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10 DOWNING STREET

LONDON SW1A 2AA

1 September 1989

*From the Private Secretary*

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND

The Prime Minister entertained President Mitterrand at Chequers today for talks and lunch, lasting some five hours in all. The Prime Minister and the President held private talks, which were also attended by Madame Guigou on the French side, both before and after lunch, while Foreign Ministers and Ambassadors met in a separate room. The two Foreign Ministers joined the Prime Minister and the President at lunch. Later in the afternoon the Prime Minister and the President walked through the grounds of Chequers for some 45 minutes, and then concluded with a short plenary session over tea.

It was quite clear that the President envisaged the visit as part of his consultations as President of the European Community and the greater part of the discussion was concerned with Community business and Political Co-operation topics. Defence was dealt with only peripherally and arms control not at all. I am recording in separate letters the discussions of EC matters and of international political issues. The atmosphere throughout seemed to me very good, with the President stressing repeatedly his desire to avoid disputes with the United Kingdom within the European Community. We have reflected this in briefing the Press.

I am copying this letter to John Gieve (HM Treasury), Brian Hawtin (Ministry of Defence), Neil Thornton (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

CHARLES POWELL

Stephen Wall, Esq.,  
Foreign and Commonwealth Office

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From the Private Secretary

1 September 1989

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND:  
EUROPEAN COMMUNITY AFFAIRS

The Prime Minister and President Mitterrand spent a good part of their meeting at Chequers today in discussion of European Community affairs. These were also dealt with in the separate meeting between the Foreign Secretary and Mr. Dumas, which you will be recording, and touched on in the concluding plenary discussion.

President Mitterrand said that he had been to see Senor Gonzalez in August as the immediate past President of the European Community. That meeting apart, the Prime Minister was the first of the other Community Heads of Government whom he would be seeing during his time as President. He had been due to meet Chancellor Kohl towards the end of next week, but this had now been postponed at Germany's request because of the many problems which the Chancellor faced in his domestic politics.

Enlargement

The Prime Minister referred to the applications for membership of the Community from Turkey and Austria and suggested that the right course was for the Community to say that it had as much on its plate at present as it could cope with, and could not even consider applications until after 1992 at the earliest. We would not say "no", but "not now". President Mitterrand agreed. He was opposed to both Austrian and Turkish membership. The main reason was that the Community was simply not ready to absorb other countries. It had enough difficulty already in co-ordinating its efforts and avoiding enlargement was a matter of elementary prudence. It would be better to postpone the whole subject for five or six years. He could not envisage how an underdeveloped country like Turkey could join the Community. People in France would never accept Turks, with their different religion and way of life, pouring into France and living in French villages. He thought the Community should have a simple line for all applicants: not now.

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Social Charter

The Prime Minister explained our objections to the Social Charter. We did not want the Community to legislate in areas which were not within its competence. Moreover, we saw the Charter as an attempt to drag industry's costs up to German levels. This would serve only German interests and no-one else's. The Community should respect the diversity of national practices in this area, as well as the principle of subsidiarity.

President Mitterrand said that he was in favour of a Social Charter, but not with the same goals in mind as Germany. He was opposed to attempts at artificial equalisation. At the same time, he saw a need to show the working people of Europe that their interests were being taken into account in completion of the Single Market. In his view, the Social Charter should deal only with the most general principles, such as the need for people to enjoy basic social security: it did not matter what system was used to achieve that.

The Prime Minister commented that the Commission's draft had been an intellectual disgrace and reflected their determination to extend their role into new areas. They saw the Charter as a mechanism for securing authority to introduce new Community legislation. Some of their proposals were absurd. President Mitterrand said that the Prime Minister would never find him supporting an absurdity. He did not think that there was in practice a great difference between French and British views. He and the Prime Minister should ask Madame Guigou and Mr. Powell to sit down and work through all the practical issues involved to see what we could both accept and what caused difficulty. The purpose would be to enlarge the areas on which the two Governments could agree and reduce the areas of friction. Although he was a socialist, he very much shared the Prime Minister's opposition to the state meddling in everything. He suggested that Madame Guigou and Mr. Powell should be asked to complete their task by the end of September. The Prime Minister said that she was much in favour of this approach. So far as possible, every government should be left to do things in its own way.

President Mitterrand agreed that the Commission always tended to take things too far. But the fact of the matter was that Britain and France were two of the most advanced countries in the world when it came to providing social protection and they ought to be able to agree on some broad principles to include in the Social Charter. He wanted a Charter but not one which led to divisions within the Community. He recognised that different countries had different ways of doing things.

President Mitterrand subsequently returned to this subject after lunch saying that he would try to keep a firm control over any differences of view between Britain and France. He did not want trouble between us. The two representatives should work as though they were Public

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Notaries, setting out exactly what each side could and could not do. He wanted to emphasise his wish to avoid a Franco-British duel.

I should record that Madame Guigou subsequently said that she would be prepared to come over to London with a small team on 14 or 15 September to start on this exercise. She envisaged some three hours of discussion. On our side, I imagine it would be appropriate for David Halley to lead a team including John Kerr and representatives of the Department of Employment and other Departments. I should be grateful if arrangements could be made direct with Madame Guigou.

#### European Company Statute

The Prime Minister referred to the Commission's attempts to enforce a form of worker participation on Member States, using qualified majority voting. This was quite alien to our traditions and we were not prepared to accept it. President Mitterrand said that France did not have any tradition of worker participation, indeed their trade unions did not want it.

#### Economic and Monetary Cooperation

President Mitterrand said that it was not the task of the French Presidency to reach any decisions on the later stages of economic and monetary cooperation. The French task was simply to start to draw up a list of questions which would need to be discussed at an IGC to be held some time after July 1990. This was a sort of Clerk of the Court role and was the reason France had convened a high level group of officials. It would be for subsequent Presidencies to carry the work forward.

The Prime Minister said that the assumption at Madrid had been that ECOFIN would undertake this work. Surely the first step was for Ministers of Finance to consider the way ahead at their meeting on 8/9 September. President Mitterrand said that Ministers of Finance and Foreign Ministers should certainly be involved. But Finance Ministers would meet only three times during the French Presidency. More intensive work was required and that was why France had proposed the high level group. He realised that Britain and the Netherlands were opposed. But others were ready to go along. He wanted to emphasise that his aim was simply to put the train on the rails, not to decide where it should stop. He did not want six months to pass without any preparatory work for an IGC being done.

The Prime Minister repeated that she thought convening the group was premature until Finance Ministers had had a chance to discuss the matter. We had already had one experience of a high-level group with the Delors Committee and it had not been satisfactory. These were highly political matters and could not be left to officials. The matters concerned were the responsibility of Finance Ministers. Moreover the most important and pressing task



was to complete implementation of Stage 1 of the Delors Report. This would need a major impetus from the French Presidency. President Mitterrand said that procedural matters were traditionally left to the Presidency to decide. The high level group would meet. But he could assure the Prime Minister once again that it would do no more than define the questions which would eventually need to be answered.

This discussion was repeated in the final plenary, with the Prime Minister saying once again that Finance Ministers should examine the issues first and decide on the way ahead. If they agreed to set up a group well and good, but they should not be bypassed. The President concluded by saying that he would reflect on how the French and British positions could be harmonised. The two Foreign Ministers should be in touch in a day or two. The implication was that the Presidency might postpone the first meeting of the high-level group until after the informal ECOFIN on 8/9 September.

#### Environment

President Mitterrand said that he understood the United Kingdom could agree to a European Environment Agency. The UK was very much in the vanguard on environmental matters. The Prime Minister said it was important that such an Agency should not overlap with work done by national governments or by other international bodies.

#### Audio-Visual

President Mitterrand said that he was keen to make progress on audio-visual matters during the French Presidency. There would be an important meeting on 30 September/1 October.

#### Taxation

President Mitterrand said there was not sufficient support in the Community for a tax on savings, but there had to be much better arrangements to prevent tax fraud and evasion. The Prime Minister said that we were perfectly ready to discuss this.

#### Lomé Convention

President Mitterrand said that a discussion would be needed on the size of the EDF under the next Lomé Convention. The range under discussion was between 10-12 billion ECU. The Prime Minister commented only that she hoped Lomé aid would be tied more closely to environmental objectives.

#### Single Market

President Mitterrand said that France was prepared to accept the economic and political risks of free competition. They had in fact already implemented much the greater part



liberalisation of capital movements without any ill effects.

Frontiers

The Prime Minister said that it would be necessary to retain certain checks at frontiers after 1992. President Mitterrand said that France was prepared to go quite far in removing controls. He went on to say, however, that he was not at all happy at the idea of Italy or Greece having responsibility for France's frontiers, so that Yugoslavs and Turks could arrive in France through other countries. He understood British worries very well. France already had a very substantial influx of people from Northern Africa.

I am copying this letter to John Gieve (HM Treasury), Neil Thornton (Department of Trade and Industry), Clive Norris (Department of Employment), Colin Walters (Home Office) and Trevor Woolley (Cabinet Office).

(C. D. POWELL)

Stephen Wall, Esq.,  
Foreign and Commonwealth Office



POINTS FOR MEETING WITH PRESIDENT MITTERRAND

1. Compliment on Bicentenary and Economic Summit. Thank for effective cooperation over IRA.
2. EC matters:
  - economic and monetary
  - social (diversity, subsidiarity, voluntarism)
  - single market (investment services and transport)
  - enlargement
  - Uruguay Round
3. East/West:
  - developments in the Soviet Union
  - help for Poland (message to Bush)
  - China
4. Germany:
  - Kohl's prospects
  - longer-term trends

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5. Defence Cooperation and Arms Control:

- higher priority for defence relations. Foreign and Defence Ministers to review regularly.
- officials to be tasked to come forward at next Summit with specific proposals for practical cooperation.
- enlarge disclosure on nuclear matters and coordinate position on conditions in which British and French deterrents might be included in negotiations.
- work closely on CFE and problem of Soviet forces beyond the Urals.

6. Environment:

7. Drugs:

- help for Colombia
- Financial Action Task Force

8. International:

- |               |                   |
|---------------|-------------------|
| - Lebanon     | - Southern Africa |
| - Cambodia    | - Argentina       |
| - Arab/Israel | - Hong Kong       |





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From the Private Secretary

1 September 1989

**PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND:  
INTERNATIONAL POLITICAL ISSUES**

The Prime Minister and President Mitterrand covered a number of international political issues during their meeting at Chequers today, mostly during the lunch at which Foreign Ministers were also present.

Cambodia

There was a brief and largely inconsequential exchange on Cambodia. The Prime Minister complimented the French Government on taking the initiative in calling the Press Conference, and regretted the fact that it had not achieved the results we all hoped. President Mitterrand appeared to regard this failure philosophically.

Lebanon

President Mitterrand lamented the irrational behaviour of all the parties in Lebanon. The Christians were no less difficult than the others. It was impossible for reasonable Moslems to come forward without risking their lives. The Prime Minister thought that only the Arab world could produce a solution in Lebanon. The Arab League Committee of Three had given up too soon. Syrian withdrawal was the key, but she doubted whether President Assad would withdraw. Monsieur Dumas agreed the Committee of Three was faint-hearted and not keen to take up its mission again. President Mitterrand said it was necessary for the West to exercise very great diplomatic pressure to prevent the Christians from being massacred, as had nearly happened in August. The Prime Minister queried whether Israel would let that happen. President Mitterrand thought they would: their only concern was that Syria should not approach too close to Israel itself.

Colombia

The Prime Minister and President Mitterrand agreed that President Barco was demonstrating exemplary courage. The Prime Minister described the help which we were proposing to offer to Colombia. President Mitterrand said that he was in



favour of any initiative. The Foreign Secretary suggested that it would be helpful if the French presidency could organise a discussion on how the European Community could help. The Prime Minister recalled that President Mitterrand also remained Chairman of the Summit Seven and there might be scope for action in that forum, for instance through the Financial Action Task Force set up at the Paris Summit. It was also important to give the Cambodian Government moral support and we were discussing the possibility of a United Nations Security Council Resolution. M. Dumas commented that Germany appeared ready to examine the origin of funds invested in FRG, as a means of restricting the opportunities for legitimate investment of drug money. This was a courageous step.

#### Poland

The Prime Minister said that the Poles were unhappy that the Community was not moving faster to implement its offer of free food. M. Dumas suggested that one reason for this was the absence of surpluses, as a result of the Prime Minister's ferocious attitude to reducing them. This meant that the Community had to purchase food for Poland on the world market, a fact which was causing the French Government considerable difficulties with its farmers. The tradition that the whole Commission went on holiday in August had not helped. M. Dumas added that he thought the West was generally being rather backward in its help for Poland. We all needed to reflect on what more needed to be done. President Mitterrand observed that the United States was doing rather less than France and Britain.

#### Hungary

There was a brief exchange on developments in Hungary and the remarkable speed with which the Hungarian Communist Party was being transformed. Both the Prime Minister and President Mitterrand felt, however, that this was unlikely to be enough to save the party when it came to elections.

I am copying this letter to John Gieve (HM Treasury), Brian Hawtin (Ministry of Defence) and to Trevor Woolley (Cabinet Office).

(C. D. POWELL)

J. S. Wall, Esq.,  
Foreign and Commonwealth Office.