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PRIME MINISTER

MEETINGS WITH PRESIDENT MITTERRAND AND
CHANCELLOR KOHL, MONDAY 23 MARCH 1987

You are to meet President Mitterrand and Chancellor Kohl in the course of Monday. Your programme is attached.

There is considerable interest in your meetings. Kohl has welcomed them as introducing a new dimension to consultation of Europe. We envisage that you will see the press briefly at the end of each meeting in company with Mitterrand and Kohl respectively. I think that you should make clear that you are also consulting President Reagan, so that there is no impression that the Americans are somehow being left out.

The visits are to a large degree demonstrative. The fact of making them before you go to Moscow is as important as what you say. But they will undoubtedly allow you to speak with an even greater authority in Moscow and will increase Gorbachev's interest in what you have to say.

Some detailed briefs are in the attached folder. I have included the Steering Brief and the Arms Control Brief for your Moscow visit.

Allowing for interpretation you will have only just over an hour with Mitterrand and Kohl. Inevitably most of the discussion will be taken up with your Moscow visit. You will want to make clear that you are not going to Moscow with great expectations. Your main purpose is to convince Gorbachev of the continued firmness of purpose and unity of the NATO Alliance. We do not take Soviet declarations at face value. And shall not weaken our defences simply because of a few interesting speeches. You will want to drive home that

Gorbachev is not going to be able to divide Europe from the United States. At the same time you will want to make your own first-hand assessment of Gorbachev's intentions and prospects of succeeding in his plans for reform. You will want to show that arms control is not the only issue in East/West relations, important though it is. You intend to cover the whole gamut of issues: regional problems, human rights, bilateral issues as well as having a broader and more philosophical discussion of the future relations between our competing systems.

On arms control, you will be making clear to Gorbachev your view that the defence of the West will continue to rely for as far ahead as you can see on the deterrent effect of nuclear weapons. You will base yourself on the three priorities established at Camp David and explore with Gorbachev how progress can be made on each of them. On INF you will place particular stress on strict verification and on the need to constrain the Soviet advantage in shorter-range systems (this point is shared by Mitterrand and Kohl). At the same time you will want to point out to both Mitterrand and Kohl the dangers of being drawn down a path towards a de-nuclearised Europe. The West must act quickly to formulate a position for follow-on negotiations on shorter-range systems and decide what substitute the Alliance needs for the deterrent and striking power of the Cruise and Pershing. We shall need to have a common position on this by the time of the NATO Defence Ministers' meeting in May.

On the complex of space issues, you will want to explain to Mitterrand and Kohl your ideas for a commitment by both sides not to deploy a strategic defence system for a fixed number of years, and then only after negotiations; and to set out publicly their timetable for research and testing to give the re-assurance of predictability. This should give both sides sufficient confidence in the intentions of the other about strategic defence to allow them to negotiate reductions in strategic weapons. You will want to explain your

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scepticism about the likelihood of progress in negotiations to reduce conventional weapons. But you will also want to make the point that there must be a clear linkage established between follow-on negotiations on shorter-range nuclear missiles and conventional force reductions.

Both Mitterrand and Kohl may raise the proposal by M. Delors to convene a special European Council to discuss these issues of East/West relations. We think this is unnecessary. There is a European Council any way in June. What is needed is for Foreign Ministers to prepare thoroughly for discussion there.

The other subject which you ought to try to raise with both Mitterrand and Kohl is the review of Community finances. You will want to stress to them the importance of Britain, France and Germany working closely together to deal with Delors' impractical ideas. You will want to make clear in particular that we shall not be ready to reach agreements at the June European Council. We see discussion there as an opportunity to inject greater realism into the discussions.

There are one or two issues which may come up bilaterally. With Mitterrand you might refer to his speech at Chatham House in which he talked particularly of the prospects for defence co-operation between Britain and France. You could refer to the recent meeting between Mr. Younger and the French Defence Minister at which practical co-operation in a number of areas, including nuclear matters, was agreed. You may also wish to mention briefly the subject of hostages in Lebanon. As you know, there is a threat to execute one of the French hostages.

With Kohl it would be very helpful if you could raise the issue of David Williamson's candidature for the post of Secretary General of the Commission. We are now very close to the point of decision and the Germans are still running their own candidate (Mr. Krenzler). Your line might be that we

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would certainly support a good German candidate to succeed Delors as President of the Commission. You would also support Mr. Krenzler for the post of Director General of External Relations (which we at present hold) in return for their agreement to support David Williamson for the Secretary General post. If Kohl asks you to raise in Moscow the case of Rudolph Hess, I suggest that you say that you already have a considerable number of important and sensitive questions on the Agenda and would only want to mention this if there was any evidence beforehand of a change in the Soviet position.

CHARLES POWELL

20 March 1987

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PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL;
23 MARCH 1987

FRG Attitudes to the Soviet Union

1. There appears to be optimism within the governing coalition that change in Soviet domestic policy could have a major impact on Soviet external relations. Kohl's government declaration of 18 March endorsed Genscher's line ("we must put Gorbachev's words to the test") though adding the cautious rider that "we shall not lose sight of realities nor chase after illusions". Kohl also confirmed the FRG's wish to intensify the bilateral political dialogue with the Soviet Union, after the cooling of relations following his implied comparison of Gorbachev with Goebbels. The Germans hope that Shevardnadze will visit Bonn before the end of June.

Arms Control

2. Kohl and Genscher have informed the Prime Minister and the Foreign Secretary of messages they have sent to the US Administration on INF. The key FRG desiderata are a binding legal commitment to follow-on negotiations on SRINF, and that the objective of SRINF negotiations should be equal ceilings at low levels.

3. Studies are proceeding in NATO specialist groups on military/deterrence requirements. It is right that an initial view should be ready for NATO Defence Ministers at the May Nuclear Planning Group. NATO's objectives for SRINF negotiations cannot be defined with precision until then.

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4. The Prime Minister might wish to:

- endorse the FRG call for rapid work on details of LRINF agreement, and welcome bilateral contacts with FRG on problems of verification. Preliminary UK advice is that verification problems are complex but manageable.
- agree with Kohl that follow-on negotiations will be necessary to address imbalance. We must, however, avoid being rushed into over-hasty negotiations. Gorbachev may try to press for SRINF zero/zero.

5. Kohl has said in an interview that the US should respect the narrow interpretation of the ABM Treaty. We have avoided endorsing one or other interpretation as we are not parties to the treaty, but we have in the past welcomed the conduct of the SDI research programme within the restrictive interpretation.

6. This area is unlikely to be controversial at time of the Prime Minister's visit. She might say that:

(i) we await the US Administration report on interpretation of Treaty; that

(ii) there will be further consultations with allies after this and OSD studies on reconfiguration of SDI programme; and that the

(iii) UK is participating in research which no-one disputes is permitted by ABM Treaty.

6.(a) On the Delors proposal for an extraordinary Summit on defence/security issues the Prime Minister will wish to say she favours discussion of these issues among Europeans, but she doubts whether there is a case for a summit. Foreign Ministers of the Twelve will devote most of their 4/5 April weekend meeting to these subjects, and there is a WEU Ministerial on 27/28 April. The proposed summit would cut across these meetings and create unnecessary problems with the Irish, Danes etc.

Community Financing

7. The Foreign Secretary hopes that if time allows the Prime Minister will take the opportunity to impress on Kohl personally that we must work together in the discussions now engaged in Brussels on Community financing. The Prime Minister will want to emphasise that decisions are not going to be taken at the June European Council and that we are not going to base our approach on the Commission's proposals; but also to indicate that we are ready to work with Germany to try to achieve an eventual solution based on more effective expenditure control.

8. I attach speaking notes on which the Prime Minister might wish to draw on Community financing, plus a contingency note for use as necessary with Chancellor Kohl on EC research and development.

Bilateral and Other Issues

9. There are no bilateral points we recommend the Prime Minister raise with Kohl on this occasion. If Kohl raises the next Anglo-German Summit, the Prime Minister might say that she is looking forward to seeing him in London in the autumn. (It has been announced that Mitterrand and Kohl will themselves meet in Paris before the end of March).

10. Recent developments in the Soviet Union have also raised West German hopes of major progress on inner-German relations. But as yet there is no indication of a reinstatement of Honecker's visit to Bonn, postponed in 1984; nor of Soviet permission to allow Honecker to accept the Governing Mayor's invitation to attend a 750th anniversary ceremony in West Berlin (which Chancellor Kohl will attend). There is no evidence that fundamental Soviet aims over Germany (to perpetuate its division and to consolidate the GDR as a legitimate state under Soviet control) have changed under Gorbachev.

11. If Chancellor Kohl suggests that the Prime Minister might raise Rudolf Hess's case whilst in Moscow, the Prime Minister might say that she would be reluctant to add to the considerable number of important and sensitive questions already on the agenda for the visit, but would be willing to consider doing so if the proposed tripartite demarche to the Russians in Allied capitals (likely to take place in the week beginning 23 March) were to reveal any sign of movement in the Soviet position.

12. Chancellor Kohl has been briefed on Afghanistan. The Prime Minister may wish to take the following line:

- Following the adjournment of the UN talks in Geneva, the West must reinforce the essential elements of the Pakistan position (speedy withdrawal of Soviet troops, neutral non-Communist regime to manage the transition) as the only way of securing the cooperation of the Afghan refugees and resistance.
- We must also emphasise that the West is not seeking to humiliate the Russians or prolong the war.



13. Chancellor Kohl may also raise the proposal for an International Conference (IC) on the Middle East, on which Foreign Ministers of the Twelve issued a statement on 23 February. The UN Secretary-General is consulting Permanent Members of the Security Council under his mandate to report by 15 May on action taken to convene an IC. Our aim is to nudge the Americans forward and to encourage the moderate Arabs and Peres, without raising expectation on which we (or the Twelve) would be unable to deliver, or putting ourselves at odds with the US or Israel. We shall pursue these aims during the State Visit of King Fahd (24-27 March), the Prime Minister's visit to Moscow (28 March-1 April), Sir Patrick Wright's visit to Israel (5-9 April) and King Hussein's meeting with the Prime Minister (9 April). Mr Peres has also requested calls in the period 9-11 April.

14. Kohl will have much in mind current problems concerning hostages in the Lebanon, and the question of Hamadei's extradition from Germany to the United States. If the subject comes up, the Prime Minister will wish to express sympathy and support, while acknowledging the firmness the German government has so far shown.

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PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL:
COMMUNITY FINANCING

- Important that Britain and Germany should work together in the discussions now engaged in Brussels on Community financing.

We are not satisfied with the Commission's report. Their proposals are far too ambitious and loaded towards the Mediterranean.

No question of our agreeing to doubling of the structural funds or an increase in own resources to 1.4% of GNP (equivalent to a 2.2% VAT rate).

We all have to face difficult choices in our national budgets. In Britain we are interested in cutting taxes, not increasing them.

Fontainebleau Agreement stipulates that the maximum rate may be increased to 1.6% on 1 January 1988 by unanimous decision of the Council and after approval by national parliaments.

We shall not put a proposal for any further increase to the present British parliament. Decisions will not be reached at the June European Council. But we should use that meeting to get greater realism into these discussions, and to pave the way for solutions later, based on more effective expenditure control.

Britain and Germany should agree that for non-obligatory (non-agricultural) expenditure, we must ensure that the maximum rate of increase (which is what the Community can afford) is not exceeded. We have worked together to achieve this in the 1987 budget and must ensure that this becomes the rule for the future.

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- In the CAP, we have to carry forward the process of adjustment to market realities. We have to build into the principal market regimes stabilising mechanisms to ensure that they do not exceed the budgetary provision.
- We will not provide extra money in 1987. The 1987 budget deficit should be dealt with, as the Commission propose, by moving from FEOGA advances to reimbursement. That would help expenditure control.
- Even with the Fontainebleau correction, we remain the second largest contributor to the Community budget. We will not agree to any solution that would leave us worse off than Fontainebleau. Indeed we should like to see some improvements.

(If Kohl argues that CAP spending must have priority.)

Reforms causing problems with farmers in Britain. We have told them they must be carried forward: otherwise the policy will collapse. Recognise need to support farming community. But social aids should be financed nationally, under Community control (to prevent distortions of competition). Reforms cannot be achieved by price cuts alone. But other steps will not be effective unless accompanied by a price freeze and measures to ensure that intervention returns to the role of a safety net and does not act as an incentive to over-production.

(If Kohl argues that Germany cannot accept price cuts or the Commission's proposals to weaken intervention eg for cereals.)

Understand German concern to help small farmers, but this can be done by social aids paid nationally, under Community control. This a lesser evil than forcing up costs throughout the whole Community. The linking of the agricultural ecu to the strongest currency also has that effect.

(If Kohl argues that if Britain receives a budgetary correction, Germany will want one as well.)

We will not agree to arrangements that would leave us worse off than Fontainebleau. We would be willing to work with France and Germany on a model that would ensure that all three net contributors did not pay more. That would give the other member states an interest in budgetary control. Germany already contributes to the British correction at an abated rate (Germany contributes at 2/3rds the normal rate to the UK correction).

PRIME MINISTER'S MEETING WITH CHANCELLOR KOHL.

[AS NECESSARY]

EC RESEARCH AND DEVELOPMENT

- In Brussels tomorrow (24 March) the Research Council will be trying to decide on the 1987-91 five year framework programme.
- Britain, France and Germany have insisted on a programme of 4.2 becus. Understand that you may be prepared to consider 5 becus ie 4.2 plus commitments unspent from the existing programme. We are not clear that others will come down to that figure. More likely that other member states will continue trying to bargain upwards.
- Our position remains that we think that a 4.2 becus programme should suffice. Important that Britain, France and Germany should remain together at the Council. Mr Pattie is in touch with the German Research Minister (Riesenhuber).

[Note: It is not suggested that the Prime Minister should raise this with President Mitterrand as he favours a larger programme, while M Chirac is insisting on a programme of not more than 5 becus.]