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Foreign and Commonwealth Office

London SW1A 2AH

31 July 1985

*Dear Charles,*

THE FRENCH PRIME MINISTER'S VISIT TO LONDON ON 1 AUGUST

Your letter of 16 July reported the telephone call from M. Fabius to the Prime Minister which was the genesis of this visit. It will be the first he has made to Britain since his appointment as French Prime Minister in July last year (though he did come here in his previous capacity as Minister of Industry and Research, most recently in April 1984). We believe the two Prime Ministers last met at the Franco-British Council Conference in Avignon in November.

M. Fabius will fly in shortly before lunch and leave again in the afternoon. He will be met at Northolt by a Special Representative of the Foreign Secretary (Sir John Stow) and will aim to arrive at Downing Street at about 12.45 pm. We are assuming a departure from Downing Street at or soon after 3 pm - M. Fabius is

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likely to want to say a few words to the press on his departure (your Press Office have been warned). Although he will be accompanied by a small suite, including the French Ambassador (M. Jacques Viot) on arrival and departure, only M. Denis Verret, Special Adviser for International Economic Relations, will be present during the lunch. Short personality notes on M. Fabius and M. Verret are attached - M. Fabius speaks excellent English.

I enclose Sir John Fretwell's letter of 23 July giving an account of M. Fabius' current preoccupations and prospects. A main aim on the French side is probably to add to Fabius' standing by showing that he is a spokesman for France at the top international tables, in advance of the election campaign which will gather pace after the summer holidays. Additionally, there may well be an element of "fence-mending" post-Milan lying behind Mitterrand's suggestion of a meeting, and a desire to counter-balance the current plethora of high-level Franco-German contacts, notably Mitterrand's meetings with Kohl on 18 July and 24 August. Although it is possible that Fabius may have some special message to convey, there has been no indication of this. For him therefore the agenda may be of less importance than the fact of the meeting.

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The visit provides us with an opportunity to go over current French government thinking on Community affairs since the Milan European Council and in the run-up to the Luxembourg Council. The Foreign Secretary's minute of 26 July to the Prime Minister covered this aspect of the meeting.

We also suggest that the Prime Minister might raise:

The European Fighter Aircraft

Southern Africa

Falklands/Argentina

Channel Fixed Link

In addition, the following may also come up :

EUREKA

East/West Relations

Arms Control and SDI

International Monetary Reform and Multilateral Trade  
Negotiations

British Economic Policy and Achievements

/EFA



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European Fighter Aircraft (EFA)

The French and the other 4 partners (UK, FRG, Italy and Spain) remain divided both on the configuration of the aircraft and the organisational arrangements. A German compromise put forward at a meeting of National Armaments Directors on 23 July and explained by Dr Woerner to President Mitterrand the following day envisaged: an aircraft of 9.75 tonnes basic mass empty with an engine thrust of 90 kn and a wing area of 50 sqM (slightly below our preferred figures of 91.7 kn and 51 sqM); locating the programme office and the two consortia (for air frame and engine respectively) in Munich, but with the UK and France occupying the lead posts; and, on work-shares, providing 24.5% each for the UK, FRG and France, 16.5% for Italy and 10% for Spain. The compromise is broadly acceptable to the UK and Italy, but the French are not prepared to move beyond 87 kn engine thrust, want the main office in Paris under French control, and have reserved their position on work-shares.

/ The Spanish position is unclear. I enclose a copy of Paris telno 651 which sets out the French approach to EFA and their view of our role in the project. It underlines the French tactic of putting political pressure on the Germans and delaying any decision at

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least until Chancellor Kohl and President Mitterrand meet on 24 August. But, so far at least, the German Government has appeared determined to move towards an early launch of project definition.

Despite the Prime Minister's message of 25 July to President Mitterrand, it has not so far proved possible to get an appointment for Mr Heseltine to see the President to explain the British position.

M. Mitterrand is expected to review the French position with M. Hernu on 31 July. Subject to the outcome of consideration at the meeting of Ministers later today, the Prime Minister might wish to take the line with M. Fabius that: the UK has consistently sought a truly European solution involving all 5 partners; agreement by the 5 nations would be of major political significance in European terms, coming so soon after the Eureka Ministerial meeting; the UK is prepared to accept the German compromise proposed in an effort to reach agreement; and we still hope that France too will be able to join her partners on that basis; but for operational and industrial reasons an early decision to launch project definition is necessary; any aircraft we built must be adequate to meet the threat; and organisational arrangements must be on the basis of equal partnership.

/Southern Africa

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Southern Africa

The Prime Minister will no doubt wish to ask M. Fabius about on France's precipitate decision last week to withdraw their Ambassador from South Africa, to ban new investment, and to call a special meeting of the Security Council on 25 July. These steps were taken without warning or consultation and only two days after the Foreign Minister had joined his colleagues in the Ten in issuing a statement on policy towards South Africa. The Foreign Secretary has told M. Dumas of our surprise and concern at the French action and its implications. The French attempted to justify their action by reference to the sharp deterioration in the situation in South Africa and the wish of the black African countries for a still more severe resolution in the UN. It would be worth pointing out that limited sanctions only serve to encourage others to push for wider measures, and repeating our firm hope that the French will continue to oppose mandatory sanctions in the UN.

Channel Fixed Link (CFL)

Work by officials is proceeding satisfactorily and the promoters' proposals are expected on 31 October, two weeks before the Anglo-French summit in London. The Prime Minister could stress the importance of liberalising lorry quotas if the full economic benefits of the CFL are to be obtained. We should use the opportunity of the CFL to seek to move the French on

/lorry



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lorry quotas. But they will not yield easily on this: they will counter-claim that UK limitations on axle weights and the different characteristics of UK railway gauge restrict France's ability to exploit the CFL. The Prime Minister could stress that we think it important for officials to resolve these questions quickly.

The background is that lorries from one EC country carrying goods to another or in transit require either an EC or a bilateral permit except where neighbouring EC countries have abolished permits. France is among the more restrictive EC countries in this respect whereas Belgium and the Netherlands are among the more liberal. The UK's policy is to conclude bilateral agreements abolishing quota restrictions. But if as in the case with France, a quota is imposed on our lorries, we impose an equivalent quota.

#### EUREKA

The Prime Minister could say that we welcome the common ground that has developed between the UK, France and others on the need for market orientated projects and the full involvement of industry. We are also glad that it has been widely accepted that EUREKA should be concerned not only with high technology projects but also with the development of a European market for products of such projects (through work on standards, the

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liberalisation of public procurement and other innovative ideas such as EUROTYPÉ). We welcome the decision at the meeting in Paris on 17 July (Sir Geoffrey Howe and Mr Pattie represented the UK) to set up a high level group of officials to carry work forward. (This was originally a British idea partly to prevent EUREKA falling under French or any other domination but support for it at the meeting in Paris was almost universal). We hope to work closely with France and other major participants (Germany, Italy) in the group and in preparation for its meetings. We share the French view that participants should be welcomed from outside the Community. On finance we have a different approach from France: on 17 July Mitterrand promised 1 billion Francs (£86M): we expect the market to finance projects. If Fabius draws attention to this the Prime Minister could say we are confident that this difference should not hinder practical collaboration between French and British firms and institutions.

Falklands/Argentina

The Argentine Foreign Minister, Caputo, visited France over the weekend of 19 July and met Dumas. Alfonsin is due to visit France in September. The Argentines undoubtedly hope to persuade France to vote

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for their Falklands resolution at the UN General Assembly. The Prime Minister could emphasise that the realistic way ahead lies in agreement on practical ways of improving relations. It is unreasonable to expect us to negotiate on sovereignty. Our removal of the ban on Argentine imports was an effort to break out of the impasse. The Prime Minister could ask if Dumas encouraged Caputo to adopt a more constructive approach. The Prime Minister will wish to remind Fabius of the importance we attach to our partners maintaining their abstention at the UN - French officials have spoken in relatively reassuring terms to our Embassy about this.

#### East/West Relations

Fabius may be interested in the Prime Minister's personal impression of Gorbachev in view of the latter's visit to France from 2-5 October. The Prime Minister could comment on his increasing confidence and influence (his addition of four new members to the Politburo and removal of Romanov). In spite of his wish to concentrate on internal matters, Gorbachev clearly intends to strike a figure on the world stage, viz forthcoming summits with Mitterrand and Reagan.

If Fabius asks about the CMEA letter on relations with the EC, the Prime Minister could say that we see no need to hurry in our reply (CMEA took over four years to

/reply



reply to the European Commission's earlier letter). The Community should not appear as demandeur. Generally, the Community should avoid aiding Soviet hegemony over Eastern Europe or fuelling American fears of Soviet wedge-driving between members of the Alliance. The Prime Minister could add that we believe the European Council's cautious mandate to the Commission to be fully consistent with these principles.

#### Arms Control and SDI

The Prime Minister could say that we believe Gorbachev's aim in Paris will be to play on French doubts about SDI to widen the rift in the Alliance which was evident at the North Atlantic Council meeting in Lisbon in early June. The Prime Minister could ask Fabius how the French intend to put their views in such a way as to minimise the wedge-driving possibilities. The Prime Minister may wish to stress the damage that may be done to Western unity by a maverick French line on arms control which in turn could harden American attitudes against European views on SDI. The Prime Minister could add that we see a direct link between Allied cohesion over Geneva and Soviet willingness to negotiate seriously there. It is therefore counter-productive to highlight Allied differences over SDI and participation in US research.



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International Monetary Reforms and Multilateral Trade  
Negotiations

Fabius may raise the importance which Franch attaches to discussion of international monetary reform in parallel with multilateral trade negotiations, in particular France's hope to set discussions in place at the annual meeting of the IMF in October. The Prime Minister could reply that we find it difficult to see what this might achieve. The recent G10 report concluded that the basic structure of the international monetary system remained valid and did not need major institutional change. We think the report offers the best way for the system to evolve, for example by increased surveillance of all economies. Fabius may also raise the French initiative with the Latin Americans supporting a high level meeting on debt and monetary issues. The Prime Minister could say that we think this would almost certainly be a confrontational meeting, damaging to substantive progress.

If Fabius raises the failure of the July GATT Council to agree on a date for the preparatory meeting, the Prime Minister could say that we too found this disappointing; however, we believe that the adequate prior consensus which the Community called for in March is establishing itself. The problem is with a hard core of intransigent countries notably Brazil and India. We

/agree



agree that those who oppose the new GATT round cannot be allowed an indefinite veto and we support the American suggestion of an early meeting of the contracting parties to unblock the jam. (Britain and France agree on this). We also agree that progress cannot be made at the expense of consensus with developing countries.

#### British economic Policy and Achievements

Fabius' office have also suggested the two Prime Ministers might like to compare notes on the respective progress of British and French economic policy. This would provide an opportunity for the Prime Minister to say something to Fabius about British economic policies and achievements, with the aim of discouraging him from quoting UK experience eg in relation to unemployment out of context during the forthcoming election campaign (the Prime Minister may recall some ungracious comments he made last autumn in newspaper and TV interviews). The Prime Minister could with effect tell him of the financial provisions made for those out of work in the UK - in socialist France, the unemployed can in certain circumstances find themselves ineligible for any assistance once their initial benefits run out. A note on the French economy is enclosed.



I am copying this letter to Richard Mottram (MOD)  
and Rachel Lomax (HM Treasury)

Yours ever,

Peter Ricketts

(P F Ricketts)

Private Secretary



FABIUS, LAURENT

Prime Minister since July 1984.

Born 1946 in Paris, son of an antique dealer. On graduation from ENA, entered the Conseil d'Etat. Recruited as Principal Personal Assistant to Mitterrand. Socialist Deputy for Seine-Maritime since 1978. Official spokesman for the PS 1979-81. Ministre-délégué for the budget 1981-83. Minister of Industry and Research 1983-84.

Fabius is one of the star members of the new generation of Socialist Party politicians. He has a brilliant academic record. Before his appointment as a Minister he made a notable contribution in the National Assembly from the Opposition benches, particularly on financial and economic questions. Despite his close links with President Mitterrand, his role as Budget Minister was subordinated to that of Delors, the Minister of the Economy and Finance, with whom he was said to have a number of differences on policy during their first few months in office. His appointment to the Ministry of Industry, where he also covered Research, Energy and the PTT, was a mark of the high esteem in which Mitterrand holds him. During his tenure of the job, Fabius faithfully reflected the President's view that nationalised industries should run their own affairs and that the private element of the socialists' mixed economy should not be neglected.

Married with one child. Speaks good English.

VERRET, DENIS

Technical Adviser to the Prime Minister on International Economic Relations since August 1984.

Born 1950. Studied at the Ecole Nationale d'Administration. Held a number of posts in the French administration 1976-81. Commercial Counsellor, Washington, 1981-83. Technical Adviser (to M. Fabius) at the Ministry of Industry and Research, 1983-84.