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10 DOWNING STREET

1 August 1985

From the Private Secretary

PRIME MINISTER'S MEETING WITH THE PRIME MINISTER OF FRANCE
ON 1 AUGUST 1985 AT 1245 HOURS

The Prime Minister gave lunch today to Monsieur Fabius. M. Fabius was accompanied only by M. Verret of his personal staff. This letter summarises the discussion which took place over lunch and was conducted throughout in English.

Social and Economic Matters

There was some general conversation both before and during lunch on economic and social problems in Britain and France. M. Fabius talked of the soaring costs of health care in France despite the relatively favourable age-profile of the French population. He talked also of the reform of the French education system, in which the teachers were proving surprisingly co-operative. The Prime Minister noted the tendency in Western societies always to ask for more but not to like it when the bill came in. She suggested that there might usefully be discussion in the European Community of the OECD of ways of restraining the soaring costs of social security systems. M. Fabius appeared to welcome this.

M. Fabius gave an optimistic account of the French economy. Inflation this year would be around 5 - 5½ per cent and the target for next year was 2.8 per cent. He had presented a tight budget which called for real reductions in expenditure. This had surprised many people who had expected him to take the brakes off before an election. The Prime Minister complimented M. Fabius on his success, achieved and prospective, and described the main developments in the United Kingdom economy.

French Elections

M. Fabius gave his opinion that neither the right nor the left would have a clear majority following the elections to the National Assembly. The right would only do so if they were prepared to make an alliance with the extreme right, which was most unlikely. The President would

therefore be left with a good deal of freedom of manoeuvre.

There was some discussion of the role of television in French and British politics. M. Fabius spoke with considerable smugness of the success of his own monthly television broadcast.

European Community

M. Fabius said that President Mitterrand had asked him to talk to the Prime Minister about Europe and to explain that France wanted to work with Britain. Some problems had arisen at the Milan European Council. And of course France enjoyed a particularly close relationship with Germany, though this did not mean that she wanted to put Britain aside. President Mitterrand noted with approval the efforts which Britain had made to secure the better functioning of the European Community. The President regretted that a vote had been taken at Milan, though of course France had had to vote with Germany because they were co-authors of the key text. His intention for the future was to keep all the main countries together. He remained interested in the British proposals for the future of the Community, while recognising that they were rather limited. France was ambitious for the Community and wanted a success for it at the European Council in December.

The Prime Minister thanked M. Fabius for conveying President Mitterrand's message. Milan had been a bad meeting. Britain had gone out of its way beforehand to play the part of a good European. We had worked up proposals and consulted our partners about them in good time. We had given strong support to Eureka. No-one could accuse us of hanging back. We had been astonished when a rival text, scarcely different from though rather less communautaire than ours had been presented without consultation. Our disappointment had been the keener because there had been similarities between the ideas in President Mitterrand's memorandum and our own proposals. It was a pity that we had not been able to work together to implement them. We had understood that France was opposed to an Inter-Governmental Conference, but at Milan it had supported one. There had been other examples of sudden changes of position such as over South Africa. It was hard to know where we stood.

Now we had to look to the future, continued the Prime Minister. She did not know what France made of some of the proposals on the table. Could France accept approximation of indirect taxes? Could France do without the Luxembourg Compromise? Could France accept majority voting on some of the sensitive regulations under Article 100? Britain for its part would now wait and see what others were in practice ready to do. We would not table any more ideas. Others could take a lead and we would decide our position in the light of what they proposed.

But she wanted President Mitterrand to be clear on one important point. She was sorry to see Europe dissolve into the petty squabbles, manoeuvres and drafting exercises which

had characterised the Milan European Council. Heads of Government had to take a broader view of the future of Europe and the need for the European countries to work more closely together and with the United States. Britain was prepared to play a full part in this. But we could not accept that the future course of Europe should be dictated by a Franco-German axis. Of course Germany had to be kept firmly locked into Europe, although she was watching political developments within Germany with considerable anxiety. A Franco-German axis would not be good for Europe. But she was ready to work with France and Germany as a threesome. She hoped that M. Fabius would convey this message back to President Mitterrand.

M. Fabius said there were few tasks during the remainder of this century as important or as worthy as to work for the advancement of the European Community. He agreed that some of the procedures and devices of the existing Community were dispiriting. France would be pleased if new steps to strengthen the Community could be agreed at the Luxembourg European Council and if Britain were to be part of them. The Prime Minister interjected that she would be interested to see whether France was able to be part of them. He wished to repeat that the reason for his visit was to demonstrate that France wanted all Community countries to move forward together. The Prime Minister interjected that she had thought we were until the Milan European Council. As regards harmonisation of indirect taxes, France's position was under review. France accepted the logic that completion of the internal market required harmonisation of such taxes but the reality might be rather different. The European Parliament should be associated more effectively with the Community's processes but not in a co-decision making role. The Prime Minister interjected that co-decision equalled no decision. M. Fabius concluded that he would report the Prime Minister's views to President Mitterrand.

Channel Fixed Link

The Prime Minister said that she was passionately keen to see the Channel Fixed Link established. She felt that her generation had never given anything tangible to Europe and the Fixed Link would catch people's imagination. But there was no point in having a Fixed Link if there were going to be quotas on the lorries coming out at the French end of it. M. Fabius said he was pleased to hear of the Prime Minister's enthusiasm for the Channel Fixed Link. He could understand our problem with lorry quotas. France had problems over restrictions on axle weights in the United Kingdom. He would see what he could do to clear up the question of quotas and let the Prime Minister have a note of the problems which were of concern to France.

South Africa

The Prime Minister said that she had been very taken aback by France's conduct over South Africa. Foreign Ministers had agreed a text on South Africa in Brussels on a

Monday. But by the end of that same week France had abandoned the common position and gone to the United Nations Security Council with a proposal for economic sanctions without any warning to her partners. It made a mockery of political co-operation. We would not have behaved in that way. M. Fabius replied that France had not been satisfied with the outcome of the Foreign Ministers' meeting. The French Government thought that, following the declaration of emergency, there had to be a much firmer response. That is why they had gone to the Security Council. Further, they had deliberately not proposed mandatory sanctions so as not to create difficulties for some of their partners. The Prime Minister asked how M. Fabius thought that sanctions would help the situation in South Africa. Industry in South Africa was the main force working against apartheid. She failed to see the wisdom of putting people out of work here in order to put people out of work there. Sanctions were not selective in their victims. South Africa would take economic measures of its own against neighbouring countries, putting them into even greater difficulties. She could not see what the West would gain from plunging the whole of Southern Africa into turmoil. It was an area of great strategic importance. The right course was constant diplomatic pressure upon the South African Government to enter into genuine dialogue with black South Africans. Such pressure could work as had been demonstrated over forced removals. M. Fabius observed that France's analysis was different. Progress so far in South Africa had been very gradual indeed.

Falklands

The Prime Minister recalled Britain's gratitude for the support which we had received from France during the Falklands conflict. As M. Fabius would know, the Argentine Government had still not declared a formal cessation of hostilities. She was concerned to hear that a possible sale of helicopters to Argentina was under consideration in France. She hoped that this would not be pursued. We were doing our best to restore normal working relations with Argentina, witness our recent decision to lift the trade embargo. But we could not discuss sovereignty. M. Fabius said that France's position remained unchanged. France felt and had showed solidarity with the United Kingdom. President Mitterrand had repeated this to him before his departure from London. France believed that a diplomatic solution would eventually have to be found but it was not her responsibility to find it. He would look into the question of helicopters. He was not previously aware of it.

European Fighter Aircraft

M. Fabius observed that France's "technicians" were not in favour of the European fighter aircraft. President Mitterrand, on the other hand, was strongly for it but it must be a truly European aircraft. It was important to the industrial and political future of Europe to find a solution to the problem. The Prime Minister merely observed that she

understood that meetings were going on elsewhere about the EFA.

There was some further discussion towards the end of lunch, about international debt questions, about Japan on which both Prime Minister's agreed that the measures in Japan's recent action programme were unlikely to produce any fundamental change, about Mr. Gorbachev's forthcoming visit to France and about China. The Prime Minister and M. Fabius also agreed on the line they would take with the press. I enclose a transcript of the Prime Minister's subsequent remarks.

I am copying this letter to Richard Mottram (Ministry of Defence), Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry), Richard Allan (Department of Transport) and Richard Hatfield (Cabinet Office). I should be grateful if it could be given a limited circulation only.

(C.D. Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office

Transcript by
JAMES LEE OY:

JOINT STATEMENT BY THE PRIME MINISTER, MRS. THATCHER,
AND THE FRENCH PRIME MINISTER, M. FABIUS, AT DOWNING
STREET, ON THURSDAY, AUGUST 1, 1985.

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PRIME MINISTER

The Prime Minister and I have just had a meeting. As you know, France and Britain meet quite often really to demonstrate once again the very close friendship that exists and has existed historically for many many years.

This time, we have discussed in particular problems of the European economy and the world economy. We are both affected in a very similar way.

We have also spent some considerable time on our hopes for the future of the European Community and on East-West relations. You will be aware that Mr. Gorbachev is going to visit Paris in October. We have hopes that the European problems will be resolved at the Luxembourg Conference which of course occurs at the end of this year.

We have also spoken of our desire to see the fixed Channel link built. It seems to me something that our generation can perhaps do for future generations. It would be very nice to have something exciting like that to talk about and to have it built within a reasonable time.

Those, I think, are the main things which we have talked about. May I say how delighted we were that Mr. Fabius found time to make this visit to London. It is brief, but it has been very well worthwhile.

PRIME MINISTER FABIUS (IN FRENCH)

(Not transcribed)

QUESTION

Mrs. Thatcher, could I ask you, did you reach any agreement at all about any possible sanctions on South Africa?

PRIME MINISTER

As you know, France put up her own Resolution to the Security Council. We have perhaps different ways of achieving the objective, but the objective is the same. We do not like apartheid. We wish to see it ended. France has her particular way of achieving that objective and we have ours.

QUESTION

Why have the ambassadors, and ours in particular, been recalled now for discussions?

PRIME MINISTER

There is a meeting in Brussels. They are just going to a meeting and then ours certainly will return straight to South Africa. There is one meeting I understand in Brussels. Ours will go to that and then return to South Africa. As you know, I take the view that I really want mine present in South Africa to know exactly what is going on.

QUESTION

Did you manage to reach any agreement here about South Africa?

PRIME MINISTER

No, we discussed it, but nothing further than that which we have already indicated.

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With the compliments of

PROTOCOL DEPARTMENT

Miss B J Connolly

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**FOREIGN AND COMMONWEALTH OFFICE
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AMBASSADE DE FRANCE
LONDRES

2nd August, 1985

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Dear Mr. Sprague,

I would like to thank you very sincerely for the way our Prime Minister and his party, as well as the advance party last Monday, were received in London. My colleagues and I were very much impressed by the perfect organization of the visit.

May I also ask you to convey to the gentleman responsible for the arrangements at 10, Downing Street (who very kindly took us for a brief visit of the premises on Monday), the expression of my gratitude for his welcome and the care he took of our Prime Minister's assistants yesterday.

Yours sincerely

Bouillane de Lacoste

Jean-Noël de Bouillane de Lacoste

Chargé d'Affaires a.i.

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