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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 April 1987

**PRIME MINISTER'S MEETING WITH M. CHIRAC:
ARMS CONTROL AND WEU**

There is an omission towards the bottom of the second page of my letter of 26 April reporting the Prime Minister's talk with Chirac on Arms Control and WEU. The penultimate sentence on that page should read:

"The single most important objective was to retain the presence of United States' forces in Europe."

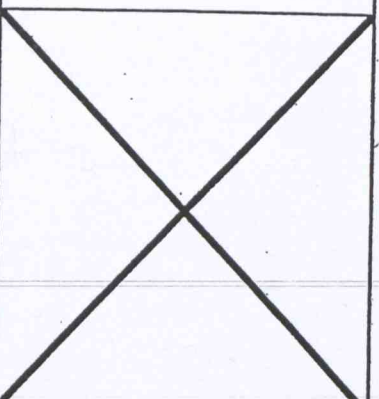
I am copying this letter to John Howe (Ministry of Defence) and Trevor Woolley (Cabinet Office).

(C.D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

JB

The National Archives

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SECRET



10 DOWNING STREET
LONDON SW1A 2AA

File 8.
a in P.C.
SUBJECT:
cc. MASTER

From the Private Secretary

26 April 1987

Dear Lynn,

PRIME MINISTER'S MEETING WITH M. CHIRAC:
ARMS CONTROL AND WEU

Much of the Prime Minister's meeting with M. Chirac at Chequers today was taken up with discussion of arms control issues and WEU. I am writing separately about Anglo/French defence and nuclear cooperation and about other issues.

Prime Minister's Visit to Moscow

The Prime Minister gave M. Chirac a full account of her visit to Moscow. M. Chirac extended his congratulations on what he described as a truly extraordinary visit, which had been very well received by European opinion. The success of the Prime Minister's visit had benefited everyone in Europe.

M. Chirac made no reference to his own forthcoming visit.

Arms Control

The Prime Minister said that it was urgent for NATO to reach an agreed position on the recent Soviet proposals on the handling of shorter-range nuclear weapons in an INF agreement. If we had a choice we would not be starting from the present position. It was a question of deciding not so much what we would like as what was realistic. The United Kingdom had not yet reached any firm conclusions. But personally she was tending to the view that we would have to accept a zero option down to and including the SS23, but should draw a firm line at that point and refuse any negotiations on systems of lesser ranges. We must not fall for Soviet salami tactics. Shorter-range nuclear weapons were a vital part of NATO's response to Soviet superiority in chemical and conventional forces. We would make clear our determination to modernise our short-range systems without any constraints on numbers. The dual capable aircraft would not be affected. Nor of course would the British and French nuclear deterrents. The German Pershing 1As should be treated as third country systems and retained. The Soviet Union appeared to accept this. At the same time, NATO should explore with the United States the possibility of having additional US nuclear forces dedicated to SACEUR. She emphasised that this was only a preliminary view. There had to be thorough discussion in the Alliance.

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In particular, Britain, France and Germany should work out a concerted approach. There were evidently difficulties within the German coalition about this further zero option for shorter-range INF.

M. Chirac said that he shared the Prime Minister's assessment. There was no way of avoiding a zero option for intermediate-range weapons, although it should if possible be global zero. He did not think that it was realistic to expect the Americans to design and deploy new missiles in the 500-1000km range. There remained the possibility of deploying some United States' Pershing I missiles to Europe or modifying Pershing II, but it would be very difficult to get the smaller Western European countries to accept deployment. Nonetheless he was concerned that a further zero option down to 500km (or thereabouts) would make it more difficult to prevent a slide towards the denuclearisation of Europe. He therefore agreed very much with the need to make sure that there would be no follow-on negotiations on shorter-range and short-range systems. He would be meeting Chancellor Kohl on 3 May and would discuss these issues with him.

The Prime Minister said that the Alliance would have to respond rapidly to Mr. Gorbachev's proposals. If Britain, France and Germany were in agreement, we could take the other Europeans with us. The most important points were to draw an absolutely clear line against subsequent negotiations on missiles below the range of the SS23: to stress our determination to modernise and improve our own systems below that range: and to urge the United States to consider the commitment of additional weapons outside the scope of the INF agreement to SACEUR. She understood the problems for the Germans and would be letting Chancellor Kohl have her views.

WEU

M. Chirac said that there were a number of strands to the Soviet strategy of neutralising Western Europe: salami tactics in arms control, weakening of the links between Europe and the United States, and creating divisions among the Europeans. The Europeans had to respond on each point, by finding common positions on arms control, by strengthening US/European ties and ensuring that the United States continued to maintain a nuclear presence in Europe, by explicit moves to reinforce European cooperation in the WEU, and by closer Anglo/French cooperation on nuclear weapons matters. His own proposals for a Charter of Principles to be adopted by WEU had been put forward in this context. He had established during his visit to Washington that it would be welcome to the Americans.

The Prime Minister said that she had no objection to the content of the Charter of Principles. Indeed what it had to say on the need for nuclear deterrence was very useful. WEU could have a useful role in influencing public opinion in Western Europe. But NATO was and must remain the sole decision-taking body. The single most important objective of ^{was to} United States forces in Europe. WEU must never appear as ^{retain} in any way hostile, provocative or antagonistic to the

non-European members of NATO or that overriding objective would be put at risk.

M. Chirac said that he wanted to dispel any misunderstanding. His proposal would not affect the principle that executive authority remained exclusively with NATO. He had no ambition to create a rival. His principal aim was to counter disarmament propaganda from the anti-nuclear lobby. A clear statement of European views would be a useful part of the West's response to the Soviet Union's recent proposals on shorter-range nuclear weapons. Indeed he hoped that there could be some sort of statement from the WEU Ministerial meeting in Luxembourg this week.

The Prime Minister said that she could agree to a communique from the forthcoming WEU meeting which referred to work on a Charter of Principles, provided that it was also absolutely specific on two points: the need for nuclear defence and the importance of retaining United States' nuclear weapons in Europe. She would see that our representatives were briefed to work for a communique on these lines. But she would rather have no communique than a weak one. M. Chirac said that he accepted the points made by the Prime Minister. It would be very useful to have a firm communique.

Conventional Arms Negotiations

The Prime Minister said that she regretted the differences which had arisen between France and other members of the Alliance over the best forum for negotiations on conventional arms reductions. They had the effect of making the West look weak and divided. A solution must be found very rapidly which allowed talks on arms reductions to be conducted between NATO and the Warsaw Pact, while discussion of confidence-building measures continued in the CSCE framework. There could be arrangements to keep the neutrals informed of progress in the arms reductions negotiations.

M. Chirac said the French position was based on experience: negotiations in the CSCE framework had achieved results, while the MBFR talks had got nowhere. The Prime Minister pointed out that this had nothing to do with the choice of forum but everything to do with the relative difficulty of the substance of the respective negotiations.

France and NATO

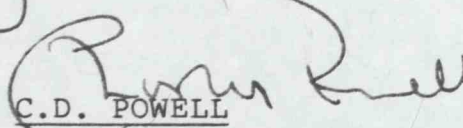
The Prime Minister said that she would like to put a very frank question to M. Chirac: was it conceivable that France would ever return to the integrated military structure of NATO? French withdrawal had always been regarded by France's friends as one of de Gaulle's mistakes. She wondered to what extent people in France realised that their security in practice depended on NATO, on the presence of US forces in Europe and the American nuclear commitment. France enjoyed these benefits without having to face up to politically awkward decisions such as the stationing of Cruise and Pershing. Yet it must be clear to them that it was the

determination of other European governments to station Cruise and Pershing which had brought the Russians to accept reductions in nuclear weapons.

M. Chirac said that no French government could agree to return to full membership of NATO. There was a consensus on defence and nuclear matters in France, which it would be madness to disturb. He hoped that the Prime Minister did not take the view that because France did not station American nuclear weapons, it had no right to contribute to Europe's position on arms control. France stationed her own nuclear weapons. He could assure her that he fully accepted the importance of the United States' contribution to Europe's defence and wanted to maintain it. The Prime Minister said that France's nuclear contribution was much appreciated. Nonetheless her detachment from NATO weakened Europe as a whole.

The Prime Minister thinks that it would be a mistake to let Chancellor Kohl hear even our preliminary views on SRINF from M. Chirac when they meet next Sunday, before we have had a chance to explain them directly ourselves. She would like either to send a message to Chancellor Kohl or for me to speak to Herr Teltschik. I should be grateful for advice, and for a draft message if you consider that the best means of communicating our thinking.

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

Yours sincerely,

C.D. POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



10 DOWNING STREET
LONDON SW1A 2AA

Filevc
cc Dr PC
SUBJECT
cc MASTER

From the Private Secretary

26 April 1987

Dear Lynn,

PRIME MINISTER'S MEETING WITH M. CHIRAC
CHEQUERS, 26 APRIL 1987

The Prime Minister held a meeting with M. Chirac at Chequers today lasting somewhat over three and a half hours. M. Chirac was accompanied by his diplomatic adviser, M. Bujon, and by the French Ambassador. In the event, arms control and defence cooperation took up most of the time. I am recording that part of the discussion separately. There was also a brief discussion of CAP issues and of M. Chirac's visit to Washington. But none of the other European Community or bilateral issues on which briefing was provided, including the Channel Tunnel, were in the event raised.

The remainder of this letter deals with M. Chirac's account of his visit to Washington and with CAP issues.

M. Chirac's visit to Washington

M. Chirac said that he had found President Reagan in excellent shape both physically and psychologically, indeed far better than he had expected. It was clear that he now had a very strong team at the White House. He saw no risk that the President would press for an arms control agreement for domestic political reasons without heed for the views of the Allies. There was, however, still some risk that the Tower Commission and the various Congressional investigations would come up with further revelations on American arms sales to Iran and related activities which could change the picture.

M. Chirac continued that he had raised three main issues in Washington: aid to the Third World, protectionism and arms control. On aid and development, he had found President Reagan surprisingly open-minded and disposed to accept the argument that the West should be taking an initiative to counteract the increasing poverty of many Third World countries. Part of the purpose would be to offset in part the impact which Mr. Gorbachev's new approach was having in the Third World. He had also discussed this in some detail with Vice President Bush and Secretary Shultz and found them generally well disposed. M. Chirac did not elaborate further about the content of the proposed initiative.

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On protectionism, he had been struck by the pressure from Congress for protectionist legislation. He was not sure how far the President and the Administration would succeed in holding out against it. He believed, however, that anything which strengthened Europe's solidarity against protectionist measures would be considered helpful by the President and as reinforcing the Administration's effort to oppose protectionism. The firm European reaction on civil aircraft was a case in point.

On arms control, much of his discussion had been overtaken by Secretary Shultz's subsequent visit to Moscow. But he had gained the impression that the United States would not take initiatives affecting Europe's security without proper consultation.

The Prime Minister said that she had been grateful to M. Chirac for his message about his visit and was delighted that he had found the President in such good form. She doubted whether the press would allow arms sales to Iran to die away completely. She expressed concern about trends in the United States economy and agreed with M. Chirac about the risk of protectionism. She doubted that the President was any longer in a position to veto moves by Congress in this direction.

European Community Issues

M. Chirac was worried about lack of progress in the Community's agricultural price fixing discussions. It was important not to allow the problem simply to be referred to the European Council. He believed that in general the UK and France saw matters in very much the same way. The problem lay with the Federal Republic of Germany, in particular over the dismantling of positive monetary compensatory amounts. This was a highly sensitive issue for France in political terms. French farmers were increasingly irritated by the continuation of positive mcas which was in direct contradiction to commitments which Germany had accepted. He would be very grateful if the Prime Minister could use her influence with Chancellor Kohl to persuade the Germans to take a step in the right direction.

The Prime Minister agreed that the Germans were an obstacle to reform of the CAP and to a satisfactory price fixing. She shared M. Chirac's view that the agriculture price package should be settled before the European Council. She would do what she could to help persuade the Germans to negotiate seriously on mcas. The agri-monetary system needed to be reformed to break the current link with the strongest currency. The United Kingdom would also be seeking a devaluation of the green pound in the context of the price fixing since our green rates were now badly out of line. It would need to be larger than that accorded to France and Ireland and must take account of the problems which our beef producers were facing in relation to Ireland. However, we would oppose the oils and fats tax proposed by the Commission very firmly.

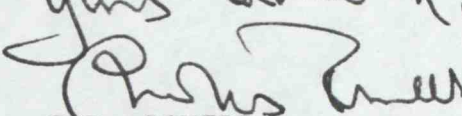
M. Chirac said that there were three separate problems. First, cereals prices which were a high priority for the United Kingdom. France was ready to come very much closer to the UK position. To his regret it would probably not be possible to achieve a reduction of the ecu price because of German opposition. But we could rely on French support on this issue. The second was monetary compensatory amounts. He understood the problem of the green pound and would cooperate in seeking a solution which both France and the United Kingdom could accept. His priority was to eliminate Germany's positive mcas. Only Chancellor Kohl could take the necessary decision on this. The German Agriculture Minister was firmly opposed and would not be moved. The third issue was the oils and fats tax. He believed there was genuine misunderstanding in this area, particularly in the United States. Unless some action was taken on this there would be very serious consequences for the Community Budget. There was no reason why Community taxpayers should meet the cost of surplus olive oil production; and no chance, because of the opposition of the southern Member States, that the producers could be made to pay. The only practical solution was to make the consumers meet the cost. The effect on the United States had been exaggerated. The Americans were much more interested in export of seeds than oils.

The Prime Minister said that she wished to leave M. Chirac in no doubt that we could not and would not accept an oils and fats tax. It would put up costs to consumers to an unacceptable degree. It would hit the exports of Third World countries whom M. Chirac professed to wish to help. And all our information was that it would arouse a very strong reaction from the United States. It was their products which would be affected. The right way to deal with the increasing costs in the oils sector was to introduce effective guarantee thresholds as envisaged in the Spanish Accession Treaty.

M. Chirac suggested that there should be further informal discussions between the two Governments on this issue. The Prime Minister said that she would be happy to consider any further proposals which M. Chirac wished to let her have. But she thought that she had made her views absolutely clear on the main issues.

M. Chirac had to leave before there was a chance to move on to any other European Community issues.

I am copying this letter to Alex Allan (HM Treasury), Shirley Stagg (MAFF), Tim Walker (Department of Trade and Industry), and Trevor Woolley (Cabinet Office).

Yours sincerely,

C.D. POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

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Page 1 of 2 pages

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10 DOWNING STREET
LONDON SW1A 2AA

(w 2nd carbon)

26 April 1987

From the Private Secretary

SUBJECT:
cc MASTER.

Dear John,

PRIME MINISTER'S MEETING WITH M. CHIRAC, CHEQUERS
26 APRIL 1987: DEFENCE AND NUCLEAR MATTERS

The Prime Minister and M. Chirac dealt briefly with defence and nuclear cooperation during their talk at Chequers today. The subject was introduced by M. Chirac in the course of discussion of Europe's response to the recent Soviet proposals on arms control. M. Chirac suggested that one aspect of that response should be the strengthening of United Kingdom/French defence cooperation. For example, France had developed a short-range air-to-ground nuclear missile (ASMP) with a range of 250km. It would be an excellent idea were the United Kingdom to acquire the missile for its Tornado aircraft. There might also be discussions with the Germans who might equip their Tornados with the ASMP under a dual-key system. This would be a convincing way of demonstrating Europe's determination to continue to maintain adequate nuclear defences.

The Prime Minister said that the modernisation of the United Kingdom nuclear forces was going ahead based on Trident. Generally she had good reports of increasing Anglo/French cooperation on military and nuclear matters. She understood that there had been some discussion between Mr. Younger and the French Defence Minister about the ASMP missile, in which we had made clear that its range was too limited to be of use to us, although we would like to be kept in touch with any plans to develop a longer range version. M. Chirac said that a second generation version would not be available for at least eight years. He wanted a practical example of Anglo/French nuclear cooperation now. As he understood it, the United Kingdom had no similar weapon and the ASMP was probably a considerable improvement on anything currently available to us. He hoped that the Prime Minister would reflect further with a view to accepting the French proposal, while also agreeing to a joint study of the next generation missiles. The Prime Minister said that the position was as she had described it although she would check with Mr. Younger. M. Chirac said that he hoped the matter would be considered from a political point of view and that

Thought would be given to the possibility of involving the Germans. He would be mentioning the matter to Chancellor Kohl.

M. Chirac added, in an aside, that France was working with the United States on the development of STEALTH technology, although the US was not getting very far and was unlikely to produce anything for the next 10 or 12 years.

I am copying this letter to Lyn Parker (Foreign and Commonwealth Office) and Trevor Woolley (Cabinet Office).

*Yours sincerely,
Chris Powell*

C.D. POWELL

John Howe, Esq.,
Ministry of Defence.