

RECORD OF THE PLENARY SESSION OF THE ANGLO-FRENCH SUMMIT,
HELD AT NO. 10 DOWNING STREET AT 1045 ON FRIDAY 21 OCTOBER 1983

Present

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| The Prime Minister | President Mitterrand |
| Secretary of State for Foreign and Commonwealth Affairs | M. Cheysson (Minister for External Affairs) |
| Chancellor of the Exchequer | M. Delors (Minister for the Economy, Finance and the Budget) |
| Secretary of State for Defence | M. Hernu (Minister of Defence) |
| Secretary of State for Energy | M. Rocard (Minister of Agriculture) |
| Minister of Agriculture, Fisheries and Food | M. Mexandeau (Delegate Minister for Industry and Research) |
| Minister for Trade | Mme. Cresson (Minister for External Trade and Tourism) |
| Mr. Rifkind | M. Chandernagor (Delegate Minister for European Affairs) |
| Sir Robert Armstrong | Officials |
| Officials | |

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The Prime Minister began by saying that she and President Mitterrand had had extensive discussions the previous evening on East/West relations and nuclear disarmament. They had agreed on the need to keep the UK and French nuclear deterrents out of the INF and START negotiations. They had enunciated similar positions publicly (President Mitterrand at the UNGA). At their second tete-a-tete they had discussed European issues. They had agreed that they must work as hard as possible for the maximum degree of agreement at the Athens European Council. She was not too pessimistic about the prospects. Agreement on as many issues as possible at Athens would avoid a crisis within the Community.

President Mitterrand said that the Soviet Union could not be allowed to be the only country with intermediate range

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missiles. The UK and French nuclear deterrents could not be included in the Geneva negotiations. Britain and France could not substitute themselves for the Alliance in the protection of Europe. He was intransigent on the missiles issue and would remain so. There would however be the problem of restarting the Geneva INF talks if they broke down. He described his proposal (put forward at the UN) for a meeting with the five nuclear powers as necessary for presentational reasons. There was a problem in refusing to consider the inclusion of UK and French forces in both the strategic and intermediate range negotiations. One had to concentrate on the argument of the massive imbalance between the nuclear forces of the Soviet Union and the United States on the one hand, and those of UK and France on the other. On European questions, President Mitterrand said that the agreement on fruit and vegetables at Athens earlier this week had opened the door a little to progress. But the problems of the British Budget contribution, own resources and MCAs remained. A solution might be possible in due course if each country were prepared to make sacrifices, but he did not think that we were yet at that stage. He could not predict whether the difficulties would be resolved before, at or after Athens, but he drew attention to the timing of the forthcoming European Assembly elections. It would, however, be bad for Europe if there were a serious failure at the Athens European Council. He referred to the existence of Franco-British differences within the wider Community disagreement.

President Mitterrand went on to say that France did not wish to be isolated on the Falklands issue at the United Nations. The United States and Italy would probably vote for the Argentine Resolution. France would not vote for the present Resolution which was disagreeable for the United Kingdom. But France's position would be more difficult if the Resolution were changed. Discussion should be pursued by Ministers. In conclusion, he drew attention to the prospects for industrial collaboration and to the increase in bilateral contacts.

/ Sir Geoffrey Howe

Sir Geoffrey Howe described his talks with M. Cheysson. They had agreed that UK and French officials should meet to discuss two particular Community issues: the scope for co-operation on New/Other policies, and for narrowing differences on the elements of disagreement on the post-Stuttgart negotiation. The Foreign Ministers had approved the Joint Report on bilateral relations. Since the Closer Contacts exercise had been established at the last Summit there had been an explosion of contacts which were very valuable. The Foreign Ministers wished to endorse the report and encourage further co-operation.

On the Middle East, Sir Geoffrey Howe said that they were not optimistic on progress towards reconciliation in Lebanon. They had noted the continuing problem of the Iran/Iraq war and were in agreement on work on a resolution at the United Nations. He and M. Cheysson had agreed on the need to find out more about South African intentions on Namibia. There would be increased French, UK and German contacts with the South Africans. M. Cheysson had described the French view on Chad.

President Mitterrand expressed his anxiety at the situation in Lebanon. How and when could our forces be removed? The Prime Minister said that she, too, was concerned that UK forces should not remain in Lebanon indefinitely. Sir Geoffrey Howe added that the Lebanese were not facing up to their responsibilities. Perhaps an indication of MNF countries' intention of working towards a reduction of their forces would have a positive effect. The Prime Minister repeated that it was necessary to consider when a valid opportunity to withdraw would arise, to which M. Cheysson added that it should not, however, look as though we were giving up our support for the institutional structure of Lebanon.

Mr. Lawson summarised his discussions with M. Delors. On the follow-up to the Williamsburg discussions, they had agreed that the right way to proceed was under the aegis of the G5.

A meeting in Geneva would be useful. As far as the Community was concerned, it would be sensible to handle follow-up in ECOFIN, rather than within the current post-Stuttgart negotiations. On debt, he and M. Delors had agreed that it would be dangerous for governments to set a precedent by providing additional funds to fill gaps. For Brazil and others it was necessary to have a strong Fund programme and to pursue rescheduling by the commercial banks. They had also discussed the respective French and British economic situations. On the Community they had agreed that the UK and France should keep in close contact, and shared the view that there should be equitable financing and that total expenditure should be controlled. M. Delors had agreed on the importance of a package at Athens and on finding a lasting solution to the Budget problem (hence his interest in ecretement des soldes). M. Delors had also emphasised the importance for France of New Policies in helping the less developed regions, reviving industry and in promoting co-operation between European firms. French amendments had improved the Danish Convergence Fund proposal, but it was still inadequate. He and M. Delors had agreed on continuing bilateral contacts on the post-Stuttgart negotiations, perhaps widening to trilateral with the Germans in due course.

M. Delors agreed. There was a great deal still to do in the Community negotiations. The French were looking for savings not simply in the CAP but also in structural funds. He repeated French priorities for New Policies. Asked by the Prime Minister how quickly the Ministers of Finance thought the UK and France would move out of recession, Mr. Lawson said that while they recognised that their economies were moving out of recession, they had not reached a view on how fast. There was, however, sustained progress. M. Delors identified two obstacles to economic growth in Europe. First, since US capital played such an important role, high US interest rates were putting a psychological and financial brake on investment in Europe. Only more investment would keep European industry afloat. Secondly, when the US was in deficit on its trade balance, the

level of the dollar dropped and other countries benefited. At present the US deficit was benefiting Japan in particular.

Mr. Heseltine said that he had had a series of meetings with M. Hernu this year. Much of their effort was devoted to the harmonisation of the operational requirements of the French and British armed forces, and thus of their equipment needs, particularly over the next generation of fighter aircraft. As for widening the discussion to other European countries, Mr. Heseltine said that they had agreed that it was difficult enough to co-ordinate the activities of three (UK, France and FRG). We might suggest to Allies that the WEU could provide a framework for discussion of arms procurement among a wider group of countries. Explaining the UK position on the launcher for Skynet 4, Mr. Heseltine said that M. Hernu had stressed the significance of using a European launcher. HMG understood the likely impact of the decision on Skynet and the importance the French attached to it. The French had made a further offer to try to bridge part of the cost difference. The French offer would be considered most carefully and a decision taken soon. He and M. Hernu had also agreed on limited joint co-operation in training and visits for the armed forces, which would be pursued at Chiefs-of-Staff level. M. Hernu emphasised French hopes that the UK would give careful consideration to Ariane as the launcher for Skynet 4. The Prime Minister drew attention to the problem of possible design changes. We were, however, conscious of the need for Europe to retain a capacity in a number of strategic fields. The issue would be weighed carefully.

Mr. Jopling said that his talks with M. Rocard had been confined to the CAP. Both agreed that CAP costs must be contained. The UK still considered a financial guideline essential, but France opposed this. France accepted that the growth in CAP costs should parallel those of own resources, but had not accepted a slower growth rate for the CAP. On milk, the French argued that this was the last area possible

/ for concessions

for concessions and that concerted action was needed on milk, cereals and cereal substitutes and MCAs. The UK believed that price discipline and guaranteed thresholds were the best mechanisms for restraining milk production costs. France might accept a system of quotas through supplementary levies, but not a simultaneous pricing system because of the consequences for employment. Price restraint was also needed in the cereals sector but France believed that any policy should be gradual if it was not to push people from grain producing into sectors such as livestock and milk which were already in difficulty. France wanted action to limit imports of cereal substitutes, while the UK attached less importance to this. There was agreement that MCAs were an impediment to greater efficiency. It remained a high French priority to abolish MCAs, especially positive MCAs. This was not a crucial issue for the UK in the post-Stuttgart negotiations, since abolition would bring no great budgetary gains. Any arrangements would have to take into account the special position of sterling as a floating currency. M. Rocard added that as a means of reducing production in excess sectors, pricing policy could be useful for some products but not all. There was a need to maintain farm incomes in some sectors and France would be studying other methods particularly regarding milk. M. Rocard underlined the French concern at the relationship between milk and cereal substitutes. We must take account of economic realities. Each country would have to make sacrifices in the negotiations in agricultural areas which it held dear. Milk must not be hit twice both by limits on quantity and through MCAs. In general, the present negotiations were not conducive to bringing all the potential elements on to the table. Some countries would have to make sacrifices on products, other "horizontal" sacrifices, for example on own resources, or MCAs.

The Prime Minister commented that British and French objectives seemed to be the same, but discussion on methods was temporarily blocked. Could this be unblocked by December? There would have to be trade-offs.

/ Mr. Channon

Mr. Channon said that in his meeting with M. Mexandeau they had agreed to move forward on three projects which were going well. They would keep in touch on the financial terms for the Guangdong nuclear project. A joint venture was shaping up between Rolls Royce and Creusot Loire for a gas turbine power plant for generating electricity. On the Lucas/Ducellier/Valeo case, Lucas were now arranging to make a formal approach to Valeo. M. Fabius, the French Minister for Industry, had said earlier that he would be willing to look at proposals. The UK and France were close on the steel issue and were worried about the Germans reopening it at the next Steel Council. Officials would meet. A joint working party was proposed, with a first meeting around 15 December, to make a detailed study of the telecommunications sector. M. Mexandeau commented that it was particularly important to establish co-operation during this period of technological transition in the telecommunications field.

With Mme. Cresson, Mr. Channon said that they had agreed on proper compensation on speciality steels. The US offer was frankly ridiculous. The UK and French Governments should bilaterally and through the Community continue their efforts to get the Japanese market opened up. There was a need to continue to talk to the Americans about extra-territoriality. The internal market of the Community should be completed for the sake of economic growth and co-operation between European industries. The UK was looking at the economics of the Airbus A320. It had been agreed that Airbus Industrie should make a high level presentation to British Airways in the near future. It was up to the latter, not HMG, to decide on purchase. The French had also raised problems over tendering for the new transit railway in the London Docklands. This was for the Docklands Corporation to decide but Mr. Channon would be writing to the Chairman. He had assured the French that we had not known about the Dunlop decision before they had.

Mme. Cresson emphasised that improvements to the Community internal market should be linked to a better definition of the

common commercial policy. On Airbus A320, it was essential not to leave a monopoly to Boeing. Attempts to sell the A320 would be helped if all the governments concerned committed themselves to building it. A BA decision to buy, after British Caledonian, would add to the project's credibility.

Reporting on his talks with M. Chandernagor, Mr. Rifkind said they had talked about the implications of enlargement, particularly for the Community institutions. There was a danger of their becoming top-heavy. In the context of the internal market, it had been agreed that it would be desirable to simplify frontier controls. Like Mme. Cresson, M. Chandernagor underlined the link in French eyes between the internal market and the common commercial policy. The Community were always on the defensive on the latter. He noted convergent views with the UK on New Policies for the Community. We should try to work together, particularly on new technologies. There would be an early meeting of officials in an attempt to draw up, for joint presentation at Athens, some concrete ideas in the New Policies field. As for curbing expenditure, it was essential this should cover all areas, including growth in the structural funds. Spanish and Portuguese accession negotiations should go each at its own pace. He asked what would happen to the Budget between agreement at Athens on an increase in own resources and its implementation, say, two years later.

Summing up, the Prime Minister said that it had been a workmanlike Summit. The atmosphere had been positive and friendly. At the press conference, she and President Mitterrand should take the line that on the Community we were coming to a moment of decision. There was a continuing series of meetings among Ministers who were looking at all the issues in an attempt to find appropriate solutions.

The plenary session ended at 1210.

A.S.C.