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CHIRAC'S VISIT TO LONDON: 26 APRIL

SUMMARY

1. CHIRAC'S POLITICAL POSITION REMAINS LESS ASSURED THAN HE WOULD WISH. THE FRENCH ECONOMY IS NOT HELPING. EAST-WEST QUESTIONS ARE HIGH ON HIS AGENDA. HIS VISIT TO MOSCOW IS NOT YET OFFICIALLY FIXED, BUT MID-MAY IS STILL ON THE CARDS. BILATERAL RELATIONS GOOD, WITH SOME SMALL POINTS TO COVER.

DETAIL

POLITICAL

2. CHIRAC'S VISIT TO CHEQUERS FOLLOWS EASTER OPINION POLLS THAT SUGGEST SOME RECOVERY IN HIS PUBLIC STANDING, AFTER THE ROUGH 3 MONTHS AT THE TURN OF THE YEAR (SEE ALSO SIR JOHN FRETWELL'S LETTER TO RATFORD OF 13 APRIL FOR FULLER BACKGROUND). HE IS STILL BEHIND MITTERRAND AND BARRE, BUT HAS MADE UP SOME OF THE GROUND LOST IN THE WINTER. THIS OFFERS HIM SOME CHEER IN WHAT IS OTHERWISE A RATHER DISCOURAGING SCENE. THE RPR/UDF GOVERNING MAJORITY IS DIVIDED OVER POLICIES AND PERSONALITIES, AND THE ECONOMY IS PICKING UP LESS QUICKLY THAN CHIRAC HAD HOPED AND PREDICTED WHEN HE CAME TO OFFICE. WITH PRESIDENTIAL ELECTION HORIZONS INCREASINGLY COMING INTO VIEW, HIS PRIORITY NOW IS TO AVOID FURTHER MISHAPS WHILE STEADILY REPAIRING HIS POLITICAL CREDIBILITY AND AUTHORITY. HE WILL SEE HIS TALKS WITH THE PRIME MINISTER AS CONTRIBUTING TO THIS PROCESS.

ECONOMIC

3. THE FRENCH GOVERNMENT HAS REVISED 1987 GDP GROWTH FORECASTS DOWNWARDS TO 2.0 PER CENT INSTEAD OF 2.8 PER CENT, BUT MOST ECONOMIC AGENCIES THINK THAT EVEN THIS IS OPTIMISTIC AND PREDICT 1.5 PER CENT. VIRTUALLY ALL THE MAIN ECONOMIC INDICATORS ARE MOVING IN THE WRONG DIRECTION. OF PARTICULAR CONCERN ARE THE CONTINUED POOR FOREIGN TRADE FIGURES, THE INADEQUATE LEVEL OF INDUSTRIAL INVESTMENT AND THE STEADY RISE IN UNEMPLOYMENT (A GOVERNMENT ECONOMIC INSTITUTE PREDICTS 3.4 MILLION BY 1991). THE ONE CURRENT SUCCESS IS THE ACCELERATED PRIVATISATION PROGRAMME WHICH IS EXPECTED TO RAISE AROUND 4 BILLION POUNDS THIS YEAR.

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4. THE BROAD BACKGROUND TO FRENCH DEFENCE POLICY REMAINS AS SET OUT IN SIR J FRETWELL'S DESPATCH OF 18 FEBRUARY. THE BILATERAL RELATIONSHIP IS CURRENTLY WELL NOURISHED AFTER THE SUCCESSFUL VISITS TO PARIS BY MR YOUNGER FOR A FULL PROGRAMME WITH GIRAUD IN MARCH, AND BY THE HOUSE OF COMMONS DEFENCE COMMITTEE IN APRIL. A NEW 5-YEAR DEFENCE PROGRAMME LAW HAS RECENTLY BEEN VOTED, WITH THE SUPPORT OF ALL FRENCH POLITICAL PARTIES BAR THE COMMUNISTS, PROVIDING FOR A 12 PER CENT REAL INCREASE IN DEFENCE EQUIPMENT SPENDING THIS YEAR AND 6 PER CENT THEREAFTER ANNUALLY TILL 1991. THE UNDERLYING TREND IS FOR FRANCE INCREASINGLY TO LOOK FOR COMMON POSITIONS WITH HER ALLIES ON MATTERS AFFECTING DEFENCE AND SECURITY IN EUROPE. BOTH GERMANY AND THE UNITED KINGDOM ARE SEEN AS PRIVILEGED PARTNERS IN THIS PROCESS, THE IMPORTANCE OF WHICH IS FURTHER UNDERLINED FOR THE FRENCH BY WHAT THEY SEE AS THE ALMOST GIDDY EVOLUTION OF THE ARMS CONTROL PICTURE OVER RECENT WEEKS.
(SEE ALSO BELOW).

CHANNEL FIXED LINK

5. FRENCH COMMITMENT TO THE CHANNEL TUNNEL REMAINS AS STRONG AS EVER, NOT LEAST FOR ITS JOB CREATION BENEFITS IN NORTHERN FRANCE. THE FRENCH BILL LEADING TO RATIFICATION OF THE TREATY WILL BE DEBATED IN PARLIAMENT THIS WEEK, AND IS NOT EXPECTED TO ENCOUNTER OPPOSITION. THE IMPORTANCE OF THE TUNNEL IN THE CONTEXT OF A NORTHERN EUROPE RAIL NETWORK HAS INCREASED IN FRENCH EYES OVER RECENT MONTHS, AND DECISIONS HAVE TO BE MADE SOON ON WHETHER TO CONSTRUCT A SPECIAL HIGH SPEED RAIL LINE LINKING PARIS TO BRUSSELS AND (VIA THE TUNNEL) TO LONDON: AND, IF SO, ON HOW TO FINANCE IT (PRIVATE OR PUBLIC SECTOR) AND ITS EXACT PATH. THE FRENCH PREFER TO GO FOR PRIVATE SECTOR FUNDINGS: HENCE THE PRESSURE ON THE UK TO MAXIMIZE SPEED AND FREQUENCY OF CHANNEL TUNNEL DIRECT TRAINS SO AS TO INCREASE THE PROFITABILITY OF THE RAIL INVESTMENT. THEY REGARD AN AGREEMENT BETWEEN THE RAILWAY COMPANIES (BR AND SNCF) AND EUROTUNNEL ON THE TERMS ON WHICH THE COMPANIES WILL USE THE TUNNEL AS BOTH ESSENTIAL AND URGENT.

AGENDA

6. FOR CHIRAC, STRATEGIC AFFAIRS AND EAST-WEST RELATIONS WILL BE THE PRIORITY FOR HIS DISCUSSIONS WITH THE PRIME MINISTER. MATHIGNON TELL US THAT IN PRINCIPLE THE RUSSIANS HAVE AGREED THAT CHIRAC SHOULD VISIT MOSCOW IN MID-MAY. FRANCO-SOVIET RELATIONS, ALREADY POOR BECAUSE OF THE HARD FRENCH LINE ON ARMS CONTROL AND HUMAN RIGHTS, DETERIORATED SHARPLY AT THE BEGINNING OF APRIL WHEN THE FRENCH EXPELLED SIX SOVIET DIPLOMATS FOR ESPIONAGE. IT LOOKED VERY MUCH AT ONE POINT AS IF CHIRAC'S VISIT WOULD BE POSTPONED AS A RESULT. THE FRENCH ARE STILL HAVING DIFFICULTY OVER DETAILS OF THE PROGRAMME. CHIRAC WILL PROBABLY HAVE TO SETTLE FOR SOMETHING NEARER A SHORT, WORKING VISIT THAN THE SORT OF RECEPTION ACCORDED BY GORBACHEV TO MRS THATCHER. BUT HE WILL, LIKE HER, AIM TO MEET LEADING DISSIDENTS.

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7. CHIRAC WILL BE KEEN TO HEAR A FULL ACCOUNT OF THE PRIME MINISTER'S VISIT TO MOSCOW, HER LATEST IMPRESSIONS OF GORBACHEV AND BRITISH REACTIONS ON ARMS CONTROL ISSUES, ESPECIALLY INF SINCE THE SHULTZ VISIT. COHABITATION IN PARIS HAS MEANT THAT THE FRENCH LINE ON INF IS A COMPROMISE BETWEEN THOSE (GIRAUD, RAMOND), WHO FEAR THAT THE ZERO OPTION WILL LEAD TO A WEAKENING OF EUROPEAN SECURITY, AND MITTERRAND WHO PLACES A HIGH PRIORITY ON POLITICAL SOLIDARITY WITH THE FRG. CHIRAC HAS BEEN CAREFUL TO CONSULT MITTERRAND BEFORE FIXING THE FRENCH ATTITUDE TO A ZERO OPTION ON SRINF. ACCORDING TO HIS STAFF, IT HAS EMERGED AS FOLLOWS:-

(A) THE FRENCH ARE VERY RESERVED, BUT NOT HOSTILE, TO SUCH A PROPOSAL BECAUSE IT WOULD REPRESENT A FURTHER STEP TOWARDS WHAT THEY SEE AS THE DENUCLEARISATION OF EUROPE. THEY WOULD PREFER THE OBJECTIVE OF SRINF NEGOTIATIONS TO BE THE ESTABLISHMENT OF EQUAL CEILINGS AT LOWER LEVELS BUT ABOVE ZERO ON MISSILES BETWEEN 500 AND 1000 KM. THE TERMS OF REFERENCE OF A SRINF NEGOTIATION SHOULD BE SPECIFIED IN AN LRINF AGREEMENT.

(B) HOWEVER, FRANCE IS NOT PARTY TO ALLIANCE DECISION-MAKING ON THIS SUBJECT. BOTH SOME GERMANS AND THE AMERICANS SEEM TEMPTED BY GORBACHEV'S PROPOSALS. IF THE ALLIANCE DECIDED THAT NEW US SRINF DEPLOYMENTS IN DUE COURSE WERE NOT FEASIBLE AND THAT ZERO SRINF SHOULD BE ACCEPTED, THEN FRANCE WOULD GO ALONG, BUT ONLY ON CONDITION THAT THERE WAS NO FURTHER NEGOTIATION IN ANY CONTEXT ON SYSTEMS WITH RANGES BELOW 500 KM.

(C) FRENCH (AND BRITISH) STRATEGIC AND TACTICAL NUCLEAR FORCES SHOULD NOT BE INCLUDED. IN THIS CONTEXT THE FRENCH WOULD SEE ANY CONCESSION TO ALLOW THE GERMAN DUAL-KEY PERSHING HAS TO BE INCLUDED IN US REDUCTIONS AS THE THIN END OF THE WEDGE OVER THIRD COUNTRY FORCES.

8. ONE POINT ON WHICH THERE IS UNANIMITY IN PARIS IS THAT THE INF AFFAIR POINTS UP THE NEED FOR GREATER EUROPEAN DEFENCE COOPERATION. CHIRAC'S MAIN PROPOSAL IN THIS AREA IS THAT FOR A WEU CHARTER. HE CLAIMS TO HAVE WON REAGAN'S SUPPORT FOR THIS AND WILL SEEK TO PERSUADE THE PRIME MINISTER AT CHEQUERS OF THE IDEA'S MERITS, SINCE THE UK IS SEEN HERE AS FOOT-DRAGGING. MATIGNON SAY THAT WORK IN THE WEU SO FAR HAS SHOWN MUCH COMMON GROUND ON THE SUBSTANCE. IF WE BELIEVE IN DEVELOPING A VOICE ON KEY ISSUES OF EUROPEAN SECURITY TO REINFORCE SOLID DECISIONS WITHIN NATO, THEY HOPE THAT MINISTERS WILL BE ABLE TO ADOPT IN THE AUTUMN A PUBLIC DOCUMENT SETTING OUT THIS COMMON GROUND. CHIRAC MAY ALSO RAISE BILATERAL COOPERATION, PARTICULARLY IN THE NUCLEAR FIELD.

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9. EUROPEAN COMMUNITY ISSUES WILL ALSO FEATURE ON CHIRAC'S LIST. THESE WILL INCLUDE THE AGRICULTURAL PRICE FIXING EXERCISE, ESPECIALLY CEREALS, OILS AND FATS AND THE AGRIMONETARY SYSTEM: THE BUDGET FOR 1987 AND THE FUTURE FINANCING OF THE COMMUNITY: AND POSSIBLY ALSO RELATIONS WITH JAPAN AND THE QUESTION OF THE SUCCESSION TO NOEL AS SECRETARY-GENERAL OF THE COMMISSION (WHERE THE FRENCH CANDIDATE WILL BE PIERRE ACHARD).

10. OTHER MISCELLANEOUS ISSUES THAT CHIRAC MAY RAISE INCLUDE THE CHANNEL TUNNEL AND LAUNCH AID FOR AIRBUS. IT IS ALSO CONCEIVABLE THAT HE MIGHT BE BRIEFED TO MENTION BILATERAL NUCLEAR SUBMARINE VISITS, ON WHICH THE FRENCH REMAIN UNPERSUADED BY OUR LATEST FORMULATION ON ACCIDENT INDEMNITY. FROM OUR SIDE, COMPENSATION FOR BRITISH LAMB TRANSPORTERS IS NOT YET SETTLED AND MAY NEED TO BE RAISED (PARIS TELEGRAM 383). THE FRANCO-BRITISH COUNCIL PERHAPS ALSO DESERVES A BRIEF MENTION: AN EXPRESSION OF JOINT PRIME MINISTERIAL INTEREST IN REORDERING OF THE COUNCIL'S ACTIVITY WOULD BE VALUABLE TO HELP DAMP DOWN FRENCH SCEPTICISM ABOUT ITS FUTURE HEALTH.

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TRANSLATION OF LETTER FROM M CHIRAC TO PRIME MINISTER, OF 16 APRIL

On return from my recent visit to the United States, which I am glad to say took place in an atmosphere of great trust and friendship, I wanted to share with you my reflections on my conversations with President Reagan, his principal Ministers and Members of Congress.

Arms control negotiations were quite naturally one of the important themes of these discussions. All my interlocutors underlined the priority they attach to concluding, if possible before the end of this year, a separate agreement on intermediate nuclear forces, which would include (as the Alliance has agreed is necessary) dispositions for equal ceilings on Soviet and American short range (SRINF) systems. The American Administration attaches very great importance to concluding such an agreement, and the Soviet Union will of course attempt to exploit this approach to get around certain difficulties. All my interlocutors seemed fully aware of the risks of Soviet tactics and assured me of their determination to adhere during negotiations to the principles and objectives which have already been discussed within the Alliance.

For my part, I made a point of expressing in public and in private our confidence in the present Administration's determination to take fully into account European interests in the negotiations.

I expressed my conviction on three points relating to Europe: that ¹ nuclear deterrence remains necessary in Europe for the maintenance of peace; that ² coupling between Europe and the United States remains essential; and that ³ the European countries must increase and coordinate better their defence efforts. I recalled the significance of the commitments for the period ahead which France is getting ready to make, in particular in connection with the modernisation of her nuclear deterrent forces.

In this context, I recalled how firmly President Reagan had reconfirmed the principle of excluding French and British nuclear forces from negotiations between the Soviet Union and the United States. I was given full assurances that this position would be maintained for the future.

Bearing in mind certain reservations occasionally expressed on the American side about WEU, I made a point of raising this issue with President Reagan personally.

In particular, I explained to him the thinking behind the initiative for a Charter on principles of European security, which I presented to the WEU Parliamentary Assembly on 2 December 1986. I underlined how a strengthened and deepened dialogue within WEU could contribute to the vitality of the Alliance, and to increasing public awareness of the requirements of security both in Member States and in those states which would like to become Members.

President Reagan replied that the US had no reservations about WEU and that he himself was in favour of the idea of increased cooperation within this framework, believing that the US, like Europe, would only gain from it.

I expressed very frankly to all my interlocutors the lively concern aroused in Europe by the rise of protectionism in certain parts of American public opinion. It finds an echo even in Congress, where three Bills are being discussed which would in one way or another strengthen American protectionist capabilities.

I tried to convince them of the unfounded nature of the criticism of so-called European protectionism. Europe is after all the most open economic zone in the World. I noticed that political circles, apart from certain members of the Executive Branch, had an incomplete awareness of the current situation and of the content and real consequences of European policy. My discussions thus have led me to the conclusion that Europe and its leaders must intensify the effort to explain these policies; this is the only means of achieving a better understanding on both sides of the Atlantic of the situation and what is at risk.

I made a point of underlining the EC's solidarity in the face of any threat of protectionist measures. President Reagan confirmed to me that he would continue to be opposed to aggressive action in this connection and the Treasury Secretary assured me of the determination of the American Administration to fight against

protectionism. He told me that the President would if necessary use his right of veto.

Finally, I thought I should take advantage of my discussions in Washington to draw the attention of the American leaders and Members of Congress to the current situation in the Third World. Economic reasons, and also moral and political reasons, should encourage the Western countries to increase their efforts to use their resources to remedy the desperate situation of the most disadvantaged countries. I expressed to my interlocutors the pressing need for a significant initiative in this respect, indicating some of the steps which could, in my view, be taken: increasing the means at the disposal of multinational institutions; giving more flexibility to means of rescheduling external debt; greater effort by commercial banks; revival of produce agreements; a fight against hunger. President Reagan did not immediately respond to this idea, but my interlocutors seemed generally receptive to it, particularly the Treasury Secretary who demonstrated his interest.

All in all, this visit confirmed my conviction that European and American interests - security and economic - are more closely intertwined than ever. The deep friendship which I observed in Washington for my country and for Europe, which permitted very great frankness in the discussions which I had with many leaders, enabled me, I believe, to make certain worries which we all share better understood.

I look forward to having the opportunity shortly to discuss with you all these issues.