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Foreign &
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Jean Stephen,

PRIME MINISTER'S LUNCH WITH PRESIDENT MITTERRAND:

2 DECEMBER 1991

The lunch with President Mitterrand will last from 1300 to 1500 on 2 December. The President will be accompanied by ~~the Elysée Secretary General, M Védrine,~~ his Diplomatic Adviser M Morel; the deputy Elysée Secretary-General (and Sherpa) Mme Lauvergeon and his EC adviser Mme de Margerie. The President's interpreter, M Thiery, and ours, Mrs Mary Penney, will also be present.

France Internal

President Mitterrand has proposed constitutional amendments, to be announced in late 1992 (after the regional elections but before the legislatives). They would affect the length of the presidential mandate, and in some cases involve a referendum. The President's announcement has temporarily wrong-footed the opposition but also divided the Socialists. The row, which will pit M Rocard and his allies against the President, looks set to come to the boil at the Socialists' extraordinary Congress in mid-December. The far right Front National has unveiled a 50-point programme including discriminatory measures against immigrants, to hostility from Government and mainstream opposition.

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M Mitterrand's popularity in one recent poll reached its lowest-ever level of 28%. Mme Cresson's has crept back above 30%.

Bilateral Relations

There have been no attacks on British meat and livestock exports for a month. Sir Robin Butler had useful talks with M Védérine on 12 November. The Home Secretary signed the Protocol to the Channel Tunnel Treaty on policing and firearms and held talks on immigration issues in France on 25 November. The French Minister for Integration, M Yamgnane, meets Mrs Rumbold on 3 December. The Minister for the Arts is visiting France from 5-9 December. M Balladur, former Finance Minister and candidate for Prime Minister after the 1993 legislatives, will meet the Prime Minister and Foreign Secretary in London on 12 December. The State Visit to France will be from 9-12 June 1992.

Political Union

President Mitterrand has not shown his cards yet. He wants Maastricht to be a qualitative step forward for the Community, and to lay the foundation stones for an EC Defence Policy. He sees Maastricht through a Franco-German prism but French and German interests do not always coincide - the powers of the Commission and European Parliament are examples of divergences.

President Mitterrand wants binding commitments for Community Foreign Policy making, but will not want to give up French freedom of action. Other French concerns are Social Policy (to counterbalance the single market regime) and Industry (French dirigisme differs sharply

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from German instincts). President Mitterrand is said to be strongly attracted to the former. As a significant net contributor, France ought to be concerned about new competences involving expenditure programmes. President Mitterrand may see their costs as a price worth paying for European construction. EMU is a must for the French: to reduce French dependence on the Bundesbank; and as part of the broader political aim of binding Germany in.

We cannot make further progress on defence unless President Mitterrand moves. We need to stress the need for preparatory work or there will be no agreement at Maastricht on defence. We should find common ground on CFSP, particularly on preserving our position in the UN Security Council. We should seek his support for a national interest let out clause. We have shared interests in strengthening inter-governmental cooperation on interior and justice matters, and must try to make M Mitterrand see the risks in bringing immigration policy within Community competence. On social policy our objectives are different. On the competence dossier, we want M Mitterrand to hold firm on unanimity for major expenditure programmes, and to help head off Southern demands for cohesion. He is unlikely to have focussed on the details of new powers for the European Parliament, (eg the Article 189B procedure) and will probably go along with the Presidency text.

President Mitterrand has not taken a close interest in all the details of the EMU negotiations. But there are a number of issues which are sufficiently important and sufficiently general for the Prime Minister to raise: no coercion, budget deficits and ECU notes and coins. Our objectives should be:

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- To bring home to the President that it is essential for us to have a satisfactory provision on no coercion which is of general applicability.

- To emphasise the difficulties involved in our accepting any binding rules of sanctions on fiscal policy in Stage III, and to press for the procedure to operate with the lightest possible touch.

Points to make and background on individual IGC issues / are enclosed.

Enlargement

The Prime Minister has agreed that we should seek a positive statement at Maastricht on enlargement.

Mr Lubbers was cautious when he last saw the Prime Minister, but indicated that he could go along with a general statement reaffirming the objective of a Europe-wide Community. Subject to the outcome of the Prime Minister's further conversation with Mr Lubbers on 29 November he may wish to say to M Mitterrand:

- Fulfilling the founding fathers' vision of wider European Union entails readiness to extend the Community, including, when they are ready, the East Europeans.

- Maastricht should point the way ahead. Could issue a political statement reaffirming Community's willingness to offer membership to those who are willing and ready.

- (if required) No need for further institutional changes before accepting the first wave of applicants. EFTAns ready now.

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GATT

EC-US negotiations on agriculture have faltered in the last few days. A breakthrough is needed by 2 December to allow time to complete negotiations on other sectors before Christmas. The Prime Minister wrote to G7 leaders, (and to Prime Ministers Bolger and Hawke), on 18 November to remind them of their commitment to personal intervention in the Round if necessary. He and Chancellor Kohl have also sent messages to M Delors urging him to ensure that Commission negotiators had sufficient flexibility to clinch a deal with the US.

There is broad EC-US understanding on cuts of around 30-35% in each of the three key agriculture areas - internal support, export subsidies and import barriers - but more work is needed on details to translate this into a firm agreement. Mr Dunkel has tabled a framework agreement on agriculture (ie without figures) which is being discussed widely this week.

The main areas of difficulty in other sectors are services (though the US have moved toward the Community position by accepting that financial services should be fully within the GATT framework), market access (tariffs), and intellectual property.

The French remain antagonistic toward the US agriculture position and suspicious of the current Commission flexibility. They want to protect Community agriculture exports and minimise the impact on Community farmers of imports. EC Trade Ministers are to discuss GATT informally over dinner on 1 December, and the Presidency may call a special FAC (attended by Trade Ministers) immediately following the European Council.

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The Prime Minister might say:

- Determined to live up to commitment to conclude Round this year. Have written to G7 colleagues; and Chancellor Kohl and I have both sent messages to Delors. Ready to take further action on G7 net.

- Have urged Delors to ensure Commission negotiators have enough flexibility to clinch deal with US on agriculture this week. Should then be just enough time to complete negotiations before Christmas: no insurmountable differences in other sectors.

- Would value your personal intervention to keep the momentum going. Understand sensitivities particularly on agriculture. But the prize of a successful GATT Round - which I now believe to be in sight - worth some sacrifice by all concerned.

Libya/Lockerbie

Anglo-French official talks on 29 November agreed on priority sanctions if Libya does not accede to our demands (ban on air services, diplomatic measures and arms ban) but not on fora in which to pursue them. We prefer to proceed at first through non-UN groupings (G7 and EC), so as to have a package ready by 15 December. Meanwhile, we would prepare the ground for action in the UN. President Mitterrand wants to use the UN only, fearing that action through the G7 or EC could be seen as "ganging up" on the Third World. President Mitterrand wants to discuss this with the Prime Minister. We need to resolve this issue quickly so that measures are in place by 15 December. Trilateral UK/US/France official talks are being held on 7 December.

The Prime Minister might make the following points:

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- May be difficult to secure mandatory resolution in Security Council. To try and fail would undermine our position and give Qadhafi "face";
- Suggest we should ask 3 Permanent Representatives in New York to produce joint assessment of prospects for successful action at the UN and advice on tactics.
- Important to keep up momentum;
- We can start work in EC and G7 now so that measures are ready to implement immediately after 15 December. Action in UN on sanctions could not begin until after then and would be time consuming even if successful;
- Initial action in G7 and EC, gathering support from others, would not exclude action in UN. It would help to prepare ground in the UN.
- Need to resolve this quickly so substantive discussion on sanctions with other partners can begin.

Soviet Union

Recognition of Ukraine (and other republics) is being discussed at the Political Committee on 27-28 November. The Prime Minister might like to stress the main points in our approach:

- Common position of Twelve highly desirable.
- Good reasons to avoid hasty recognition after 1 December. Much will need clarification - outcome of referendum, Russian attitude, Ukrainian government's future policies.

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- Need coordinated list of objectives which we seek to achieve before recognition, including accession to NPT as a non-nuclear weapons state; adherence to Soviet disarmament and other international obligations, acceptance of CSCE principles; acceptance of share of Soviet debt.

- After 1 December, Twelve should put objectives directly to Ukraine. Move cautiously to recognition as dialogue evolves.

EC Aid to Soviet Union

The EC's 500 mecu food credit was finalised on 26 November. We hope that the first tranche of the 1.25 becu food/medical aid standby credit facility will be agreed at the 3 December ECOFIN. We support the Commission's proposal to send 400 mecu (from the 1.25 becu facility) as soon as possible. But negotiations on who will provide guarantees on the Soviet side and the conditionality to apply to later tranches may delay disbursement until after January. We are pressing for disbursement of the first tranche soon and with minimal conditionality. The Commission and some partners may need to be pulled along.

President Delors has indicated that animal feed could be included in the 500 mecu credit. We are checking to establish whether it has been. The Commission have confirmed that animal feed can be included in the 1.25 becu credit. We are lobbying in Moscow and Brussels in support of Mayor Sobchak's appeal to the Prime Minister for animal feed for St Petersburg to be included in the first tranche.

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The Prime Minister might say:

- Concerned by delays in disbursing EC 500 mecu credit and in setting up first tranche of 1.25 becu standby credit. Timely response to food shortages a test for West's credibility and would signal support for democratisation in Soviet Union. Must speed up disbursement.
- Would value your support in lobbying Commission and partners to help overcome remaining delays.
- Animal feed should be included in next delivery of EC aid to prevent farmers slaughtering livestock. We should help Mayor Sobchak if possible.
- Ready to look at any ideas to speed up disbursement.

Control of Weapons in the Soviet Union

M Mitterrand highlighted this issue in September with his proposal for a four-power conference for which the moment may now have come. The Foreign Secretary believes this is an opportunity to cooperate with President Mitterrand on a project close to his heart.

We cannot assume that the Russians and Ukrainians by themselves will be able to resolve the questions of the control, removal and destruction of these weapons. The international community will have to assist. Urgent coordination is needed to:-

- (a) put pressure on the responsible authorities in the Soviet Union to honour arms control and NPT commitments;

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(b) provide an overall framework and some help to the republics (eg over monitoring, safeguards, storage and possibly destruction of the weapons - MOD are currently examining the scope for assistance).

We have already agreed with the US, French and Germans that we should work together and regulate our relations with the republics in the light of their commitments on nuclear safety and non-proliferation (inter alia).

Even assuming the necessary commitments are made, it will take a lot of further effort and cooperation to ensure that weapons in the Ukraine remain securely under central control, and are eventually removed or destroyed. President Mitterrand's proposal for a four-power meeting could now be useful. We could get together representatives of the UK, US, France and Soviet authorities (including Russia and Ukraine) to discuss the transition of Ukraine and other republics to non-weapon state (NNWS) status, accession to the NPT and possible help by the Western nuclear powers (the US Congress has voted \$500m partly for this purpose). The Prime Minister might suggest an urgent preliminary tripartite meeting. You might however wish to forewarn Mr Scowcroft of the line the Prime Minister decides to take on M Mitterrand's initiative.

In the background we should also seek to engage the G7, to ensure coherence of approach with financial questions.

The Russians may demand some compensation in Western arms control, especially if the denuclearisation of Ukraine and Kazakhstan in due course reduces their

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arsenal below START levels. Both we and the French would take the view that our minimal nuclear forces should not be traded for reductions which the Soviets need to make to fulfil their non-proliferation obligations.

Nonetheless the degree of destruction of its weapons and international supervision involved may be politically difficult for the Russian leadership. The question of any arms control link would be primarily for the Americans, and would need to be fully discussed with them.

The Prime Minister might accordingly say to President Mitterrand:

- Like you we see nuclear security and dangers of nuclear proliferation in the Soviet Union as a top priority.
- Glad our political directors have agreed that all must sing the same tune on recognition of Ukrainian independence.
- The nuclear issues will have to be dealt with internationally and at a high level; accent should be on helping the Soviet Union and republics to fulfil the policies which they have set for ~~them~~ themselves.
- Agree with you that a meeting of the four nuclear powers could now be very useful. Suggest we ask officials to meet urgently with US counterparts to discuss details.

Aim should be:-

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(i) clarification of control arrangements in emerging republics. Control should remain with a single authority and the weapons should be removed or destroyed as soon as possible. Any arrangements whereby weapons remain on Ukrainian territory should be transitional only;

(ii) signature by non-Russian republics of NPT Treaty and achievement of NNWS status within a measured timescale.

(iii) international measures to help them to achieve this.

Bilateral Nuclear Policy Coordination

The shifting of the nuclear sands since the Soviet coup and the Bush/Gorbachev initiative require us to coordinate our nuclear, especially arms control, policies even more closely with France. The Prime Minister might additionally say:-

- Want to keep in closest possible step bilaterally using the Wall/Morel and MOD channels. Issues of equal concern to UK and France which are now under discussion/challenge include:-

(i) future of nuclear testing;

(ii) ballistic missile defence;

(iii) further strategic arms limitations. See no need to change our criteria about further involvement at this stage;

(iv) TASM: Remain convinced of need for a UK sub-strategic capability. Still evaluating options;

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(v) nuclear dimension of European defence: aim should be to keep US umbrella, not substitute our own.

Yugoslavia

UNSCR 721 (co-sponsored by UK and France among others) was adopted on 27 November. This commits the Security Council to take swift action on peace-keeping should the Secretary General recommend the deployment of UN forces after Mr Vance's second mission to Yugoslavia. Although the French have not been pulling entirely in the same direction in the UN (they have doubts about an oil embargo), there is a good deal of common ground between us, eg in opposing German pressure to recognise Croatia and Slovenia at Maastricht. We should make the most of this. The Prime Minister could draw on the following line:

- UNSCR 721 is important progress towards UN peace-keeping operation. Represents useful Anglo-French cooperation.
- Must avoid an open-ended commitment to keep UN forces in Yugoslavia.
- UK part in any UN force would be limited to logistical support.
- Will be important to keep up pressure for a political settlement. Lord Carrington should continue his conference as soon as feasible, and we should keep further sanctions (notably on oil) in reserve to ensure worthwhile discussions take place.

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- Germans intent on decision on recognition before Christmas. Like you, we see disadvantages of recognition. Will need careful thought, not least on effect of recognition on possible UN peace-keeping force. Blow for common foreign policy if Community splits on this.

Anglo-French Frigate

The MOD are writing to you separately on the Anglo-French Frigate (your letter of 23 November). The press line after the meeting could include the following:

"The President and Prime Minister welcomed the agreement by their Defence Ministers to begin exploratory work on a joint project for a future frigate, to enter service early in the next decade. They noted that this work marked a new milestone in Anglo-French Defence Co-operation."

The MOD will be issuing a longer press release in parallel. The French MOD will make a similar announcement.

I am copying this letter to Simon Webb (Ministry of Defence), Jeremy Heywood (HM Treasury), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

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