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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 March 1987

Dear Tony,

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND:
ARMS CONTROL, EAST/WEST RELATIONS AND DEFENCE
CO-OPERATION

The Prime Minister had talks with President Mitterrand at the Chateau de Bénouville in Normandy today, in preparation for her visit to Moscow. M. Attali was also present on the French side.

President Mitterrand began by recalling his very useful talk with the Prime Minister in London following the Reykjavik Summit. It was a good moment to continue their discussion ahead of the Prime Minister's visit to Moscow. They might concentrate in particular on the consequences of an INF agreement. They should also cover Anglo-French defence co-operation. He noted that the Prime Minister would be travelling on later in the day to see Chancellor Kohl. It was very important for Britain, France and the Federal Republic of Germany to stay in the closest possible contact on the issues of defence and East/West relations. While there were difficulties in the three meeting together, consecutive bilaterals were more manageable.

The Prime Minister agreed that their earlier talk after Reykjavik had been very useful. They had got their analysis of the Reykjavik meeting right and had set a course for the future. They now needed to look carefully at the prospects for arms control. Both were aware of the dangers of being drawn along too far by the apparently attractive offer made by Mr Gorbachev on INF. There were risks in negotiating such an agreement in isolation. There was no doubt that Mr Gorbachev wanted to tempt Europe down a path towards de-nuclearisation, including getting rid of the British and French deterrents. This must be resisted firmly. The Europeans needed to sort out their position on negotiations on shorter-range systems before the US/Soviet negotiations on INF advanced too far. Questions of nuclear strategy and defence would clearly figure largely in her talks with Mr Gorbachev. She did not have any high expectations from

visit. She would not of course be going to Moscow to negotiate. But she would certainly make clear what the United Kingdom was not prepared to accept. She would also convey the message that negotiations on one category of armaments inevitably had consequences for the balance in other areas. The overall balance must be maintained at all times. She would also try to get over to Mr Gorbachev that prospects for arms control would also depend on increased trust and confidence in East/West relations, which would in turn require changes in the Soviet Union's internal policies as well as its behaviour internationally. We would not be satisfied with speeches. Rather we would need to see such changes reflected in actions. Personally she was sceptical whether Mr Gorbachev wanted fundamental change; or whether internal change would have any significant effect on the Soviet Union's external policies.

President Mitterrand said that the immediate question facing France and United Kingdom was whether to accept a Soviet/American agreement leading to zero LRINF in Europe. He saw all the traps in this. But nonetheless his answer was yes, even though French opinion was troubled and the French Government rather more reserved than he was. But there must of course be conditions to such an agreement. There must be strict verification. The Americans always claimed to know everything that was going on in the Soviet Union. General Walters constantly produced photographs to prove the point. But he was sceptical. And there must be a clear link with restraints on shorter range systems. This second point must be covered either in the treaty itself or in a parallel commitment to follow-on negotiations. It must be a strong link.

At the same time, there were problems in negotiations to reduce SRINF, as the Prime Minister had pointed out. Personally, he had never thought that shorter range systems were of much practical use. He did not see how such weapons could be used on German territory. Could France really be expected to launch a short range nuclear weapon in response to a Soviet invasion of Lubeck? France could not afford to go through several stages of nuclear war. In his reasoning, if deterrence failed and the Soviet Union advanced with conventional forces into Western Europe, the only option would be to go to an all out nuclear strike. Even then, the only circumstances in which he was committed to use nuclear weapons was if France was directly threatened. He could not say in advance that he would use them if Germany was directly threatened, although equally he would not say that he would not do so. But the point to get across to Mr Gorbachev was that in practice all Soviet strategic weapons were capable of striking Western Europe; and that if Europe were asked to give up its nuclear weapons, then the Soviet Union must logically give up all of theirs too. Since this was obviously not feasible, we should make clear from the outset that the de-nuclearisation of Europe was simply not on the agenda.

The Prime Minister said that she understood President Mitterrand's argument. Nonetheless she thought that shorter range systems did have a deterrent effect. Her fear was that, after the conclusion of an LRINF agreement, Mr Gorbachev would propose a zero option for shorter range systems in Europe. That would leave the Soviet Union with an enormous advantage in conventional weapons and increase the temptation for them to start a conventional war, facing the West with the decision whether to retaliate with strategic nuclear weapons. We must not succumb to salami tactics where the Soviet Union progressively proposed the elimination of various categories of nuclear weapons. An INF agreement must contain a commitment to freeze longer-range Soviet SRINF with a right for the West to match them. We should also seek a commitment to follow-on negotiations on short range systems. But we had to think through very carefully what Western Europe's objective in such negotiations should be. In her view it should be to reduce the imbalance in the Soviet Union's favour in short range systems while avoiding the elimination of this category of weapons altogether. Another aspect which had to be discussed was how Europe could compensate for the removal of intermediate-range missiles.

President Mitterrand said that he very much agreed that conditions should be attached to an INF agreement which would not allow the Russians to circumvent it. This certainly meant a freeze on Soviet systems such as the SS22 and SS23. He also agreed that Europe needed to think through its objectives for the follow-on negotiations. His own approach was cautious. He wondered what forum would be best for such consideration. M. Chirac was keen on the WEU but he was not so enthusiastic. The Prime Minister said that the smaller European countries did not see the problem in the same way as Britain, France and Germany. She would prefer discussions limited to those three countries in the first instance. Indeed in general she would like to see more consultation carried out in this restricted circle.

The Prime Minister continued that a clear link also had to be established between reductions in shorter range nuclear weapons and reductions in conventional forces. She was very sceptical whether it would ever be possible to get a satisfactory agreement on conventional force reductions. It would be too easy for the Soviet Union to withdraw forces, hold them as part of their reserves in the western Soviet Union and then reinforce their front-line units in time of crisis. President Mitterrand commented that he had recently discussed this with Helmut Schmidt. He was now arguing that Soviet conventional superiority was not as great as supposed and that if the West Europeans made a sufficient effort the Soviet threat could be contained by conventional means. The Prime Minister said that this was a very dubious proposition and failed to take account of Soviet preponderance in chemical weapons.

President Mitterrand said that consideration of all these issues needed to be taken further in depth over the next few weeks. He agreed with the Prime Minister that this

should be done between Britain, France and Germany.

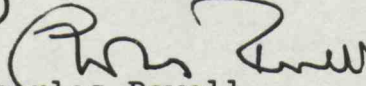
Changes in the Soviet Union

The Prime Minister sought President Mitterrand's views on the prospects for change in the Soviet Union. President Mitterrand said that Mr Gorbachev clearly wanted to raise living standards and could only achieve this if he could reduce excessive expenditure on armaments. Gorbachev was searching for reforms which would make the Soviet economy more efficient, while still preserving the Leninist system. He doubted whether the two aims were compatible. He believed that Mr Gorbachev was prepared to take risks in order to achieve results. He also thought that internal change in the Soviet Union would be matched by changes in Soviet foreign policy. This was likely to be manifested particularly over Afghanistan and in the Middle East. There was no point in speculating whether Gorbachev would survive. We had no option but to deal with him.

Anglo-French Defence Co-operation

President Mitterrand observed that there had been very useful discussions between Mr Younger and M. Giraud. He wished to draw the Prime Minister's attention to one particular point and that was French plans to develop an air-launched tactical nuclear missile with a range of 200 kilometres. There might be scope for Britain and France to co-operate in the production of such a missile. He would also like to see broader exchanges, both at command and at industry level, on nuclear and other defence procurement matters. He fully understood that the United Kingdom had certain obligations to the United States in this area. We could be assured that France would not in any way seek to undermine them. The Prime Minister said that she would discuss the particular matter of the air-launched missile with the Defence Secretary on her return. Her initial view was sceptical. Aircraft were easily detectable by radar and the system would therefore be vulnerable.

I am copying this letter to John Howe (Ministry of Defence) and to Trevor Woolley (Cabinet Office).

Yours sincerely,

Charles Powell

A.C. Galsworthy, Esq., CMG.,
Foreign and Commonwealth Office.



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From the Private Secretary

23 March 1987

Dear Tony,

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND:
EUROPEAN COMMUNITY

At their meeting in the Chateau de Bénouville today the Prime Minister and President Mitterrand had a brief exchange on European Community issues.

The Prime Minister said that she was dissatisfied with the Commission's proposals on the future financing of the Community. There should be no question of additional funds until proper financial discipline was introduced and the CAP brought under control. She accepted the importance of a strong rural society, but the Community could not go on fixing prices at levels calculated to ensure the survival of the least efficient farmers. If necessary subsidies should be found from national social budgets. We also needed to reform the agri-monetary system, which at present acted to drag prices up to German levels.

President Mitterrand agreed that the present system could not go on. But France's partners had to understand that food was France's basic industry and French society was dominated by the rural approach. He himself was relatively moderate on these issues. He supported reform of the CAP. He understood that the Community could not go on pouring money into a bottomless pit. Nonetheless something would have to be done for the poorer Mediterranean countries. Some new money would be needed. The Prime Minister said that giving new money was only a palliative which deterred people from tackling the fundamentals.

I am copying this letter to Alex Allan (HM Treasury), Shirley Stagg (Ministry of Agriculture, Fisheries and Food) and Trevor Woolley (Cabinet Office).

Yours sincerely,

Charles Powell

A.C. Galsworthy, Esq., CMG.,
Foreign and Commonwealth Office.



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From the Private Secretary

23 March 1987

Dear Tony,

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND:
OTHER ISSUES

At their meeting at the Chateau de Bénouville today the Prime Minister and President Mitterrand discussed a number of other foreign policy issues in addition to those covered in my separate letter reporting their talks on arms control, East/West relations and defence co-operation.

Middle East

President Mitterrand commented that he supported a Middle East peace conference although he did not expect much to come from it. The American objection that such a conference would bring the Russians back into the Middle East was not serious. The Russians had never been absent from the area. The Prime Minister said that the United Kingdom also supported an international conference as a means to secure direct negotiations between the parties. It was clear that King Hussein needed an international framework for such negotiations. But the Soviet Union would have to be prepared to restore diplomatic relations with Israel and take action on Jewish emigration. President Mitterrand speculated that the Soviet Union might be holding back concessions on this latter point as leverage to secure a Conference and their own participation in it.

United States

The Prime Minister and President Mitterrand had some discussion of the political situation in the United States. The Prime Minister said that Europe must avoid anything which would encourage a trend to isolationism. President Mitterrand was worried about what would happen after President Reagan's term. He had a low opinion of the Presidential candidates who had so far emerged

Chad

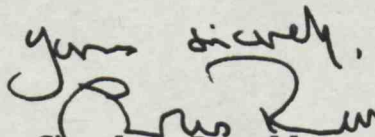
President Mitterrand said that Hassan Habré appeared to be winning a very important battle in Chad. His forces had

captured Wadi Dum. This was the base for all Libyan aircraft and munitions in Chad. The Libyans had lost some 2,000 killed over the last few months. Faya-Largeau was now the only remaining Libyan stronghold. The Prime Minister said that, if confirmed this would be welcome news and might be the beginning of the end for Qadhafi.

Lebanon

The Prime Minister asked whether there was more news of French hostages in the Lebanon. Britain and France were agreed on the need to stand firm against concessions to those who took hostages. President Mitterrand confirmed that France could not accept the conditions being demanded by the kidnappers and would not make any concession of substance, although contacts were going on through a number of intermediaries. The Prime Minister said that the Syrians were clearly torn over whether to move against the Hizbollah in the southern suburbs of Beirut. Such a move would put the hostages at risk. President Mitterrand said that his information was that Syria would feel compelled to make such a move, to offset Iranian influence. It would be a very delicate operation.

I am copying this letter to John Howe (Ministry of Defence) and Trevor Woolley (Cabinet Office).

Yours sincerely,

Charles Powell

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