

P.R.

SUBJECT

CONFIDENTIAL

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND PRESIDENT MITTERRAND
AT THE FRENCH RESIDENCE, LUXEMBOURG ON TUESDAY 30 JUNE 1981 AT 0900.

President Mitterrand said that he was delighted to receive the Prime Minister. This first meeting was an important occasion at the start of what he hoped would be a long and fruitful period of discussion and debate between the French and British Governments.

The Prime Minister said that she too was pleased to meet President Mitterrand and to have the opportunity to discuss issues of direct interest to France and Britain bilaterally and as members of the European Council. She had hoped that the two questions of fish and sheepmeat would have been settled before the French Presidential Elections. Solutions were urgent. She recognised the need for French fishermen to make a satisfactory living. Fish was an important part of the economy in certain regions of Britain. As for sheepmeat, there were one or two points to be settled. Once these two issues had been resolved, there would be no major points outstanding between France and Britain within the Community. The Prime Minister wished to avoid any irritants in the bilateral relationship. President Mitterrand nodded in assent.

The Prime Minister, moving on to the economy, said that she would be happy if the United Kingdom had only a three per cent deficit like France. The British Government had consequently less room for manoeuvre. She thought that financial policy in recent years in France had been orthodox. She took a great interest in the economic situation in France and admired the development of France's strong industrial base.

President Mitterrand said that he had been familiar with the issues of fish and sheepmeat when he was in opposition. They aroused considerable feelings in France - sometimes excessively, to the extent of demonstrations and protests. But this did not prevent his wanting to reach agreement. He understood the UK's concerns and would not be ungenerous regarding British interests. It was up to the Ministers of Foreign Affairs to prepare the two questions clearly, setting out as necessary the differing French and British view-points. Once the questions had been adequately prepared it would be possible to consider them again between Heads of Government.

CONFIDENTIAL

/The Prime Minister

CONFIDENTIAL

- 2 -

The Prime Minister agreed that these were difficult issues. However, equitable solutions were necessary. The same was true of budget restructuring. She expressed concern about the position of Germany. The European Community had been instrumental in putting an end to the risk of hostilities between the FRG and other European countries, but she was conscious that because of the FRG's common frontier with a Communist country the FRG tended to hold views different from her neighbours. Any friction within the EC involving Germany could be serious for the EC as a whole. The FRG could not continue to be by far the largest contributor to the EC budget. It was necessary to press on with restructuring and to achieve a solution which would hold for a long time to come. President Mitterrand said that he was fully prepared to discuss the budget issue on this basis.

President Mitterrand went on to say that he believed that the FRG was entering a period of instability. The Prime Minister agreed, adding that the Germans were lucky to have Herr Schmidt as Chancellor, given his unique position both inside and outside the country. President Mitterrand nodded in assent. The Prime Minister commented that the discussion over dinner on 29 June on TNF modernisation has closely reflected discussion at a previous European Council. NATO was in some ways a fragile Alliance. President Mitterrand agreed. The Alliance was full of contradictions. France was not a member of the integrated military structure, but he had consistently drawn attention in public to the need to reinforce the Alliance as a whole. He was concerned by the need to combat the spread of neutralism which was progressing in the FRG and other countries of Northern Europe. He was not sure precisely how to act. He understood Chancellor Schmidt's position in the face of a shift of public opinion. It was necessary to find the furthest point to which it was politically possible for those in Western Europe who were standing up to the Soviet Union to go. He had agreed basically with the arguments the Prime Minister had used over dinner. The West should have adequate military forces. But what he could not say in front of the Ten was what he feared that Chancellor Schmidt might not last for longer than a few months unless TNF negotiations could be started. He admired Chancellor Schmidt as one of the rare Germans he knew who had the courage to stand up to the Soviet Union. The Prime Minister said that she was as anxious as Chancellor Schmidt to begin TNF negotiations since otherwise she feared that certain member states of the Alliance would back-track on the

CONFIDENTIAL

/December 1979

CONFIDENTIAL

- 3 -

December 1979 decision. That could have a damaging effect on US/European relations, since the US was the final guarantor of Europe's freedom. She was concerned about anti-US feeling in Europe, and feared that this could lead to some quarters in America questioning the stationing of US troops in Europe.

President Mitterrand agreed. When he had met Dr. Kissinger on a visit to Washington, the latter had said that the US were not obliged to defend Europe. President Mitterrand had replied that of course the US were not obliged to, but she was the most powerful country in the world and could not behave like Switzerland. He thought however that Dr. Kissinger did not believe what he had said. Nonetheless, President Mitterrand had been pleased that one of President Reagan's first statements on assuming office had been to reassure public opinion in Europe by saying that the US were fully committed to the defence of Europe. He agreed that if the Dutch and Belgians withdrew from the TNF decision, there would be a major crisis in US/European relations.

President Mitterrand went on to say that he thought there would be a difficult period in international relations when President Brezhnev left the stage. He was a man of compromise and had managed to achieve a degree of internal balance between the militarists (who had been taking refuge in the Party) and what he might call the liberals. President Brezhnev's potential successors were already jockeying for power. He feared that for reasons of personal prestige they would try to out-bid each other - for example over armaments, which would increase the risk of conflict. He believed that the next six months would be important in terms of the global balance of forces. After that he feared that the arms race would intensify. He repeated that he endorsed what the Prime Minister had said over dinner. A balance of forces between the East and West was necessary, on the condition that the FRG's capacity to follow such a policy was not over-stretched. The Prime Minister added that the Russians might divert attention from their internal problems to a crisis area abroad. Conflict in Europe was unlikely but she could envisage it elsewhere. She was somewhat alarmed at the prospect of having to spend more on defence. The UK was already spending 5.2 per cent of her GDP on defence and was committed to a 3 per cent increase in real terms each year. The Prime Minister explained the approach adopted during the Defence

CONFIDENTIAL

/Programme Review,

CONFIDENTIAL

- 4 -

Programme Review, which would achieve a better distribution of UK forces in order to defend the home base, to maintain the UK's commitment to the Alliance and to be able to deploy forces overseas. (President Mitterrand nodded at the last point). Britain's armed forces would now be better integrated. President Mitterrand recalled being in London at a time of a major blitz in January/February 1944. He had come to know then the British spirit. France could not possess today a very wide range of nuclear and conventional forces. Some choices were necessary. But she would not give up her conventional capacity and was keeping troops in Africa. He had already used French troops successfully to separate the combattants in the Gabon/Cameroon dispute. His Government would nonetheless place the main emphasis on nuclear forces as the only means of ensuring adequate defences for France. If new SLBMs were necessary, he would order them.

Moving on to the Middle East, President Mitterrand said that the Lebanon caused great concern in France. On Arab/Israel, he was more reserved than most of the Ten on the right way to criticise Israel. Naturally he condemned Mr. Begin's actions, but it was becoming the fashion in Western Europe always to say the Arabs were right. Personally he approved of the Camp David agreements. It was a satisfactory process. He was thus taking a somewhat different line from the Venice Declaration. The Prime Minister agreed that the Arabs were certainly not always right. The Venice declaration had been a fair and equitable document. She had always argued that Israel could not demand peace and secure frontiers for herself while ignoring similar legitimate demands from the Palestinians. The British Government had never met the PLO at Ministerial level though officials had done so. There were problems in dealing with an organisation that had fostered terror. She had striven at Venice to ensure that the PLO were not involved directly in negotiations, but simply associated.

The Prime Minister went on to say that Mr. Begin was a most difficult man to deal with because of his lack of reason or sense of fairness. She did not conceal that she hoped that Mr. Peres would win the elections in Israel since he knew the Palestinian mind better and might be more willing to reach a permanent settlement. She wondered whether it might be possible to find Palestinian representatives other than PLO, not linked with terrorism.

/President Mitterrand

CONFIDENTIAL

CONFIDENTIAL

- 5 -

President Mitterrand said that he had always thought he would have liked to meet an Old Testament prophet, but when he saw Mr. Begin he realised how difficult they must have been to deal with. He wanted to make his position clear. He fully supported the Israelis' right to exist. But he had consistently said that he could not understand why Israeli leaders did not recognise the Palestinians' right to a homeland where they could construct a State. To the Arabs he had preached recognition of Israel's right to exist. He thought the position had been evolving in Israel until Mr. Begin came to power. He recalled that he had received the Arab mayors who had suffered from Israeli persecution. He had personally met Arafat in Cairo and was in contact with the PLO representatives in France. But as President he would not receive Arafat if he came to France, though he would of course be entitled to visit France freely.

President Mitterrand said that if there was a difference between Britain and France over the Middle East it was not on the substance of the problem but simply on method. He did not believe in the phrase "overall settlement". This was not a reasonable approach. Arab countries such as Syria, Iraq, Jordan and Egypt (and the PLO) would never agree on a status for Israel through a global approach and Israel would not agree to negotiate on that basis. The only way forward was by small steps, starting now with Saudi Arabia and Jordan, and leaving aside Syria for the time being because she was too close to the Soviet Union. On a possible statement by the European Council he said that he would as a last resort go along with it, but would have preferred one not to be issued because the idea of an overall settlement was banal and meaningless.

The Prime Minister then referred to the statement made by M. Ortoli at the European Council. Each country in the EC had a problem of unemployment and must try to alleviate it in the context of its own economy. The causes of inflation in France were different from those in the UK. Emphasis had to be placed in the UK on achieving competitiveness in order to create more jobs. Pay was in a direct relationship with productivity. The Prime Minister pointed to the contradiction of those who argued on the one hand in favour of protectionism and on the other hand of greater help to the developing world in the North/South context. Britain's position had been made more difficult by the demographic pattern by which there

CONFIDENTIAL /were many

CONFIDENTIAL

- 6 -

were many school-leavers joining the labour force while comparatively few workers were retiring. Even without the world recession many jobs would have had to be created in the UK. This was the reasonable way in which to discuss the problem of unemployment. President Mitterrand, having asked what the level of inflation was in the UK, said that 11.7 per cent showed that the UK had made great progress.

Finally, President Mitterrand said that he had not forgotten about the issues of sheepmeat and fish which the Prime Minister had raised at the beginning of the meeting. The Prime Minister said that she hoped it would be possible to hold a bilateral summit in September. President Mitterrand said that he thought this was quite possible. He was delighted to be attending the wedding of the Prince of Wales and would see the Prime Minister then. He would also be willing to hold another meeting in the margins of the Ottawa Summit. A summit would be best after the summer. He mentioned the end of September as a possibility. (The dates of 10/11 September were not mentioned). He did not like to hold talks that got nowhere. He would not expect problems to be settled at a Summit, but it would be important for a meeting to make progress.

The meeting ended at 1000.

30 June 1981

CONFIDENTIAL