

SUBJECT
cc Mavis

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RECORD OF A TÊTE-À-TÊTE MEETING BETWEEN THE PRIME MINISTER AND
THE PRESIDENT OF THE FRENCH REPUBLIC AT 0900 ON FRIDAY 21 OCTOBER
AT 10 DOWNING STREET

Present: Prime Minister
Mr. F.E.R. Butler
Interpreter

President Mitterrand
Monsieur Vedrine
Interpreter

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UN Resolution on the Falkland Islands

The Prime Minister said that she understood that the Argentinian Resolution was likely to be similar to last year's. She hoped that the French would again abstain. The President said that the French Government would have to examine the text. If it was the same as last year's, it was unacceptable to France and France could not vote for it. But it caused difficulties for France for the United States and Italy were likely to support the Resolution since this tended to isolate France and damage her relations with South America. It would help France to maintain its abstention if there were a general movement to abstain among Britain's friends. The Prime Minister said that Britain could continue to work hard to persuade her friends not to vote for the Resolution.

European issues

The Prime Minister said that Monsieur Cheysson had expressed the view to her on the previous evening that it would be difficult for countries to make the necessary compromises to reach agreement over the European budget and Common Agricultural Policy close to the European elections; and that it was therefore necessary to make rapid progress towards a solution before the meeting in Athens in December. She herself had hoped that, if an agreement could not be reached at Athens, it would be possible to do so at the March Heads of Government meeting under the French Presidency. Her view was that the worst scenario for the European elections would be to hold them against the background of the Commission running out of money and being unable to maintain their agricultural payments.

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President Mitterrand said that Monsieur Cheysson was perhaps optimistic about the rate at which progress would be possible, and he did not himself see how a solution could be reached quickly. If an agreement could be reached by March, he thought that this would be sufficiently long enough before the European elections. But it would not be any easier to solve the problem in March than in December, and there was everything to be said for making as much progress as possible by the Athens meeting. The Prime Minister agreed and said that she hoped that it might be possible discreetly to arrange a series of bilateral meetings between Britain and France, Britain and Germany, and France and Germany. It would also be essential for Heads of Government to remain closely in touch with the development of detailed negotiations and to approve the parameters for them, so that any agreements reached by such a process should not be overturned.

The President agreed with this suggestion. It would be essential that such discussions took place discreetly and without the press being aware of them. He suggested that Britain, France and Germany should each name a representative at Ministerial or very senior official level, or a combination of the two, who could undertake intensive but discreet bilateral consultations in the period up to December. He wanted to see all the outstanding problems settled together. He had been pleased and surprised to learn that it had been possible to reach agreement on Mediterranean acquis, which he had expected to be difficult, particularly with the Italians. Perhaps it was a good thing that the Italians had a Socialist Prime Minister.

The Prime Minister commented that she had found Signor Craxi took a positive attitude towards European co-operation, but Signor Andreotti seemed more reserved. President Mitterrand agreed and said that he had been surprised to get the impression from Signor Andreotti that he seemed to favour immediate discussions with Moscow about nuclear matters. The Prime Minister asked whether this was merely a matter of presentation or whether there were signs that the Italians were weakening in their resolve about INF deployment. President Mitterrand said that he did not doubt that

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the Italians were resolved about deployment, but were less robust about the issue of bringing the British and French deterrents into the negotiations. His impression was that Signor Andreotti had been reflecting the wishes of the Italian President.

Returning to European Community issues, President Mitterrand said that the French Government had reservations about proceeding with enlargement until harmony had been re-established in the Community's arrangements. Otherwise enlargement would only cause new strains. Prime Minister Mauroy had had a meeting of Socialist Prime Ministers, at which some progress had been made, but enlargement would raise very difficult issues including fisheries and wine.

President Mitterrand continued that the difficulties of enlargement were practical, whereas those on the Budget and CAP were difficulties ^{of} principle. The French position was that an enshrinement of an annual reimbursement to the United Kingdom was not consistent with the Treaty of Rome. He understood Britain's practical difficulties, and would not deny that the French had gained much advantage from the Community; but Germany and Britain had also gained, particularly in industrial matters. The benefits to agriculture were highlighted because of the prominence of the agriculture budget, but even this was small in relation to the Community's GDP.

The Prime Minister commented that the British position was not based on a "juste retour" but on fair sharing of the burden of the Community's budget. The problems would become more acute after enlargement, and France shared an interest with Britain in ensuring that the burden was fairly shared. She agreed therefore that arrangements for enlargement had to be taken into account in the settlement of other issues. She also felt that there were fundamental problems of agricultural policy to be solved. The European Community could not go ^{on accumulating} /surpluses, and the problem would become more acute as the United States went into surplus.

President Mitterrand agreed that the problem of surpluses had to be dealt with: the most acute one was on milk. He was

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quite prepared to say that over-production was bad management, even if France was involved in it. But there were problems of imports from the United States of substitute products.

The Prime Minister commented that if cereal prices were lower, there would not be such an incentive to import substitutes. She pointed out that the Treaty of Rome included only very general words about CAP, and the system of own resources had been invented long after the Treaty. On the problem of enlargement, she was concerned that if Spain's accession was held up for too long it could increase difficulties which Spain would face if there were a referendum over membership of NATO. She asked whether the French Government envisaged solving the problems of enlargement by a long transitional arrangement or by seeking fundamental solutions immediately.

President Mitterrand said that his position on enlargement was capable of adjustment. He was indeed embarrassed not to be able to agree readily to Spanish and Portuguese accession. But the Prime Minister should know that there were strong considerations of French internal politics affecting this matter. Both the Communists and Monsieur Chirac were opposed to enlargement, as were all the agricultural organisations which were mainly Conservative. That amounted to a lot of people, who would be likely to be demonstrating next summer at the time of the European elections.

The Prime Minister asked what timing the President had in mind over enlargement, bearing in mind France's national elections in 1986. President Mitterrand replied that the 1986 elections were less of a problem than the European elections next year. But he had considerable problems in the short term with Monsieur Chirac. In parenthesis, he remarked that Monsieur Chirac in a recent speech in Berlin had come out in favour of a joint European defence force, including the Germans. The President said that he was not opposed to this as a concept, but it was quite unrealistic to envisage it in the foreseeable future. The Prime Minister commented that any such proposal would seriously undermine NATO. There was to be a conference on European disarmament in Stockholm, and that was enough.

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Returning to enlargement, President Mitterrand said that he was willing to move towards it, and hoped that Spain and Portugal would be content with agreement in principle, but with an extended period for implementation.

The Prime Minister asked whether, in envisaging a comprehensive solution to the Community's problems, the President was also including the French ideas on industrial policy. The President said that he was not. He had in mind only the problems identified at Stuttgart. The proposals on industrial policy were important, but were only in embryo. But he felt that there should be new projects for industrial collaboration, to help get Europe out of its rut. An important area for such co-operation was information technology, where the European countries were not ^{so much} in competition with each other but as with the United States and Japan. A lot of excellent research was undertaken in France and also in the United Kingdom; and there was great scope for harmonising production. The same was also true of bio-technology. He hoped that the Community would be able to reach agreements on these matters in the same way as they had previously done on coal and steel. The promotion of the new industries would assist the modernisation of old industries and was also important on cultural and educational grounds. This was not just a pipedream, but an opportunity for a substantive new agreement.

The Prime Minister commented that ESPRIT already provided a small programme for collaboration on R&D. All countries were putting funds into research in information technology, but her impression was that the USA and Japan were still gaining on Europe. She regretted that Europe had allowed the US and Japan to take such a lead. President Mitterrand commented that he did not wish to cut off Europe from the United States. But co-operation would allow everybody to go forward faster. The European market for information technology represented about 16% of the world market. The Prime Minister said that she had seen figures which suggested that a higher proportion of households in the United Kingdom owned video recorders and home computers than in any other country.

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Britain already made home computers, but had only just started production of video recorders. She had given priority to getting a computer into every secondary school and was now extending this to primary schools.

President Mitterrand said that France were less advanced in this respect but were going in the same direction. He thought that software was an area in which Europe was better placed in relation to the United States and Japan than on hardware. The French experience had been that their young people were ahead of students in the United States up to the age of 20, because they had a better mathematical grounding, although after 20 the Americans tended to move ahead because they had a greater access to the necessary equipment. But the Japanese were purchasing software from France in large and increasing amounts.

The Prime Minister said that the highly complex, science-based industries were doing well in Britain. But we still had a problem with the more traditional industries. The application of new technology to the traditional industries was making them more competitive but was causing them to shed labour which had not yet been fully taken up in the new and growing industries. The cross-over point would come, but it had not been reached yet. President Mitterrand said that the unemployment crisis had been caused by delay in getting people organised to take advantage of the new technology. The position was the same in France as in Britain. It was not a disastrous problem, but it was a problem of adjustment which needed to be tackled, and neither Britain nor France had adjusted quickly enough.

The Prime Minister said that she was concerned that governments delayed the process of adaptation by loading too many overheads on industry. This made it particularly difficult for our industries to compete with those of the newly industrialised countries. President Mitterrand commented that this was a conservative attitude; in his view the question was more one of planning. If European countries were energetic and far-sighted and could agree among themselves, in ten years Europe could be industrial leaders again.

F.E.R.B.

21 October 1983

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