. Their preferred alternative (based on NATO's

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military command structure) is opposed by all other Allies on both military and political grounds. We are working to see if Turkish concerns can be met without re-opening the structure of the proposal now agreed by 15, but this looks increasingly unlikely: some modification may be required if an Alliance proposal is to be ready on 6 March when conventional talks begin.

- Rocard suggested in November 1988 (and reiterated in 8 February Chatham House speech) establishment in Paris of small European (ie WEU) Strategic Studies Institute. But this is really French attempt to maintain WEU agency in Paris: we firmly oppose.

D. DEFENCE

- Good progress at military level on pursuing Prime Minister's January 1988 cooperation proposals. But French political commitment uncertain. On reinforcement through France, the French have responded positively to the idea of a further bilateral paper exercise: planning proceeds for May 1990. But French CDS is having difficulty winning approval to participate in Exercise Lionheart 92 (a BAOR, not NATO, exercise). This sits oddly with French willingness to exercise with FRG in South Germany ("Cheeky Sparrow" in 1987).

- President Mitterrand disappointed by lack of substance in Anglo-French nuclear defence cooperation, especially our decision that the French ASMP did not match our needs for a Tactical air-to-surface missile. But we have told the French that we wish to stay in close touch on technological developments. Talks between MOD officials have taken place; more are planned.

E. OTHER INTERNATIONAL ISSUES

- Environment: Ozone Layer: last autumn we announced our support for an 85% cut in CFC emissions by the year 2000. Within the EC there has been considerable support for this at Working Group level and recent lobbying has shown that France is one of the few partners with reservations about

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action in the March Environment Council. But in the end they may be prepared to sign.

- Rocard Initiative: [to follow]

- Terrorism: the Spanish Presidency have proposed that the EC set Libya (and Syria) conditions for lifting of EC measures. We have opposed this arguing that Libyan assurances are untrustworthy. French reaction ambiguous. Meanwhile, the Spanish initiative has been put aside to allow the dust to settle after the allegations concerning the Libyan CW plant and the destruction of two Libyan aircraft.

- French continue to provide full practical cooperation against terrorism.

- Drugs: French reticent over a bilateral agreement over assets of drug traffickers. They prefer multilateral approach, and argue that agreement would be difficult until the UK signed the European Convention on Mutual Legal Assistance (which we cannot sign without new primary legislation, not expected before the 1989/90 session). Negotiations for a Council of Europe Convention on confiscating assets of drug traffickers are taking place. French have just agreed to open negotiations for a bilateral agreement. Need to maintain pressure.

- Arab/Israel: the EC Troika (including France) has visited Israel (the Greek was not welcome), met Arafat (Madrid, January) and visited Syria, Jordan and Egypt (mid-February).

- Shamir told Dumas that he opposed an international conference as it would be an anti-Israel tribunal. He prefers direct negotiations under the umbrella of the two Superpowers. He will have visited Paris on 21-24 February. Shamir may hope to restrict his proposals to autonomy. When he visits Washington (probably March) the US may find this twin approach attractive. But the new Administration's Middle East policy is still fluid: French are our best allies in encouraging it to take shape in a way consonant with our interests. French are still attached to their idea of a preparatory conference, but acknowledge at official level that informal discussions among the Five would be a

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useful first step.

- South Africa: Restrictive Measures: the French oppose comprehensive mandatory sanctions against South Africa. But under Socialist Government have raised several initiatives in European Political Cooperation (including a ban on South African press offices in the EC and on granting of official export credits for the Mossel Bay oil-from-gas project). They want to be seen publicly to be increasing pressure on the SAG.

- Cambodia: elements of an external settlement falling into place: But Khmer factions (and Sihanouk) reluctant to compromise. Unless they do so, regional states, whose interests are different, may put together a settlement without them.

- French are reluctant to discuss Cambodia with other UNSC Permanent Members, as they aspire to special role in settlement process. Paris round table meeting between Cambodian factions planned for the Spring. Mitterrand has also said that France would be prepared to host an international conference in the event of a political settlement.

- Libya: have approached Thomson and Siemens for 3D radar. France favours a self-denying ordinance among potential Western suppliers.

F. BILATERAL

- Channel Tunnel:

Construction difficulties and cost overrun problems led to demands from Eurotunnel and Transmanche Link (TML) for changes in the other's management, and a threat from the banks to enforce a default. Forthcoming changes at both Eurotunnel and TML should help: the (French) Managing Director of Eurotunnel being eased out, to be succeeded by two Managing Directors: M Bertrand and Dr Ridley (ex LRT). Both well regarded. New TML Chief Executive being sought.

- These changes and determination to improve performance have impressed the lead banks. On present planning should be sufficient funds for completion.

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- The target completion date has been extended by a month to June 1993, but may be delayed until August 1993. News on tunnelling now good: if recent improvement is maintained, the service tunnel (due to be completed next year) will be ready ahead of schedule. Eurotunnel shares now double issue price.
- On-train controls: discussing French arguments in favour of immigration controls on board trains: government decision likely in early March.
- Rail route: BR's proposal for new high-speed track opposed in Kent: likely to affect specific route rather than whole scheme.
- Quai/FCO Exchange: Agreement at official level to exchange FCO and Quai diplomats: exchanges of at least 1 year at 1st Secretary level and shorter training exchanges (3-4 months) at 3rd/2nd Secretary level. Two diplomatic services now identifying candidates. Aim to start in Autumn. Possibly announce at Summit press conference. Similar exchange with Auswärtiges Amt (FRG) since 1986. Continuous programme of other civil service exchanges with France exists.
- Youth Exchanges: Prime Minister agreed with M Chirac in November 1987 a joint study on achieving expansion. Results encouraging: there were 1,939 government supported exchanges in 1987; (1988: 2,299). A press release has been agreed setting out next objectives.
- The Department of Employment and DES are working with the French to improve exchanges in the areas of vocational training and education. An Anglo-French Colloquium on educational exchanges will take place on 25-26 May in UK: should result in a specific plan of action.
- Carriers Liability Act: French ferry operators have incurred £250,000 in unpaid fines for carrying UK-bound passengers without the documentation for admission. Was agreed last year not to take Court action to recover the debts pending passage of French legislation obliging carriers to refuse to accept such passengers (became law in December). But French have asked us to waive outstanding fines.

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- We have made clear there could be no waiver - Sealink and P&O, hearing of French non-payment, have declined to pay, running up debts of £750,000. But they will be forced to pay.

- Cheese: French concern more over claims of listeria in soft cheese than over steps to end sale of unpasteurised milk. Mr MacGregor wrote to Nallet (Agriculture) on 17 February with evidence from UK market of listeria in French cheese (1987: 85 samples; 14% infected, some seriously). Public consultation over ending unpasteurised milk sales will also invite views on steps (if any) over products (including cheese) from such milk, eg clearer labelling.

- Bicentenary: Mitterrand invited Prime Minister for 13-14 July celebrations: accepted in principle, explained difficulties with morning and afternoon of 13 July (Cabinet/PQs), sought information about Bicentenary programme (Paris Economic Summit 14-16 July): response awaited.

- Contacts: last Summit 29 January in London. Prime Minister saw Mitterrand 10 June and 30 November (Mont St Michel); Rocard 10 June (Paris) and 8 February before his Chatham House lecture.

ANGLO-FRENCH SUMMIT: 27 FEBRUARY

OUTLINE PROGRAMME (all timings to be confirmed)

0720 British Ministerial Delegation departs
RAF Northolt by RAF Andover

1000 Andover arrives Villacoublay

1030 Arrive City Centre
Bilaterals begin at Elysée and host
ministries

1215 Plenary at Elysée

1300 Lunch at Elysée

1515 Press Conference [at Elysée]

1545/1600 Depart for Villacoublay

1615 Prime Minister departs in HS 125

Ministerial Delegation departs in RAF
Andover

1630 HS 125 arrives Northolt

1655 RAF Andover arrives Northolt

MITTERRAND, FRANCOIS GCB

President. (First term: 1981-88; Second term: Since May 1988)

Born 1916. Son of a railway official. Trained as a lawyer in Paris. Distinguished war service including escape from a prisoner of war camp and resistance work (mission to London in 1943). Represented Nievre in North Central France from the end of the war until election as President. Was one of the few French politicians to oppose de Gaulle's return to power in 1958 which he considered imposed by the armed forces. From 1958-81 he was de facto leader of the opposition. Ran unsuccessfully for President in 1965 and 1974. From 1971-81 was First Secretary of the renovated Socialist Party (PS) which, under his leadership has become the dominant force on the left of French politics. A skilful party tactician, Mitterrand did much to hold the warring factions of the PS together during the long period of opposition and of difficult relations with the Communist Party (PCF). He made a State Visit to the UK in 1984: the Prince of Wales greeted him at Victoria Station and attended both banquets.

Mitterrand is not a doctrinaire socialist but rather a humanist with egalitarian instincts and a sense of public responsibility. By nature aloof with few personal friends. Keeps his own counsel. He is keen on books, painting and writing. His air of self-possession and unflappability is part cultivated and part natural. As President, adopted an outward air of confidence and serenity during difficult periods and low popularity ratings.

His wife had a good resistance record and a strong interest in Human Rights causes (this influence can sometimes be detected in her husband's actions). Of his two sons, one was elected a PS Deputy in 1981.

ROCARD, MICHEL

Prime Minister since May 1988.

Born 1930. Son of Professor Yves Rocard CBE, a distinguished nuclear physicist. Studied literature and entered ENA. Resigned from government service in 1967 to stand (unsuccessfully) in Legislative elections. Secretary General of cialiste Unifié (PSU) 1967-73.

Joined Socialist Party 1974. Member of the National Secretariat 1975-79. Deputy for the Yvelines 1969-73 since 1978. Minister for the Plan 1981-83. Minister for Agriculture from 1983 until his resignation in 1985.

Rocard made his name as a national figure during the May events of 1968. His party was the only one to be identified with the student movement, and its leaders occupied key positions in the main student and teacher organisations. He broke with the PSU in 1974 after its failure to amalgamate with the Socialist Party. He then rose swiftly in the Socialist Party. During the past decade, Rocard had moderated his leftish image. He remains one of France's most popular politicians. He has a strong intellect, and keen political instincts. A good speaker when audible (very rapid delivery), his distinctive brand of intellectual garrulousness sometimes speaks more of a hyper-clever university don than a statesman of Presidential stamp.

He visited the UK as a COI Category I sponsored visitor in 1980 and 1988. During the latter visit he met the Prime Minister, Foreign and Defence Secretaries, Chancellor of the Exchequer and Governor of the Bank of England.

Rocard speaks good English. He is divorced and remarried (to a sociologist). He has two children by each marriage.

DUMAS, ROLAND GCMG

Minister for Foreign Affairs (with status of Ministre d'Etat).

Born 1922 at Limoges in the Haute Vienne. Fought in the Resistance. His father was shot by the Germans. Escaped from captivity. Graduated in law from the University of Paris. Studied at the LSE on a British Government scholarship. Barrister at the Paris Court of Appeal since 1950. Political journalist. Centre-Left deputy for Haute Vienne 1956-58; for the Corrèze 1967-68. Socialist Deputy for Périgueux, Dordogne since 1981. Appointed Minister for European Affairs in January 1984; replaced Cheysson as Foreign Minister on the latter's move to Brussels as EC Commissioner at the end of that year.

Like Mitterrand, Dumas voted against the establishment of the Fifth Republic. This cost him his seat in Parliament. He has combined politics and journalism with a successful career at the Paris Bar. He has acted as counsel in many politically controversial trials including defending Algerian nationalists during the Algerian War.

Author of books on China, barristers and the media. Keen interest in music. When young he trained to become a professional operatic singer. A collector of paintings.

Married (twice). Three children. A gifted linguist with good English.

CHEVENEMENT, JEAN-PIERRE

Minister of Defence.

Born 1939, in Belfort. Ecole Nationale d'Administration (ENA) 1963-65. Ministry of Finance 1965-68. Commercial Counsellor at Jakarta briefly in 1968. Joined the Socialist Party in 1964. Leader of the Party's left-wing CERES faction (now renamed Socialisme et République). Député for Belfort since 1973. Appointed Minister of Research in June 1981. Promoted to Minister of State responsible for both Industry and Research in June 1982. Removed in March 1983 reshuffle. Minister of Education 1984-86. MP 1986-88. Appointed Defence Minister after Mitterrand's 1988 re-election.

He is married to a psychologist. Two children. He understands English reasonably well but is reluctant to speak it.

JOXE, PIERRE

Minister for the Interior.

Born 1934 in Paris. Studied at the Ecole Nationale d'Administration (ENA) 1960-62. Joined PS in 1971; appointed National Secretary for Training later Party Treasurer.

Joxe was briefly Minister of Industry in Mauroy's first Government in 1981 but moved to lead the PS Parliamentary Group. Appointed Minister of the Interior when Fabius became Prime Minister in July 1984. Returned to lead the Parliamentary Group after the 1986 elections, and to Interior after the May 1988 change of government.

He has apparently moderated his more extreme Marxist views in recent years but he remains on the left of the PS. As Minister of the Interior he faced initial police hostility, but reduced this by introducing an ambitious and expensive plan for police modernisation.

Married. Two children. Speaks quite good English. Once spent three months at the LSE.

FAUROUX, ROGER

Minister of Industry and Regional Development.

Born in 1926 in Montpellier. Studied literature and philosophy at the Ecole Normale Supérieure. Graduated from the Ecole Nationale d'Administration.

In 1961 he moved to the private sector, joining Pont-à-Mousson. He became Financial Director in 1969. Appointed President Directeur-Général of St Gobain in 1980. He was retained by the Socialists when St Gobain was nationalised in 1981. He left St Gobain in 1986 to become Director of the Ecole Nationale d'Administration. Appointed Minister of Industry in May 1988.

He owes his appointment to his high reputation as an administrator, his popularity in business circles, and his identification with the Catholic centre. He is a pragmatist whose priority is to make French industry more competitive internationally, with particular attention paid to the needs of small and medium-sized business.

He is an open man whose way of speaking reveals his Southern origins. A good conversationalist, interested in literature and the arts.

Married to the sister of the historian Le Roy Ladurie. Six children. Speaks English.

CRESSON, MME EDITH

Minister for European Affairs.

Born 1935 near Paris. Economist by training. Joined the Socialist Party after meeting Mitterrand (to whom she has been very close) in the sixties. Active in PS youth and student section; MEP 1979-81. Finally won a seat in Vienne in 1981. Minister of Agriculture in 1981; Minister of External Trade 1983; also of Industrial Redeployment (1984). PS Deputy from 1986-88. Appointed Minister for European Affairs in May 1988.

Mme Cresson has an exuberant personal and political style. Reckoned by some to be too fond of confrontation, she is said nevertheless to be open to advice. Not a subtle analyst, but comes across well on TV. As Minister of Agriculture, she overcame conservative French farmers' mistrust of a woman Minister with no farming background. As Minister for External Trade, she was willing to contemplate protectionism to reduce the trade deficit. She is now eager to assert a coordinating interministerial influence on French preparations for 1992.

Married to a Peugeot executive. Two children. Has visited England many times (most recently 7 February for talks with Mrs Chalker and DTI Ministers). Good English.

PROPOSED THEMES FOR PRESS CONFERENCE

Bilateral Relations

- Excellent. Intense pattern of Ministerial and official exchanges.
- France our 3rd largest export market; UK similarly France's 3rd.
- Huge private sector/tourism flows: approx 6 million British visitors to France 1988. Industrial collaboration, eg Channel Tunnel.
- Want to strengthen relationship still further. Liberalisation 1992 gives immense scope for greater private sector flows.
- Also, agreement to:
 - double number of officially supported Youth exchanges (from 1987 figures)
 - hold Educational Exchange Colloquium (25-26 May in London)
 - exchange FCO/Quai d'Orsay diplomats
- Prince & Princess of Wales visit (November 1988) a great success.
- 1st batch of Jean Monnet scholars being selected.
- Drugs and Terrorism: good practical cooperation (cf Eksund).
- Congratulations on Bicentenary: look forward to participating in 13-14 July celebrations.

Defence

- Increasingly close relationship. Regular Ministerial meetings. Mr Younger remaining in France until 1 March.
- Seeking better value for money through closer cooperation on equipment procurement: joint conferences
- Growing cooperation over exercises; good progress over defence arrangements for Channel Tunnel.
- Want to maintain existing dialogue on nuclear matters.

EC

- Views on essentials very close.
- Major common goal remains Single Market completion. Determined to prevent "Fortress Europe".
- Agreed on the need for effective action to combat fraud in the EC.

International

- Close identity of views on East/West and Security (including START, conventional and CW). Agree on need for active policy of negotiation backed by firm defence.
- Consult closely on eg Middle East, Afghanistan, Cambodia.
- Welcome French support over Rushdie/Iran.