

Meeting Record  
Subject  
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From the Private Secretary

14 January 1991

Dear Richard,

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND:  
EUROPEAN ISSUES

The Prime Minister had a two hour meeting with President Mitterrand at the Elysee today, at which the President was accompanied by M. Dumas. The discussion covered European Community matters, the GATT negotiations, Lithuania, the Gulf and Anglo/French defence cooperation. I am writing separately about the latter two.

President Mitterrand began by extending a formal welcome to the Prime Minister on his first working visit. He was sorry it was happening at such a tense time. We faced some difficult weeks ahead, with the risk that serious problems outside the Gulf might receive less than their due attention. He very much wished for close relations between Britain and France. The Prime Minister echoed the President's wish for close relations, and recalled the excellent contacts which he had enjoyed with M. Dumas and M. Beregevoy during his time as Foreign Secretary and Chancellor.

EMU

The Prime Minister said that he was determined that Britain should play a positive role in the debate within the Community on EMU. We had circulated texts spelling out our ideas. We believe that they represented one practical way - there might be others - to carry the debate forward. We continued to see enormous difficulties with a single currency on the lines proposed by M. Delors. It would be very difficult if other governments insisted on a commitment from us now to move to a single currency by a fixed date. The present United Kingdom Parliament simply would not accept this. In his own case, his reservations were not concerned so much with sovereignty or defence of the pound sterling, as with the credibility of trying to move to a single currency without adequate economic convergence. The current difficulties within the ERM showed the problems which could arise from trying to fix exchange rates without sufficient economic convergence. But he was sure that progress could be made on the basis of our ideas, provided no-one tried to box us into a corner. He would be interested to know whether France was intending to circulate Treaty language.

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President Mitterrand said that France had no specific plans to do so yet. He understood that M. Beregevoy had spoken approvingly of the idea of a common currency on the lines proposed by the United Kingdom. Speaking frankly, he found that the British plan had a number of very positive aspects. He knew that Germany was opposed. And the ultimate goal had to be a single currency. But a transition to this by way of the British ideas was something which could be discussed. Personally he had never countenanced the idea of leaving the United Kingdom on one side in this debate, even though the UK itself had sometimes seemed to want that.

The Prime Minister thanked the President for his remarks and said that the range of views in the Community was a good deal wider than was sometimes realised. It had been interesting that Herr Waigel had attacked the Delors text at the first meeting of the EMU IGC. There were also differences between the Bundesbank and the German Ministry of Finance. Some wanted to harden the basket ecu. Others favoured moving to the Delors scheme only when the economic conditions had been met. President Mitterrand said that France had begun a close scrutiny of the British proposals. It seemed that they were not so far removed from French ideas as originally thought, although France would not abandon the ultimate goal of the single currency. The idea of a currency which was as attractive as the DM was interesting. Personally he was in favour of the British ideas for the medium term, but feared that they might mean moving away from the long term goal. Some way should be found to synthesise the two objectives. He thought the British plan realistic so long as economic convergence had not taken place. M. Dumas interjected that the hard ecu could contribute to convergence. But we must not lose sight of the final objective of a single currency, even if it remained distant.

The Prime Minister said that if the intermediate phase succeeded in bringing about convergence, then the political, economic and presentational difficulties of moving beyond it would become easier. There had been a perception that Britain was trying to block the whole process of EMU. That had been partly our own fault. President Mitterrand agreed that other EC countries had thought that Britain was determined not to board the train. The Prime Minister's approach was not necessarily more than reassuring, only more adroit. The Prime Minister said that it was a sincere approach, based on a belief that the United Kingdom ought to be at the centre of developments in Europe.

President Mitterrand said that he very much welcomed this sentiment. However good Franco-German relations, Germany had different goals from France. It was a pity that France and Germany had been compelled to take so many bilateral initiatives in the EC. He would like to see that extended to the UK. The Prime Minister agreed there were areas where France and the UK had interests and views which were not necessarily shared by Germany, for example their determination to see the European Council strengthened and to avoid giving additional powers to the European Parliament. President Mitterrand said that it was

necessary to be vigilant about the European Parliament. It was not a real Parliament and no-one in France had much idea who its members were.

#### Defence Co-operation in Europe

The Prime Minister said that he would also like to touch on the matter of defence cooperation in Europe. Britain and France had several common interests here, in particular as the only two nuclear powers. He would be interested to hear how the President saw the future role of WEU.

President Mitterrand said that at first sight his views might appear rather different to those of the Prime Minister. He saw no point in wasting much time or energy on WEU if it was simply to be an appendix to NATO. NATO itself would be enough. But the day would come when Europe would have to defend itself, and we must start to prepare for that. Paradoxically the US' ambition to influence Europe seemed to grow larger as they gradually moved away from Europe. President Bush and Secretary Baker had suddenly discovered that, with the end of East/West confrontation and diminution of the American military presence, they were losing leverage and influence. Their response was a frenzy of ideas. For instance they wanted NATO take on political responsibilities, or to be responsible for security as far away as the Kuriles and the Malacca straits. The Americans could not be both less present and more present. He was very much in favour of NATO even if he occasionally satirised it. He appreciated the friendship of the United States. But Europe and America were bound to grow apart, and this was why he wanted to see a solid core of European defence, with independent decision making. So he favoured a WEU which would move ahead as part of the process of political union in Europe, rather than just an appendix to NATO.

The Prime Minister said there seemed to be no difference between him and the President in terms of a desire to build up the WEU. But we were edgy about giving the Community a defence role. When one looked at attitudes to the Gulf of some members of the EC, it was clear they did not have the same strength and resolve as France and the UK. We were hoping to build up a European capability through WEU but wanted to see it under the NATO umbrella. President Mitterrand said it was better to think of it as alongside NATO, with bridges between them. The Prime Minister said this could be considered. But we must be careful not to give the US any excuse to minimise its commitment to Europe's defence. President Mitterrand said that was already happening. But there was no need to be definitive about these concepts. It was not a case of WEU being either part of NATO or one hundred per cent independent. One had to be empirical. He shared the Prime Minister's view about the attitude to defence of some of the EC countries. The Prime Minister referred to the very useful discussions which Admiral Lanxade had held in London. We hoped these would be followed up. President Mitterrand agreed that the visit had been very useful. He asked how Britain and France should take forward the discussion on EMU and political union. He would like to feel there was some direct involvement

by his own staff. It was important that the political aim of closer Anglo French cooperation should be clearly recognised and should guide official discussions. He might send one of his staff to talk to me or whoever the Prime Minister wished to nominate, to ensure there was an over-arching view of discussions between officials. The Prime Minister said that he would welcome this.

#### GATT Negotiations

The Prime Minister said that he had recently discussed the GATT negotiations with President Bush and Secretary Baker. He was acutely alarmed at the dangers of failing to make progress. With recession already being felt in the United States, protectionist sentiments could grow. It was in Europe's own self-interest to avoid damage to our trade relations. He had told the Americans that they must make concessions, and that the negotiations had not exactly been handled with great charm on their side. He was convinced that the Americans genuinely wanted agreement. If negotiations broke down, the Community could find itself in trouble in the GATT, particularly over the CAP. The Americans acknowledged the need for more compromises, including on agriculture. There were some suggestions around of a G7 Summit. But he was not very attracted to that, except as a last resort.

President Mitterrand said that the Americans were not playing an honourable game on the GATT. The EC proposals on agriculture were very reasonable and it was up to the United States to make a further effort. He recognised that the absence of an agreement could lead to a costly trade war. But he could not accept the "imperialist" US position. He was prepared to see some changes in the EC position, but only if the United States made a genuine effort. Developments in the Gulf were likely to distract attention from the GATT negotiations. Equally, they might establish a stronger bond of fellow-feeling between the United States and Europe which could help promote a solution.

#### Lithuania

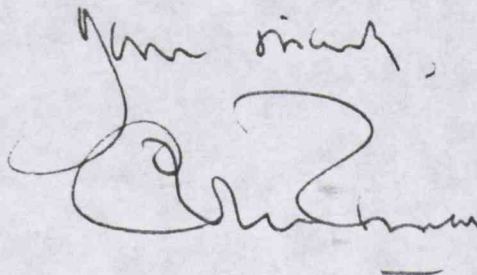
There was a brief exchange on Lithuania, most of which I missed because I was called to the telephone. But I understand that views were very similar.

#### Conclusion

President Mitterrand concluded by saying that he was very happy with the Prime Minister's approach on European issues and his readiness to try to resolve problems. He would like to see this approach carried through into practical progress. He was fully open to the idea of a fuller United Kingdom role in Europe. At the moment, there was a tendency to think in terms of the Six plus Spain. But that was an incomplete Europe. Italy was all very well, but had no tradition as a nation. Germany was a people, not a state or a nation. The only countries which had an historic experience of nationhood to match that of Britain and France were Spain and Portugal. But Britain must help to give

more concrete form to ideas for Anglo/French co-operation which had filled our minds for ten years. He knew there was no obstacle of principle on the British side, but somehow the machinery never seemed to rev up. We had to change that. EMU, political union, WEU, co-operation on the next generation of nuclear arms, were all matters where we should work together. He would be happy to send members of his staff to London to meet the appropriate people on the British side. The Prime Minister said he thought this a very positive approach and we would respond in similar spirit.

I am copying this letter to John Gieve (HM Treasury), Martin Stanley (Department of Trade and Industry), Simon Webb (Ministry of Defence), Andy Lebrecht (Ministry of Agriculture, Fisheries and Food) and Sonia Phippard (Cabinet Office).

A handwritten signature in dark ink, appearing to read 'John Gieve', is written above a large, stylized signature that appears to be 'Charles Powell'. The signature is written in a cursive, flowing style.

CHARLES POWELL

Richard Gozney, Esq.,  
Foreign and Commonwealth Office