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From the Private Secretary

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Don Stephen

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND:
BRITISH EMBASSY IN ROME: 27 OCTOBER 1990

The Prime Minister had nearly two hours of conversation with President Mitterrand over lunch at the British Embassy in Rome this afternoon. The President, who was accompanied by Madame Caroline de Margerie, looked in much better health than during the summer, and was full of good humour. The early part of the discussion was taken up entirely with the problems over agriculture and the GATT negotiations. But once through this, talk ranged quite widely over the agenda for the European Council, as well as the situation in the Soviet Union, and Eastern Europe and the Gulf, with a final brief mention of Anglo-French defence cooperation.

Agriculture and the GATT

The Prime Minister said that she was very disturbed at the Community's failure to agree a negotiating position on agriculture for the GATT negotiations. She understood that agreement had very nearly been reached after some sixteen hours of negotiations at the meeting of Agriculture and Trade Ministers in Luxembourg the previous day, but had been thwarted at the last moment as a result of French opposition. The Community had accepted an obligation to make substantial and progressive reductions in agricultural support during the French Presidency. This had been reaffirmed in the conclusions of the Houston Economic Summit. It would be highly damaging to the Community's international reputation and to hopes of more open world trade if the Community could not come up with a position very soon. We were already nearly two weeks beyond the deadline of 15 October.

President Mitterrand said this was a very difficult issue. Agriculture could not be looked at in isolation. There had to be progress over issues such as trade in industrial goods, services and intellectual property where the United States was blocking progress. It was not right that France - or more exactly Europe should be expected to make concessions on agriculture when the United States was refusing concessions in other fields. The

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Prime Minister said this could not be right: progress was being made in other fields. The main blockage arose from the Community's failure to agree a position on agriculture. President Mitterrand repeated that the problem was a very difficult one for France. She was in the middle of what he could only describe as a peasants' revolt. The Prime Minister said that farmers in all our countries faced difficulties. It was ironic that German farmers were the most cossetted in the Community, and yet it was Germany which was mainly responsible for blocking progress by demanding even greater protection for them. The root cause of the problems was the CAP which favoured inefficient over efficient farmers.

The Prime Minister continued that, as a result of failure to reach agreement in Luxembourg yesterday, the Community had a real crisis on its hands which must be discussed at the European Council. Since it was France and Germany who were blocking agreement, it was up to them to move. Many other countries which would have been hit worse than France or Germany by the Commission's proposals had shown themselves ready to make concessions in the wider Community interest. President Mitterrand said that France's interests and Germany's did not entirely coincide. It was more a case of their reservations adding to each other. France felt that sacrifices she was asked to accept were too heavy, compared with what the United States was offering on agriculture in the GATT. The Prime Minister reiterated that the place to discuss objections to the American proposals was in the GATT negotiations themselves. The problem was we could not even begin them until we had an agreed Community position. The Commission's proposals were fairly minimal, and took credit for reductions in agricultural support made by the Community since 1986. President Mitterrand said this was not exactly the first occasion on which negotiations had got a bit delayed: it was no tragedy. The Prime Minister contradicted him: there was a time problem. The Uruguay Round negotiations were due to be completed by the end of the year, and the Community had not even tabled a proposal, let alone started to negotiate.

President Mitterrand said the root of the problem lay in divergent interests within the European Community. The Prime Minister said that perhaps we needed to look more fundamentally at the CAP. It was after all a pretty strange system which fixed agricultural prices in order to provide a living for inefficient farmers. Perhaps we should move to a system of income support. President Mitterrand said that Foreign Ministers should be told to find a solution: specialist Ministers would never do so. But France was not prepared to accept the present proposals. He was not happy about President Bush's message: it represented an interference in Europe's internal affairs. One of the aims of the Treaty of Rome was to safeguard family farms. The number of farms in France had already fallen from 8 million to 3 million. If the present rate of decline continued, the number would come

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down to 700,000. That would create both an environmental problem and a human problem. Whole areas of France would be fallow. The Prime Minister said that subsidising agricultural production was not the way to deal with the problem. It should be handled through social policy.

President Mitterrand asked when the Prime Minister proposed to raise this issue at the European Council. The Prime Minister said she intended to bring it up right at the beginning. She would insist that the European Council make clear that the Community would table proposals within the next few days. Failure would be a signal to the world that Europe was protectionist. President Mitterrand interjected that of course the Community was protectionist: that was the point of it. The Prime Minister said that if the negotiations on agriculture failed, other countries would seek compensation from the Community through the GATT. President Mitterrand said that the Americans had already been given substantial benefits in the Community market, for instance for soya. But we were not yet at the point of failure, only in a certain amount of difficulty. He agreed that an early meeting of Ministers was desirable.

Political Union

The Prime Minister said that the fiasco over agriculture and the GATT was dismal proof of what happened when you gave up sovereignty over agriculture and trade. There was not much incentive to give up any more. She was horrified at some of the things proposed in the Foreign Ministers' paper on political union. The Commission seemed to be perpetually trying to extend its powers. Monsieur Delors' recent interview in which he had talked of the Commission as the Executive of Europe, the European Parliament as the Legislature, and the Council of Ministers as the Senate was proof positive of his ambitions. President Mitterrand ought to rein him in. President Mitterrand agreed that Monsieur Delors' statement was not at all wise. He did indeed tend to want excessive powers for the Commission: he would be the very first to say that. The Prime Minister complained that Commissioners went native when they got to Brussels. Except the British, observed President Mitterrand. Especially the British, retorted the Prime Minister: they bent over backwards not to be helpful to the British.

President Mitterrand said that the European Parliament was just as bad in wanting too much power. It was not a real Parliament, and few people had any idea what they were doing when they elected it. On these institutional matters, he very largely saw eye to eye with the Prime Minister: power must rest with the Council of Ministers.

Site of the Institutions

The Prime Minister said it seemed unlikely that there would

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be much progress at the present Council over the site of the Institutions. President Mitterrand said that France had been waiting a long time and was ready to wait longer.

Germany

The Prime Minister said that Germany's behaviour over the GATT negotiations was an example of the extent to which Germany would insist on having its way in the Community in future. Chancellor Kohl had said recently that all would be well while he was around, but he could not give any guarantees about Germany after that. President Mitterrand agreed that there were some disquieting tendencies. France had some bitter experiences in the past and had learned caution in dealing with Germany. The Prime Minister said that she continued to believe that the idea you could bind Germany into the Community and tie it down that way was wrong. If you insisted on a Community in which we all had to give up our national sovereignty, you would soon find that Germany was dominant. The only way to keep Germany in check was for the individual countries of Europe to preserve their nationhood and remain as identifiable units. A move towards a federal Europe would be going up a blind alley in history, just in the same way as the formation of the Soviet Union had been. President Mitterrand commented that the Soviet Union had been broken by economic failure and bureaucratic centralisation. The Prime Minister hazarded that Europe was going in the same direction, what with the IGC's, the Social Charter, and attempts to extend Community competence. President Mitterrand repeated that he shared the Prime Minister's worries on this last point. The Council must continue to exercise its authority in all respects. But on the other points, he wondered whether the Prime Minister was not just a little bit apocalyptic.

EMU

The Prime Minister took President Mitterrand through our proposals for economic and monetary union and explained their rationale. We understood the need for a currency which could be used anywhere in the Community, and this was why we had proposed a hard ecu. But we would never give up our sovereign right to issue our own currency. President Mitterrand said that was where France stood too: a common currency, not a single currency (Ed. that's what he said).

This led on to a number of impolite suggestions as to why countries like Belgium and Italy wanted a Federal Europe, none of them very flattering to the countries in question. One had the impression that President Mitterrand does not suffer from an excess of admiration for Belgians.

Turkey and the EC

The Prime Minister mentioned the importance of unblocking

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the Fourth Financial Protocol for Turkey, particularly in the light of Turkey's very helpful performance over the Gulf. We must find a way to get the Greeks to lift their reserve. President Mitterrand said sarcastically that the easy way would be to divert the money from the Protocol to Greece, or find some other way to buy out their opposition. He assumed the Prime Minister was not proposing Turkish membership of the European Community. The Prime Minister said she had in mind only a particularly close association, not full membership.

EBRD

The Prime Minister gave the President an account of her talk with Monsieur Attali. He seemed to be recruiting some excellent people to help him at the EBRD. We were planning a major launching ceremony in April to which she hoped the President would come. Monsieur Attali had mentioned his fears that the Commission wanted to establish a new financing facility for Eastern Europe, bypassing the EBRD. This would be a mistake. President Mitterrand said that he shared this view.

Enlargement of the Community

The Prime Minister said that we would quite soon have to turn our attention to enlargement of the Community. There were quite a number of countries who had either applied or expressed interest: Austria, Malta, Cyprus, Norway, even Sweden. President Mitterrand said that Turkey and Cyprus should only be offered association: it would not be a good idea to bring unsolved quarrels into the Community. We might end up with the Greek Cypriots only. Austria should be quite simple, although he did not entirely welcome the idea of another German-speaking member. The same applied to Norway and Sweden. We should concentrate on those countries which were culturally and historically part of Europe. Eastern Europe was a different world. Nationalism was breaking out all over. He would lay a bet that the Silesia/Pomerania/East Prussia problem would rear its head very soon. The Teutonic knights would ride again. If the Ukraine left the Soviet Union, we should be in very hot water indeed. We must be sure that the Soviet Union did not crumble too much.

Soviet Union

The Prime Minister said she believed nonetheless that the Ukraine would separate from the Soviet Union. President Mitterrand commented that this would be dramatic. But the Prime Minister might well be right. Gorbachev had lost too much time, both on economic reform and in trying to devise a new relationship between the states and the centre.

President Mitterrand said that Gorbachev would be in Paris on 28 October and the two of them would sign a Treaty. The

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Russians had been angling for a text similar to that which they had signed with Germany, but he had not been prepared to go that far, particularly on the military and security aspects.

The Gulf

The Prime Minister gave an account of her meeting with Mr. Primakov. His views seemed very different to those of Shevardnadze, and one got the impression that a bit of a power struggle was going on. President Mitterrand said that Primakov had not told us anything we did not know. It was true there was much controversy in Moscow about the Gulf policy. A motion to send a Soviet military contingent to the Gulf had been voted down by a two-thirds majority in the Supreme Soviet.

President Mitterrand continued that the choice of war or peace in the Gulf was becoming increasingly acute. War was not desirable, and the embargo was a good policy. Unfortunately it had not achieved as much as we had hoped. The Prime Minister said we had to remain absolutely firm on the essentials. Iraq must draw completely from all of Kuwait, and the legitimate Government must be restored. We should insist that Iraq pay compensation for the damage wreaked on Kuwait. We would also have to deal with Iraq's CW, BW and nuclear capacity. If we failed to do so, we would all be back confronting the same problem within a very short time. Above all, we must not let Saddam Hussein gain anything from his aggression, or suggest that there was any link with the Arab/Israel problem. President Mitterrand doubted these objectives could be achieved without war. The Prime Minister said that it was certainly the case that we could not wait too long before resorting to military action if Saddam Hussein continued to defy the United Nations. President Mitterrand said that if war was to break out, it must be this autumn or winter. The Prime Minister said the only thing which would avoid war was to create the absolute certainty in Saddam Hussein's mind that we would use our military might. President Mitterrand agreed. Saddam Hussein was not a rational thinker, but he had some degree of reason. He knew that war would be the end of him and his army. He would have lost his gamble. He was not yet convinced of this, but reality was beginning to seep through. In the last ten days or so there was evidence that he was at least beginning to ask a few questions. The Prime Minister said she could not see a dictator like Saddam Hussein withdrawing totally.

Defence Cooperation

The Prime Minister said she was encouraged by the progress being made in Anglo-French defence cooperation. There had been a good meeting between the Defence Secretary and his French colleague. President Mitterrand commented that we were moving towards forms of armament which gave more scope for practical cooperation between Britain and France. The Prime Minister

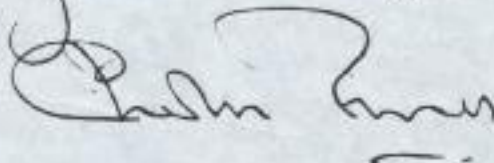
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said she understood the President's meaning exactly. She welcomed the trend of the discussions.

I am sending copies of this letter to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), and Sir Robin Butler (Cabinet Office). I am also sending excerpts on the GATT to Andy Lebrecht (Ministry of Agriculture, Fisheries and Food) and Martin Stanley (Department of Trade and Industry).

Yours sincerely,


C.D. POWELL

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