

PRIME MINISTER

## ANGLO/FRENCH SUMMIT

You go to Paris on Friday for the regular Anglo/French Summit. The arrangements are faintly farcical, to fit in with the demands of cohabitation. You will be going to and fro from the Elysée to the Matignon like a yo-yo. The mind boggles at the effect on the traffic.

The attached briefs offer a bland diet for the meeting. I wonder whether they adequately reflect changes in the Anglo/French relationship. The advent of Chirac has brought us closer together politically. France's emergence as a net contributor to the EC has produced a closer identity of interest with us on many Community issues. Now Reykjavik has underlined the commonalty of our interests as military nuclear powers. We share a realistic approach towards the Soviet Union. There are still problems. The enduring French desire to be top-dog viz the condescending tone of Mitterrand's offer of military nuclear co-operation; their perennial inclination to be too clever by half, as over dealing with terrorism; their instinctive tendency to play dirty on agriculture, for instance over lamb. While there is no less need to watch them like hawks, we should recognise, welcome and make something out of the shift in our relationship which has occurred.

This suggests to me that you can use the Summit to bring out, both in your talks and publicly, the extent to which there is a closer Anglo-French working relationship than existed previously. This will characterize your discussion of East/West relations, defence, European issues, and

Channel Fixed link. But you will also want to disabuse the French of any feeling that we can be taken lightly. We are not petitioners on military nuclear matters: we are ready to co-operate against terrorism but only if they co-operate whole-heartedly: we will not stand any nonsense on lamb: and if they vote with Argentina over the Falklands at the UN, we shall vote against them on New Caledonia.

Arms control and East/West relations should be the main topic of your discussions. You could commend the firm and realistic speech on the Soviet Union by the French Foreign Minister. You will want to give an account of your talks in Washington. You will also want to commend the agreed statement and propose that other NATO countries should work to get it fully reflected in the communiqué of the NATO Ministerial meeting in December. It will be for Britain and France to give a lead in this. But you will want to respond cautiously to proposals for consultations on arms control which smack of ganging up against the Americans (there has already been one Anglo/French/German/Italian meeting). It is better to co-ordinate our views bilaterally but meet collectively with the Americans, if necessary in a small group. There are differences between us on INF, where the French would much prefer an outcome which left some Cruise and Pershing in Europe (easy for them of course since they don't have any; and actually this is not the line that Mitterrand took with you). You may also need to deal with the continuing problem over the forum for talks on conventional arms reductions. The reaffirmation of the US commitment to Trident at your Camp David meeting may make the French a good deal less interested in discussing military nuclear co-operation. You will want to make clear that any notion of putting French missiles in UK submarines is just not on. You need to sound out Chirac on the timing of your respective visits to Moscow next year - but be cautious about revealing the dates which we have proposed or else Chirac will try to upstage you.

On European issues we ought to find the French generally on our side. The main business is to go through the items for the European Council: employment and job creation: internal market including aviation on which the French are villains: frontier controls, immigration, drugs and terrorism. We and the French agree that it is not the occasion to raise the review of Community finances which is due next year. But the brief does not deal with agricultural issues. Attempts to reform the milk and beef regimes have just run into the sand in Brussels. I think you do need to raise these points in your Presidency role. I have asked for briefing.

On terrorism, you have already offered the French help bilaterally. And we have been very co-operative in getting their concerns discussed in the EC. We congratulate them on securing the release of their hostages. But we want a frank account of what they are up to. We do not like some of the scornful comments which have been made by French Ministers about our action against Syria. We are as alive as they are to the political cross-currents of the Middle East, and did not ask other countries to break diplomatic relations with Syria. But it will not help either the fight against terrorism or European interests in the Middle East if the French attempt to exploit our resolute action against us to improve their own standing with Arab countries.

This would lead on naturally to a wider discussion of Middle East issues. You might give an account of the ideas (copy attached) which you put to President Reagan. You might also touch on South Africa.

On various bilateral issues:

(i) we shall take into account how the French vote on Falklands in deciding how we vote in New Caledonia;

(ii) we are confident that the Channel Tunnel Bill will get Royal assent by June 1987;

(iii) we are still pondering launch aid for the Airbus A330/A340;

(iv) the problems over lamb;

(v) the Prince and Princess of Wales have accepted the invitation to visit France in 1988.

I attach a separate note on the briefing meeting.

C.D.P.  
(C.D. POWELL)

18 November 1986

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18 November 1986

ANGLO-FRENCH SUMMIT 21 NOVEMBER 1986

BRIEF

by the Foreign and Commonwealth Office

Introduction

This brief is designed to serve the Prime Minister's meetings with both President Mitterrand and Prime Minister Chirac. Although the latter effectively runs the government, President Mitterrand remains influential in foreign and defence policy, and seeks to retain a say also in policy-making in other areas. The French have indicated that both men will wish to cover the whole range of the agenda, although Mitterrand may concentrate less on economic issues. On a number of important issues, notably East/West and arms control, their views do not differ substantially. Where there are significant differences between them, or where there are issues or arguments more appropriate to one or the other, this is noted in the brief.

The following are attached to the brief:

Annex A: Programme

Annex B: Personality Notes on Ministers participating

Annex C: French Internal Scene

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OUR OBJECTIVES (in order of discussion agreed with the French)

General

To impress on the French the value of concerting views with us on important international and Community issues.

A EAST/WEST RELATIONS AND ARMS CONTROL

- To agree on continued concerted private efforts to persuade the United States to play down proposals for reductions beyond 50% in ballistic nuclear missiles within ten years; and to link them to redressing the imbalance in conventional and chemical weapons.
- To underline our interest in early agreement on the framework for future conventional Arms Reductions negotiations in Europe.
- To reach a common assessment of Gorbachev's position and aims post-Reykjavik.
- (with Chirac) To underline the importance of coordinating his and the Prime Minister's visits to Moscow in early 1987.

B TERRORISM/MIDDLE EAST

- To emphasise the importance of making no concessions to terrorists, and press the French to explain their policy fully.
- To seek closer counter-terrorist cooperation with the French.
- To bring home to the French the principles underlying our policy in the Middle East.
- To underline that we believe our objectives to be compatible: and that we differ only over means.

C EUROPEAN COMMUNITY ISSUES

- To obtain French support for our approach to the European Council.
- To underline importance of achieving results at Internal Market Council on 1 December.

D OTHER REGIONAL ISSUES

South Africa

- To encourage the French to "close the book" on sanctions and

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concentrate instead on positive measures and dialogue on the way forward.

Falkland Islands

- To urge the French to abstain on the Falklands vote at the UN General Assembly (debate expected to begin on 24 November).

South Pacific

- To use French concern over the vote on the New Caledonia item at UN General Assembly in support of above.
- To indicate sympathy for French difficulties over Treaty of Rarotonga (South Pacific Nuclear Free Zone Treaty - SPNFZT), without giving a commitment not to accede to it.

**E ECONOMIC ISSUES**Channel Fixed Link

- To reassure the French about the timetable for passage of the Channel Tunnel Bill, and HMG's continued commitment.

Airbus (if raised)

- To convince the French that we have not ruled out launch aid for British Aerospace for A330/A340.

**F BILATERAL ISSUES**

- (with Chirac) To convey Their Royal Highnesses The Prince and Princess of Wales's acceptance of his invitation to pay a full visit of several days to France, in 1988.
- To welcome French statements of interest in closer bilateral defence cooperation and encourage them to follow these up in concrete ways.

## FRENCH OBJECTIVES

General

- (for both Mitterrand and Chirac) To demonstrate, with an eye to electoral advantage, that he is involved in promoting French interests at the highest level with a key partner.

## A EAST/WEST RELATIONS AND ARMS CONTROL

- To reach a common approach to American proposals for elimination of ballistic nuclear missiles which preserves French freedom of action over its nuclear deterrent.
- To persuade us to press the Americans against complete elimination of INF in Europe.
- To preserve maximum French freedom of manoeuvre in future negotiations on limitation or reduction of conventional forces in Europe, ie negotiations in a CSCE framework without direct instruction of western negotiations by North Atlantic Council.

## B TERRORISM/MIDDLE EAST

- To convince us that they are taking a firm line on terrorism, and not seeking deals with terrorist groups.
- To convince us that their Middle East policy is coherent and sufficiently firm, and that their interest in dialogue with key Middle East states is shared by the West as a whole.
- To convince us of their constructive line on counter-terrorism cooperation, without agreeing to further cooperation among Summit Seven or at Council of Europe.
- To avoid committing themselves to action which could prejudice chances of securing release of French hostages in Lebanon.

## C EUROPEAN COMMUNITY ISSUES

- To concert with us on how to handle issues at the European Council.
- To discourage substantive discussion of Community financing and agriculture before the Commission publish their ex-novo report at end of year. (The French will seek private discussion with us next year on how to handle these issues.)

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## D OTHER REGIONAL ISSUES

South Africa

- To sound out our views on future policy of Twelve.

Falkland Islands

- To resist pressure against a French vote for the Argentine resolution in the General Assembly, in line with last year.
- To emphasise the importance of Alfonsin's democratic government. (Mitterrand and Chirac will share these objectives, though they will be stronger for Mitterrand. Even if Chirac accepts the strength of our case, he may not wish to provoke a clash with Mitterrand which would bring him little benefit.)

South Pacific

- To persuade us not to accede to the SPNFZ Treaty (Chirac gives particular importance to this).
- To persuade us to vote against the New Caledonia resolution at the UN General Assembly.

## E ECONOMIC ISSUES

Channel Fixed Link

- To seek reassurance about progress of Channel Tunnel legislation and about HMG's support for project.

Airbus

- To test whether HMG intends to provide aid for the development of A330 and A340.
- To ask HMG to persuade British Airways to make a full evaluation of A330.

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## ARGUMENTS FOR USE

## A EAST-WEST RELATIONS AND ARMS CONTROL

(a) Nuclear Arms Control

- At Camp David set out European concerns about radical US proposals. Our views cannot now be overlooked in continuing debate in Washington. Must build on joint statement in months ahead.
- Soviet agreement at Reykjavik to exclude UK and French nuclear deterrents from NST agreement major gain for us. Concession once pocketed, difficult for them to claw back.
- 50% cuts acceptable without redressing conventional and chemical imbalance. Thereafter, radical US proposals do not make sense unless imbalances redressed. Progress towards US recognition of this in Camp David statement.
- Do not accept (apparent) French view that this outcome on INF and strategic weapons would threaten European security. Cannot move back from previously agreed positions.
- Position on UK involvement in nuclear arms control reductions remains unchanged.
- Continuing need to press US Administration not to breach de facto SALT limits towards end of year.
- Welcome progress made at Reykjavik on nuclear testing. Consistent with our views. Soviet attempt to link with START reductions unacceptable.

(b) Conventional Arms Control

- High Level Task Force to present final report December. But seems will lack solid proposals.
- Alliance should quickly agree on forum based on CSCE framework and on procedures that allow for effective coordination. This should meet French concerns. Glad to see progress being made towards sensible compromise on that basis.
- Compromise should be enshrined in Final Report. Otherwise danger of being upstaged by Russians plugging Budapest Appeal ideas at Vienna.

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**CONFIDENTIAL**(c) Gorbachev's position

- Our impression:
  - Gorbachev in command; basically united leadership including military;
  - Obstruction and inertia from party and government apparatus to Gorbachev's policies of economic change; but not threatening his position;
  - First priority still to galvanise domestic economy and management; but economic difficulties not such as to determine his arms control policies.
- Some signs that Gorbachev beginning to look towards successor to Reagan. But keeping options open. Europeans should
  - urge him to deal with Reagan;
  - criticise SDI linkage; urge separate INF agreement;
  - keep stressing importance of conventional imbalance;
  - build on small signs of greater Soviet readiness to discuss human rights/human contacts (eg Shevardnadze proposal for Moscow Conference on humanitarian issues).

(d) Chirac visit to Moscow

- Plans/dates fixed? Must make sure we tune our arguments for maximum effect.

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## B TERRORISM/MIDDLE EAST

- Essential to maintain closest possible counter-terrorist cooperation, bilaterally and multilaterally. Shared interest. Offered French all help after September bombings in Paris. Any more we can do?
- Shock at assassination of Besse (head of Renault) on 17 November. Was it Action Directe? Acting with others?
- What are facts of latest release of two French hostages in Lebanon/Syria?
- Important that terrorist groups realise that there is no profit in hostage-taking. Deals done by one country increase pressure on others. British hostages in Lebanon too.
- Need to take action also against States discovered to be involved in terrorism. Welcome agreement reached on 10 November on four measures against Syria. Need to make them stick, and to press Syria to stop supporting Abu Nidhal and other groups.
- At same time, do not want Syria to be ostracised: essential role in Middle East settlement. Have not asked others to withdraw Ambassadors from Damascus.
- Recognise French historic links and particular role with Syria. We have similar special links with Jordan and Israel. Shared objective of peace settlement: should use these links in tandem. Ready to work together more closely.
- On Iran/Iraq too, shared interest in avoiding destabilisation of region by Iranian fundamentalism. Each of us has different contribution; but they are complementary.

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## C EUROPEAN COMMUNITY ISSUES

(a) European Council

- Envisage opening plenary session concentrating on business and jobs. Presidency will circulate a paper (discussed with French officials), concentrating on:
  - Employment/job creation. No intention of creating unrealistic expectations, or proposing additional expenditure. Concentrate on job-start and re-training schemes, and ensure Social Affairs Council devoted to measures to help climate for job creation. Key role for small businesses. Importance of following through Commission ideas on de-regulation; need for more flexible application of VAT threshold.
  - Internal Market. Need to take decisions by end of this year on issues before specialist Councils. Have written to Heads of Government on need to unblock number of proposals at 1 December Internal Market Council. Cannot allow decision to complete Internal Market by 1992 to be held up by minor reservations. Disappointed that France opposing agreement to even modest step on access to cheaper air fares. Have to get progress on this. Otherwise the airlines will be faced with legal actions by the Commission and others under the competition rules in the EC Treaty.
- Must resist together (and with Germans) attempts to discuss at Council figures for 1987-91 research and development programmes. Pressures at Council great. Best leave for Research Council on 9 December. Should work together with the Germans to agree on a programme at a maximum of 5 billion ecu.
- Must intensify Community cooperation on frontier controls, immigration, drugs, terrorism if we are to move ahead with simplified frontier procedures within the Community. Need to coordinate procedures on visas, extradition, asylum seekers.
- Should avoid substantive discussion of Commission's ex novo

report on Community financing. Will merely invite Delors over dinner to report how Commission is getting on.

- East/West relations should be discussed at Heads of Government dinner. Other political cooperation issues for Foreign Ministers.

(b) Community Financing and Agriculture

- Accept need to continue to support agriculture. But cannot continue to spend over 50% of total EC budget on storage and disposal of surpluses. Must look for more cost effective ways of supporting farmers. Further progressive reform of CAP essential if policy to be preserved. Early action on milk quotas and beef indispensable. We now have 1.5 million tonnes of butter, 1 million tonnes of skimmed milk powder and 500,000 tonnes of beef in intervention and these intervention stocks, especially of butter, are increasing. We have to get decisions on these issues in the Agriculture Council in December. Need to continue to concert together bilaterally, and with Germans, on handling next year of the ex novo issues.

- Agree that action also necessary to ensure Spanish accession does not lead to massive surplus of vegetable oils. Need to reform this sector. UK and others opposed to an import levy on oils and fats.



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SUPPLEMENTARY BRIEF

by Ministry of Agriculture, Fisheries and Food

European Community Issues - Agriculture

Arguments for use

General

- (a) Critical situation on CAP with production outstripping realistic domestic and export opportunities in all the major sectors;
- (b) prospect of an overspend of more than 3 billion ecu beyond the resources available for agriculture in 1987;
- (c) half the total agriculture expenditure goes on storage and disposal of surpluses which is a clear waste of resources;
- (d) disappointed at lack of progress at this week's Agriculture Council on milk and beef;
- (e) essential that the Agriculture Council take decisions on these the two most urgent sectors.



Milk

- (f) Believe the Commission are right in seeking a reduction in production of  $9\frac{1}{2}$  million tonnes over next 2 years. Fairest and most direct method is to reduce quotas by the necessary amount;
- (g) Risk that the intervention stock of  $1\frac{1}{2}$  million tonnes of butter will increase. Already subsidising heavily domestic and export sales. No realistic markets for butter already in stock. Intervention stock of skimmed milk powder of nearly 1 million tonnes will also increase; very costly to dispose of for animal feed;
- (h) Have been sharp fluctuations in Community butter exports in past. But even after fall from peak in 1980, still exporting 120,000 tonnes more in 1985 than in 1977 - 44% up. In same period, imports from New Zealand down 57,000 tonnes (41%).



- (i) Community must claim credit in the GATT for action taken to control surpluses. Will strengthen, not weaken, our negotiating position if effective action taken by the Community. Still more than adequate production to supply export possibilities even after 9½ million tonne cut back.

#### Beef

- (j) Serious surplus problem over the next 2 years whatever view taken of the longer term market situation.
- (k) Agree with Commissioner that prospects of increased disposals on world market poor and costs very high. Politically very difficult to defend.
- (l) Reduction in intervention as proposed by Commission essential. Agree with Commission on need for a premium payment to provide some compensation for income losses.
- (m) The intervention stocks now 600,000 tonnes even after exporting nearly one million tonnes so far this year at a very high cost. Budgetary costs will continue to rise unless action taken. Not sustainable.

#### BACKGROUND

##### Milk.

1. In order to deal with the surplus problem in the milk sector, the Commission have proposed :-

- (a) a doubling of the reductions in quota already agreed - total cut of 4% in April 1987 and 2% in April 1988.



(b) a tightening of the quota system to reduce production by another 3½ per cent;

(c) a substantial weakening of the intervention system for butter and skimmed milk powder.

2. The UK has supported the Commission's view that a cut back in production by 9½ per cent over the 2 years is the minimum necessary. We have argued that this should be done by a direct cut in quotas rather than by changes on the quota system which result in rigid on-farm quotas. We are also ready to see a tightening of the intervention system on skimmed milk powder and, subject to assurances from the Commission on how they would manage the market, on butter.

3. At this week's Agriculture Council, the French Minister of Agriculture argued:-

(a) that the Commission were over dramatising the size of the surplus in the milk sector;

(b) that the Council should agree now to cut back quota by the 3% in 1987 (ie the 3% already agreed but in one year instead of leaving 1% for 1988,) and that decisions on any further cut back in quota for 1988 should be left until next year;

(c) that the Community had lost share of export markets to other dairy exporters and that Community exports should be increased;



- (d) that the Community would weaken its position in negotiations in the GATT to reduce production further without commitments from New Zealand and other exporters;
- (e) that any further action immediately should be to penalise individual producers who have exceeded their quota by more than 20,000 kgs.

#### Beef

4. The Commission have proposed:-

- (a) the removal of permanent intervention with intervention taking place at a substantially lower price level (at least 15 per cent), with discretion in the hands of the Commission;
- (b) a premium payable to specialist beef producers to compensate for some of the income loss. This would be limited to male animals and to 50 head per producer.
- (c) the UK variable premium and the calf subsidy would be discontinued. The subsidy for suckler cows would continue and be increased.

5. The UK has supported the Commission's approach of substantially weakening intervention and the introduction of a new premium, but it would have to omit the limits mentioned in 4(b) which would discriminate against the UK. Given a



satisfactory premium scheme, we are ready to discontinue our variable premium. We also want to continue the Suckler Cow subsidy at a higher rate to sustain the specialist beef producers many of whom are in the less favoured areas.

6. At this week's Agriculture Council, the French Minister argued :

- (a) that there is no structural surplus of beef, only a temporary problem related to the cut back in milk production;
- (b) that the intervention system should continue to provided (ie not at Commission discretion) a permanent support although they are prepared to accept some price cut. The Commission's proposal, however, went too far in weakening the system;
- (c) that he did not accept the new premium which would be an inadequate compensation for the weakening of intervention;
- (d) that the Suckler Cow subsidy should be maintained and increased.



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SHEEPMEAT - SUPPLEMENTARY BRIEF

Points to Make (if M. Chirac raises this)

1. Understand the political problem over French lamb prices, though there has been some slight firming of the market recently. Glad that the disruption of our sheepmeat exports has stopped. The right way to find a remedy is through negotiation in Brussels.

2. We do not accept that the introduction of MCAs is the right answer. These were never envisaged for sheepmeat. Our exporters suffered when the pound was strong. They would not understand if MCAs were now introduced because the pound has weakened.

3. Understand the Commission have made proposals which would help the situation. Trust we can keep together in seeking to persuade the Council to adopt the package of green rate changes. We shall be ready to support the proposals for adjusting the sheepmeat regime.

Background

4. M. Chirac may well refer to lamb. UK exports to France have increased this year compared with last. We cannot deny that this is related to the weakness of sterling. M. Guillaume complains that French producers are paying for the fact that the UK has not joined EMS.

5. There have never been monetary compensatory amounts on sheepmeat. The French would now like them. But they find it awkward to ask directly because of their policy to see MCAs reduced and phased out. We do not want to see MCAs on sheepmeat since a full-flooded system would virtually kill our trade.

6. The Commission have come forward with two groups of proposals :



- (a) a package of green rate devaluations for France and the UK on beef and sheepmeat. The devaluation of our sheepmeat green rate would increase the charge on UK exports and hence help to firm up the French market.
  
- (b) proposed changes to the sheepmeat regime to allow the ewe premium to be paid seasonally and to increase the advance payment of the ewe premium

7. The Council was not prepared to agree (a) above because a number of member states are opposed to the French green rate devaluation on beef.

8. We want to see this package of measures adopted. The French have made it clear that they would be content to see the sheepmeat agreed separately from beef. This is directly contrary to our interests. Hence we need to get the French as committed as possible to pursuing the green rate changes as a package.