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*From the Private Secretary*

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ANGLO/FRENCH SUMMIT

Thank you for your briefing for the Anglo/French Summit which took place in Dunkirk today.

The Prime Minister's private meeting with the President started late (because the President himself was late getting to Dunkirk). Because lunch was late starting it turned into the plenary session and was followed immediately by the press conference.

Private Meeting

The Prime Minister said he wanted to concentrate on the two IGCs and the handling of the Luxembourg European Council, with a view to concluding both IGCs in Maastricht in December. He saw a danger of the Luxembourg Presidency seeking to find more agreement than was actually available and thereby making it more difficult to reach agreement at the end of the year.

President Mitterrand commented that we must use good sense. This was June, not December. The mission of the IGCs was for the end of the year and there was no reason to try to conclude beforehand, especially on the main objectives. It was essential to finish within the next six months. Luxembourg had worked hard in an effort to make progress and we could not just leave all that aside. We should underline the importance of the work already done but leave to one side the battle of substance which required another six months work. We should not leave everything until December, but we should not battle it out in June. The Prime Minister said the problem would be how to strike a balance. The President would be aware of the ripples from the European debate in Britain. The more we could edge forward now the better the prospect of agreement at Maastricht.

President Mitterrand said he attached great importance to the British position. The Community was now in its 33rd year, the basic treaties bound us all and the general orientation of the Community was clear. Britain, for historical and understandable reasons, was not ready to take the steps asked of it, but it was not alone in that. For her part, France was more committed. He could not agree to go backwards, or to go beyond the end of the year but he could live with going on to the end of the year. Under Mr. Major's guidance, Britain had shown herself more ready to discuss European issues. He did not mind going a little slower, provided our foot was still on the accelerator. What we must not do was to step on the brakes.



The Prime Minister said he had not asked for that. On EMU he could see a way through with a little give and take. Political union was complex and less developed as an issue in the public mind, at least in the United Kingdom. It was extremely important to have the three pillar structure of the Treaty. That view was not shared by all countries but if we retained that structure the Prime Minister would have some chance of persuading the House of Commons to sign up to an agreement acceptable to most other Community countries. If we had a unitary structure, with everything under the Treaty of Rome, he could not expect Parliament to accept it.

M. Mitterrand greeted this exposition of the three pillar structure with a look of benign ignorance. It was quite clearly a completely new subject to him. He said, with a laugh, that he imagined this was one of those issues where M. Delors was not happy. The Prime Minister said that it was indeed one of those rare issues on which we and M. Delors did not see eye to eye. The President imagined that we objected to losing our sovereignty. France did not want to lose her sovereignty either. The Prime Minister said that, as an example, there was no way we would concert our policies on Hong Kong with Belgium. France would have similar examples. The President said that he would listen with pleasure to the Belgians but he would not follow their advice. The Prime Minister concluded that these issues had to be dealt with on a government to government basis. The President said he would reflect on what could be done.

Madame de Marjerie intervened to explain the three pillar structure, the fact that the Belgians, Dutch and Germans did not much like it, that Madame Guigou had argued in favour of it at the weekend conclave and that Britain and France's positions were close. Germany, she added, accepted the three pillared Treaty but wanted everything to evolve towards a Community structure. The Prime Minister said that we could accept a review provided it was a neutral one. M. Mitterrand commented that it seemed, for a change, that Britain and France were close together. The Prime Minister said that there were many such examples. He would, however, identify EMU and the single currency as a difficult issue. He set out our views on convergence. We should not move to a single currency before we had convergence which meant, in respect of Stages Two and Three, that we should have:

- i) dates to aim at; but
- ii) an agreed degree of convergence so that we knew it was economically safe to move to Stages Two and Three without adverse effects.

The Prime Minister described the consequences of a single currency without convergences.

President Mitterrand agreed on the need for convergence but he also wanted the Community to pursue a policy of structural coherence which called for a considerable effort straightaway. He was ready to discuss what convergence of economies meant. He was not going into this with his eyes closed and we must make the proper provisions. France would not accept just anything but one had to be clear. Either one accepted the goal of the single



currency or one did not. Within that framework it should be possible to find a satisfactory response to all the Prime Minister's points.

The Prime Minister said that he could not claim to like the idea of a single currency. "How would you rate it on a scale of 1 to 10?", asked Mitterrand, in a rather teasing way. "6 out of 10" said the Prime Minister. He was not a romantic hankering after the past. He was a realist. He would march towards the goal subject to ensuring that it was in the interests of his country. It should be possible to reach agreement at Maastricht subject to a final decision by every country when convergence was there. He could not bind a future Parliament. It would not be helpful to address at Luxembourg the issue of opting in to Stage Three.

President Mitterrand said we should be under no illusions that these matters could be solved over the next week. There had been useful discussions and it was necessary to prepare people psychologically for decisions in December. He had been very interested in what the Prime Minister had said. He understood it and admitted its validity. The Prime Minister clearly had a firm interest in going forward. We could not reach conclusions on Saturday but should draw up a balance sheet to see where we were and what needed to be done before Maastricht. The Prime Minister agreed on this form of stocktaking. The President said we must take note of what had been done and register it. We must find ways of giving value to what Luxembourg had done. The Luxembourgers, the Prime Minister said, had set the basis for later agreement. He had warned Santer that if he sought agreement he would get a small return. If nothing seemed to be agreed then the Dutch might want to unpick what was already there. The President said that the Dutch had a clear interest in working for an agreement at Maastricht. We had another six months of negotiations but he did not simply want us to mark time until October, and then find that there was too much to do in the remaining weeks. The Prime Minister said that he was not seeking delay. He wanted to reach agreement in December. President Mitterrand concluded that we should go ahead on this basis. He had not been surprised by what the Prime Minister had said on EMU. France could accept the three pillared structure for political union.

CFSP

Madame Cresson joined the meeting (having been heralded a few minutes earlier by loud cheering from the street). She arrived just when the conversation was turning to defence issues.

President Mitterrand expressed unhappiness at the decision taken in NATO on the Rapid Reaction Corps. He did not want European defence to be the antithesis of the United States, but Europe was not part of America. If we had an idea about intra-European relations, for example with Eastern Europe or the Baltic States, we should be able to develop these without telephoning elsewhere. We were growing apart on these issues.

The Prime Minister disagreed. France was concerned about long-term defence in Europe just as he was concerned about our



relations with NATO in the short term. The President said that he understood Britain's commitment. The USA was a necessary part of these arrangements. But to say 'no' to any new prospect of European defence or to adopt the Baker idea of Euro-Atlantic principles extending from Vancouver to Vladivostock was not possible. He could countenance the Baker idea but not in its present form.

The Prime Minister said that Britain and France, as the two European nuclear powers, should try to understand each other. We should ask our officials to meet and discuss whether we could get closer. We had no problems with the idea of a European defence identity, but it had to use the WEU so as to create an organic link to the European Council and to NATO. We already had one neutral country in the Community. We would have more as EFTA and the newly democratic nations of the East joined the Community. Mitterrand asked, in a tone of irony, whether the Prime Minister envisaged a structure for all these countries by the end of the century. "Certainly not" said the Prime Minister. "By 2010?" asked the President. "Who can tell?" said the Prime Minister. "I can" said the President, "definitely not by 2010". The Prime Minister indicated that he was not prepared to be so catagoric. He was clear about the risk of creating a single currency, which countries like Poland could never join because they could never achieve the necessary economic convergence. Hence the advantages and logic of our hard ecu proposal. The hard ecu would involve an independent monetary institution to run it from the word go. Lots of countries, like Britain, would not sign up to an independent bank for a long time. What would an independent bank cover? If it was independent, how would it be accountable? ECOFIN had ducked the difficult questions. The President said he had asked the same questions.

The President concluded the discussion by saying he valued this private discussion. He would be seeing Chancellor Kohl tomorrow and would see him again for breakfast in Luxembourg. He would like to see the Prime Minister privately in Luxembourg as well. I will follow this up with Morel.

#### Working Lunch

The President and the Prime Minister then adjourned for the working lunch where the Foreign Secretary, Defence Secretary, Minister of Agriculture and Mr. Garel-Jones had already been waiting for the best part of an hour, having been told that they must break off their own talks because of the imminent arrival of the President and the Prime Minister. This was only one example of the whiff of Clochemerle which hung over the whole proceedings.

Over lunch, at the President's suggestion, M. Dumas reported on his talks with the Foreign Secretary. Since I imagine you will record that discussion separately, I will only summarise the main points, which were:

- i) M. Dumas thought that the most recent Luxembourg text on CFSP provided a basis for agreement, representing as it did, a compromise;



- ii) on co-decision, neither Britain nor France understood the pressure from other partners or the Community for excessively increasing the powers of the European Parliament. But the Foreign Secretary had shown welcome interest in France's idea of a three-times-a-year Congress of national parliaments;
- iii) there had been some difficulties over the WEU, in particular over future prospects on space co-operation;
- iv) on the Kurds, both sides had agreed to press the UN to meet their commitment to having 500 observers on the ground (so far, there were only 57). We would also encourage the Kurds to reach an agreement with the Iraqi Government. The Foreign Secretary thought, like M. Dumas, that if an agreement was reached, it should be internationally guaranteed;
- v) M. Dumas said that France was a little - even very - reluctant to see anything on disarmament in the G7 communique. But it was something he had not hitherto conveyed to the President. The President commented that if M. Dumas had said that France was a little reluctant, then he had not spoken strongly enough.

The Foreign Secretary endorsed this account. We agreed that the natural conclusions of the two IGCs would be at the end of the year. The three-tiered architecture was closer to Britain and France's views than to those of some other partners. He had explained to M. Dumas the complications which the use of the word "federal" gave rise to. He had set out why co-decision with the European Parliament was unacceptable. We needed to find ways to channel the energies of the European Parliament without giving them power which severely handicapped national governments and parliaments.

At the President's suggestion, Madame Guigou and Mr. Garel-Jones then reported on their discussions which had focused on the Schengen agreement, the proposed EC/Japan declaration and the EC/EFTA agreement. Madame Guigou stressed that France wanted concrete elements on trade and industry in the Japan Declaration. Mr. Garel-Jones had agreed subject to striking the right balance. On the proposed EC/EFTA agreement they had both expressed concern about the latest Norway offer on fish which was not acceptable to France and probably not acceptable to the United Kingdom.

On GATT, Madame Guigou had emphasised the French wish for overall agreement on all subjects. GATT should not be used as a means of putting pressure on the Europeans in respect of CAP reform.

Mr. Garel-Jones said that both Ministers had identified a common interest in preserving the structure of the union as at present put forward. On Schengen he had reported the Prime Minister's proposal that there should be a discussion in Luxembourg on asylum, illegal immigration, etc. This was an important part of the new pillar of the Treaty on justice, etc.



That pillar should be in the Union but distinct from Community competence.

President Mitterrand said that the question was whether there should be any agreements at Luxembourg and if so on what. The Prime Minister said that Luxembourg should be a springboard for all issues in December. Britain would have liked a decision on the structure of the Treaty but we could not argue against decisions in general and for a particular decision on this issue. He hoped the general flavour would emerge that the three tier structure was the right way forward. M. Dumas said that this was a common Franco/British point of view albeit one reached for different reasons. Britain could not agree to conclusions leading to more integration and greater powers for the Commission. France was more inclined to favour a different way forward but it recognised that the only way to achieve progress was through the structure as now proposed. There was a danger that after Luxembourg a group of countries and the Commission would say that nothing had been achieved and that therefore they should go for a more integrationist way forward. That was not acceptable to either Britain or France.

President Mitterrand asked where matters stood on defence. M. Dumas described the latest Treaty text which did not infringe upon the commitments some member states had in NATO but did make provision for a review in 1996. European defence could spring from that arrangement. He thought that the text represented a good balance between differing viewpoints. The Foreign Secretary said that we had to try to find a way of reconciling the Atlantic conception with the need and desire for a close European identity. If there was a discussion in depth at Luxembourg that would push the process backwards. Within a few more weeks and months Foreign Ministers could, he believed, agree a formula though the practicalities could be more difficult. President Mitterrand commented rather sourly that meanwhile other organisations (meaning the rapid reaction corps) would begin to take shape. France would not take part in the rapid reaction force.

EMU

M. Beregovoy said that, as far as France was concerned, Stage 2 should start on 1 January 1994. Between now and then there must be converging economic performance. Britain wanted to go further and to seek assurances that economies were really converging. That raised the question of how we were to take stock. The next question was what would be the content of the third stage. All the EC currencies would be in the ERM and probably in the narrow band. Should that be in the Treaty? France thought it should. Britain did not favour a commitment within the Treaty. The hard ECU would become a sort of common currency before the move to a single currency in Stage 3. We agreed on a strong ECU. During Stage 2 monetary policies would remain a matter for national governments. Either a European system of central banks or a council of central bank governors would be set up with a view to harmonising monetary policy. As regards an independent central bank in Stage 2, France thought that the obligation to have a central bank could only arise in Stage 3. There had not been disagreement on the duration of



Stage 2. The Luxembourg text provided for a stock-taking on 1 January 1997 to see whether the move to the next stage could be made. At that point each country could reserve its right to move or not to move to Stage 3. The monetary authority, M. Berezgoyov said, would need some political authority to give it guidelines. Britain and France saw this body as being the European Council with the corresponding Councils of Ministers. The job was not one for the Commission.

The Prime Minister said he was pleased to note greater agreement than had been apparent some months ago. The independence of the central bank and its accountability were central issues where there were differences between colleagues. The degree of convergence between Stages 2 and 3 was a potential difficulty. It was not enough to say there would be convergence. We had to be clear what it meant before moving to Stages 2 and 3. We should examine that problem before we signed the Treaty. We could not make detailed decisions on convergence but we needed to be clear what we were talking about. M. Berezgoyov had spoken of the role of the hard ECU and the common currency. This sounded like endorsement of the British proposal, rather than of hardening of the basket ECU.

M. Berezgoyov said that he and the Chancellor had agreed that in Stage 2 we should develop the role of the ecu which should be hardened at that time. If it was really strong it would take the place of other currencies, but they had not discussed how the ecu would be composed. President Mitterrand, making clear his mild impatience at the technical nature of the discussion, said the key question was whether we wanted a single currency. One was either for or against. If for, then it was possible to accept all kinds of ways of getting there. But he did not think that the issue of whether there should be a single currency had been settled (he meant by Britain). The Prime Minister replied that implicitly it had. The basis of the UK hard ecu proposal (which he then described) was that it could develop naturally into a single currency in a natural way. M. Berezgoyov said that there would nonetheless have to be a political decision. The single currency would simply not happen spontaneously. President Mitterrand commented that Britain thought that the system would produce an evolution towards a single currency. We were basically talking about the schedule not the principle. There was no reason for a harsh debate today. We must face the fact that basic positions had not changed much and were somewhat different. This was nothing new. The Prime Minister commented that quite a lot had changed over the last 18 months with Britain's hard ECU proposal and the growing acceptance that countries could only take a decision about Stage 3 when the time came. He believed that agreement would be reached. "I hope so" said President Mitterrand.

#### Defence

M. Joxe reported on his talk with Mr. King, concentrating on good co-operation in Iraq and identifying areas of co-operation in procurement. Even though Britain was not for the time being going to co-operate in the Leclerc tank, there was scope for co-operation on other equipment. It was possible to envisage manoeuvres and even operational co-operation. If decisions were



taken at the highest level this co-operation could be quite spectacular.

Mr. King explained our thinking on defence co-operation. We were talking about areas of defence and co-operation which would have been unthinkable a few years ago. We had some hesitations, caused by our own defence re-structuring which affected collaborative projects like the satellite observation station, whose rationale and desirability we nevertheless fully understood. We would make our position clear at the WEU meeting. Mr. King went on to explain the rationale behind the RRC and regretted the concern it had caused in France. There seemed to be a serious misunderstanding and we clearly needed further discussion. The decision arose out of the review agreed at the NATO Summit last June.

President Mitterrand said the idea of giving new content to NATO was common sense given the developments in Eastern Europe and he saw no reason to object. But France had had no opportunity to discuss the decision, taken in the military committee where France was not represented, to change what had been a vague approach into a rapid reaction force whose participants would also have a role out of area.

The Prime Minister said that the RRF could be within NATO and would not go beyond NATO. President Mitterrand said that what he feared was the intention behind the decision. The initial announcement had put France on the alert and led him to think it was a good thing that France was not involved. The Alliance had a right to organise themselves. France's right not to take part had also to be recognised.

Mr. King said that the publicity for the decision had perhaps contributed to the misunderstanding. We respected France's position of not being part of the integrated structure. The rapid reaction corps was an international corps, one of 7 corps in NATO. As regards operations outside the NATO area they would be a matter for other countries in Europe. They would not be a matter for Europe. They would not include the US. Nevertheless, said President Mitterrand, the choice had been made to set up a NATO force. That prevented other military prospects particularly in the WEU, at least for a very long time to come, and whatever was said to the contrary. Objectively speaking, the British and the French positions - not deliberately on Britain's part - were moving further apart. We had to draw the consequences. France would maintain good relations with the Allied forces as it had done for decades. He could not see in practical terms what a proposed force would do.

Mr. King commented on how closely British and French forces had worked together in the Gulf and northern Iraq. It was certainly not our wish or our intention to move further apart. President Mitterrand acknowledged that great progress had been made outside Europe: the further from home the better, it seemed. In Europe the opposite was true. Because of Britain and France's nuclear weapons, their military power and complementarity he had hoped for a rapprochement and even for strategic discussions. Now there seemed no reason for that. Of course France would stick with her allies in case of danger. But that was not the



same thing. He had hoped for an organic alliance. Mr. King referred to the close co-operation and discussions between Admiral Lanxade and our Chief of the Defence Staff. President Mitterrand said that of course those contacts would continue but joint action could not be considered within the organisation that had now been set up. The decision to establish an RRC would cause difficulties. He saw no practical point of application for it. Insofar as the USSR represented a threat that could only be dealt with by nuclear deterrence. Britain and France were the only European countries who had the necessary facilities and he hoped they would use them in agreement. Prevention was the watch word. Who seriously thought that a European reaction force would operate and deal with disputes between Romania and Hungary? Or on the frontier of Silesia? Perhaps it should be used to deal with disputes among the Belgians?

Mr. King again set out the rationale behind the decision. President Mitterrand said there was nothing which had been said by the British which had hurt or shocked France. He had noted what the US had said. The Prime Minister said he was startled by this difference of perception. The decision had been taken as part of the restructuring of NATO. He was very disturbed by the distress the decision had caused. We should have bilateral discussions as the only two European nuclear powers and as the most significant military powers in Europe. This misunderstanding reinforced that need.

M. Dumas commented that when the WEU had met in Paris the members had received a message from the US appearing to tell them what not to do and that NATO was the only proper system of defence for Europe. That had set the pattern for subsequent decisions.

The Foreign Secretary said that the greatest danger in security terms was actually outside the NATO area and there were many areas where the UK and France might want to intervene. We had proposed Europeanising this co-operation through the ERF under the WEU. In practice, countries would need to consult NATO because of using their dedicated forces. But the decisions would be European and Britain and France would be dominant. Last year, NATO had decided to remain but to change. We had hoped that as we shaped the new NATO the remaining distinctions between us might be removed. (President Mitterrand interjected that it was not unheard of for him to change his mind.) The Foreign Secretary continued that this had not happened. Ideas had not come forward so NATO had got on with the work which it had been charged with doing. He hoped that between now and the NATO Summit we could find a way forward.

President Mitterrand said this was not a Franco-British conflict. He would say the same things he had said today to Chancellor Kohl tomorrow. It related to France on the one hand and the block of countries in the integrated military structure of NATO on the other. He had no unpleasant feelings towards Britain and accepted the British proposal for talks. But the WEU was receding. Real things were being done elsewhere. That was bound to have a knock-on effect at all levels of bilateral co-operation. The Prime Minister said that that was not how we saw things at all.



Agriculture

M. Mermaz reported on his talks with Mr. Gummer. Mr. Gummer agreed that whatever the historical perspective the interests of French and British farmers were not now far removed. He agreed that it was essential to keep our standards of production and to be able to compete and export. We would be very concerned if reform of the CAP removed the Community from international competition and concentrated on private support for out-moded systems. At the same time, we recognised the need to help countries with traditional agriculture to make the necessary transition and to support the social needs of rural areas. French and British problems in those areas were very similar. We needed to keep a balance between competition and export and ensuring that the countryside was looked after. That would involve a change from some existing systems of support to direct support of the smallest and poorest areas. France and Britain were in agreement on fisheries' arrangements with EFTA. It was important to keep the relative stability on which we depended. It would be difficult to share what we had with those with whom we had no previous connection.

The President invited Madame Cresson to comment. She welcomed the rapprochement between British and French agriculture. There was a tendency in the Commission to tie the CAP and GATT too closely together. They should be kept separate.

At the end of the meeting, President Mitterrand reported that he and the Prime Minister had agreed to meet in Calais, at the Channel Tunnel, on 29 July.

I am copying this letter to Simon Webb (Ministry of Defence), Jeremy Heywood (H M Treasury), David Rossington (Ministry of Agriculture, Fisheries and Food) and Sonia Phippard (Cabinet Office).

*Jans,*  
*Stephe*

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