

RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF FRANCE AT THE ELYSEE AT 1800 HOURS ON THURSDAY, 4 NOVEMBER 1982

Present:

Prime Minister

President Mitterrand

Mr. Coles

M. Vedrine

Interpreter

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President Mitterrand opened the conversation by describing the programme for the Summit. He regarded the discussions which he would be having with the Prime Minister as being both with Great Britain and with her personally.

The Falklands

The Prime Minister said that she wished to thank the President for his decision to abstain on the United Nations General Assembly Resolution on the Falklands. She was grateful for this support. France always stood by its friends in time of need. President Mitterrand said that he had today made known his decision. He had wished to avoid this becoming a matter of negotiation during the Summit. As to the substance of the Resolution, if it were merely a question of inviting the United Kingdom to negotiate with Argentina, or even of giving the UN Secretary General a mission of good offices, France could accept the text. But the preambular paragraph referring to a colonial situation amounted to denying Britain its rights before negotiations opened. It was a way of condoning Argentine aggression. The French position was difficult because France valued its relations with Latin American countries. But its friendship with the United Kingdom was even more precious. He believed that other European countries, and other countries elsewhere in the world, would be likely to follow France in its abstention.

/ The Prime Minister

The Prime Minister commented that both Britain and France had a residue of colonial territories. Those territories tended to remain colonial because their people wanted it that way. President Mitterrand said that he should make it clear that he believed that the question of sovereignty over the Falklands was a legitimate subject for discussion. But the Resolution prejudiced that discussion. It was not right that the United Kingdom should be designated the guilty party before the debate began. The Prime Minister suggested that it was not necessary to enter into the sovereignty issue during her present talk with the President.

Organisation of the Summit

President Mitterrand suggested that the first tete-a-tete should be devoted to general international questions. The second tete-a-tete on the following day could deal with European Community questions. Matters relating to bilateral relations could be discussed in plenary. The Prime Minister agreed with this arrangement, commenting that the respective Ministers could deal with the bilateral issues in their separate talks.

Pipeline/US Sanctions

The Prime Minister raised the pipeline question. We were anxious to get sanctions lifted. There was to be another and fairly crucial meeting shortly. The pressure on President Reagan to lift sanctions was slightly weaker now that his Elections were over. But we wanted to maintain the pressure because the issue was important. We had taken a forthright stand on the sovereignty of contracts. Now, agreement seemed to be imminent on the non-paper put forward by Mr. Shultz. If agreement could be achieved, the existing sanctions could be lifted after a short delay. She understood that France still had one or two difficulties in relation to the non-paper.

President Mitterrand confirmed that this was the case. He had substantial reservations about the whole discussion. The American position was objectionable both in fact and in law. The United States had greatly exaggerated the importance of the issue. France had

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comparatively little trade with the Soviet Union - the trade in gas was not big business. Moreover, the balance of trade with the Soviet Union was heavily adverse. The Americans were making a mountain out of a molehill. As regards the legal aspects, it was not acceptable that the United States should treat France as though it was a colony. The licences given to French companies were French. Negotiations for the relevant contracts had been started several years ago under his predecessor. When President Reagan had enquired about his attitude in Ottawa, he had said that he could not go back on commitments given by his predecessor. He had repeated this statement in Yorktown when the Americans and French had celebrated their joint victory over the British. The French position was unacceptable. It was not a question of negotiation. The United States could do what they liked but France could not negotiate. He had told the French Foreign Minister that he did not mind discussions with France's partners about economic policy towards the Soviet Union. But this could not be seen as a condition for lifting the embargo. He was not disposed to be conciliatory on this issue.

The Prime Minister said that she was interested in protecting British interests. Contracts which had been made must be honoured. For that reason, we had ordered the British companies concerned to complete their contracts. A number of them would be in acute difficulty with regard to their exports to countries other than the Soviet Union because they were dependent on components from the United States. There was therefore a clear interest in securing the lifting of sanctions. She believed that the United States realised, as a result of the clear stand taken by the Europeans, that its policy had been wrong and politically ill-judged. The Americans were now looking for a way out. When the idea of joint studies had arisen we had made it quite clear to the United States that these would be without commitment as to the end result. The fact that we would participate in studies did not mean that we necessarily agreed that there were problems or that we wanted to find solutions. But we had agreed to go ahead as a means of enabling President Reagan to lift sanctions. On grounds of intellectual honesty, she was concerned that we would be participating in a study covering the export of oil and gas equipment to the Soviet Union.

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For there would be times when we would wish to export such equipment. The United Kingdom also had an adverse balance of trade with the Soviet Union. We had no intention of agreeing on anything that was contrary to our interests. But it was in our interest to get the sanctions lifted and to end the dispute with the United States. We had used the argument with the Americans that the Western Alliance was an Alliance of free countries - it was not the Warsaw Pact. She believed that President Reagan and Mr. Shultz were now in a mood to lift sanctions. If we did not take advantage of this mood, the opportunity might disappear. We should then be left with serious problems. We should lose a good deal of trade. We should have to consider manufacturing highly specialised technology but this would raise difficult issues and would take time. For all these reasons we had decided we must try to help the United States to help us.

President Mitterrand commented that the French negotiators on this matter had been instructed to maintain great reserve about the exercise.

The Prime Minister said that she believed that there was only one major point which worried France, namely the effect of the references to credit on the OECD credit consensus arrangements.

President Mitterrand said that, in the light of the Prime Minister's comments, he would examine the text of the non-paper, but he could not go beyond that.

Franco/German Talks on Security Questions

The Prime Minister said that she believed that during the last Franco/German Summit there had been considerable discussion of security matters. President Mitterrand said that in reality many issues had been discussed but the media had chosen to focus on the security issues. Chancellor Schmidt had raised these matters with him a year ago. Germany was situated between France and Eastern Europe. If France were to use its present generation of tactical nuclear weapons, the likely targets were on German soil. Any matter relating to the defence of German territory was of deep concern to France. Modern technology would soon enable France to have a

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tactical nuclear force which could strike directly into the Warsaw Pact countries. At present, Pluton had a range of only 120 kilometres. But orders had now been placed for the Hades system. This would be available in a few years and would be able to deliver perhaps the neutron bomb over a range of 350 to 400 kilometres, thus reaching the German Democratic Republic and Czechoslovakia. This assumed that techniques which had not yet been practised could be successfully mastered. But on that assumption the whole nature of French strategy would change. With the present weapons, if for the sake of argument France wanted to carry out a nuclear strike on Soviet forces on German soil, it would have to move its nuclear forces inside German territory. It was therefore natural that there should be discussions with the Germans about the issue. For that reason, the two countries were reviewing arrangements which had fallen into disuse since 1963. These had provided for close military cooperation. He wished to stress that this was a transitional situation because France would soon be able to reach the Warsaw Pact countries without moving its nuclear forces forward. The Summit had decided there should be regular discussions between the Foreign and Defence Ministers of each country. For several years the problem of French nuclear forces operating from German soil could arise. Since France practised the policy of deterrence, it did not wish to get involved in a forward battle. There was a dilemma - if France used its weapons to defend Germany, it risked its own annihilation. On the other hand the security of France was wrapped up with the security of its neighbours. No-one had been able to reconcile these contradictions previously. But an attempt must be made to do so. It was necessary to arrive at concrete definitions.

Take the example of the 1st French Army in Germany. He had decided that its strength should not be reduced, whether in respect of conventional or nuclear arms. Until France possessed Hades, it must either wait for the enemy within its own territory or move into Germany. The latter required an arrangement with Germany. This did not mean that Germany would concern itself with French nuclear strategy and decisions. The start which had been made in resolving these problems might not appear to be significant but the end result could be important.

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He had stated in London that he would be favourably disposed to similar discussions with the United Kingdom about nuclear problems. Both France and Britain possessed a nuclear deterrent and were thus more engaged with the Soviet Union than was Germany. We needed to move towards security arrangements that could be implemented by the European countries themselves. He did not mean by that that we could dispense with the United States. Germany would certainly not agree to that.

The Prime Minister asked for clarification. The President seemed to be saying that when the new generation of nuclear weapons arrived, they would be able to reach East Germany and therefore a different situation would be created. But surely France was able now to mount a nuclear strike from aircraft or submarines. President Mitterrand replied that this would be to use a strategic weapon. France envisaged not exactly a strategy of graduated response but a flexible strategy. If it wished to fire a warning shot across the bows of an enemy, this could only be done by using tactical nuclear weapons. The Prime Minister said that her understanding was that France wished to discuss with Germany the circumstances in which tactical nuclear weapons would be fired. The President confirmed this. There was no reason not to involve Germany in such discussions. The Prime Minister commented that she believed that NATO agreements covered the circumstances in which we could use nuclear weapons on German soil. As regards Anglo/French talks about defence matters, she believed that our military advisers already had such discussions and that these would continue. President Mitterrand commented that we had every interest in going more deeply into these matters. If the United Kingdom and France had a good understanding, this in itself would be a deterrent. We were already capable of destroying an area of the Soviet Union larger than France. The United Kingdom was more constrained than France by NATO arrangements. France had more freedom of action. Our situations were therefore different but we should fill the gap by closer cooperation. The Prime Minister said she believed that there was already much cooperation in practice. The President agreed/^{that}this was good and it should continue. He had no reason to complain of the British attitude on this subject.

/ President Mitterrand

President Mitterrand said that he was utterly opposed to the inclusion in the Geneva talks of discussion of the French nuclear deterrent. Whenever the Russians raised this issue he gave a negative response. He had told Brezhnev twice, and the Soviet Ambassador more frequently, that the answer was no. The Prime Minister entirely agreed that this matter was not negotiable. The nuclear deterrent was the last defence of our respective countries. President Mitterrand observed that both the Soviet Union and the United States could go on reducing their nuclear armaments for a long time without harming their security. But if we reduced ours at all, our security disappeared. With regard to nuclear submarines, France would shortly launch a sixth and instructions had issued for work to begin on the seventh. The latter would be the more modern, in particular in its anti-detection equipment. It would not be ready until 1993/94 but this delay was necessary in order to secure really advanced technology. At present France had three submarines permanently on station but this number could not be assured. It was essential to be certain that three were permanently ready. This would amount to a significant strike force. The weapons had a range of 3,500 kilometres and the submarines concerned could use deep Atlantic waters.

President Mitterrand said that, as regards general policy, there was no difficulties of substance between Britain and France. There was sometimes commercial irritants and there were vestiges of rivalry from the colonial days: But these matters were not serious. Our concept of world security was very close.

World Economic Situation

The Prime Minister said that we were both affected by the world recession. We were also both concerned with the problem of trade with Japan and the latter's refusal to maintain an open market. The main problem we faced was how to get out of world recession. The situation had deteriorated since the Versailles Summit. That Summit had produced a good Communique and a useful working group on technology. But there had been serious developments since then, notably in respect of the world banking situation. We faced the prospect of weak markets in the developing countries and in some

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of the oil rich countries like Nigeria and Mexico. We needed an early meeting of the IMF in order to increase the available credit. President Mitterrand entirely agreed. We ought to double IMF credit. If we could not trade with one billion people in the developing world the consequences would be serious. The principal problem was indebtedness. The Prime Minister had mentioned Nigeria and Mexico. To these he would add Zaire and Brazil. These countries had followed very rash banking policies. The Prime Minister agreed but said that she was hesitant to blame the banks when Governments had persistently encouraged lending, especially to the developing countries. Natural prudence suggested that banks should not lend money to these countries now. So it was essential to work through the IMF where the adoption of sound financial policies could be made a condition of credit. President Mitterrand replied that IMF loans should ^{not} be used simply to prop up budget deficits or administrative expenditure but to promote productive investment.

The Prime Minister said that she believed that French banks were not very exposed at present. The President said that this was true. If there were a general crash, the direct effect on French banks would not be very significant. But this should nevertheless be avoided. France had enough difficulties already. The Prime Minister commented that British banks were not very exposed either. But if one part of the international banking system collapsed, the whole system would be damaged.

The Prime Minister said that it would be difficult to persuade countries such as Argentina and Mexico to accept the necessary conditions for IMF loans. Brazil had followed a relatively sound policy and there was therefore some chance of rescuing her from her difficulties. Argentina was different. She had noted that it used its precious foreign exchange to purchase weapons. If either Argentina or Mexico devalued neither France nor Britain could escape the consequences. President Mitterrand agreed that the secondary effects would indeed be damaging.

In conclusion, President Mitterrand said that there were no serious diplomatic problems between our two countries. On vital

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issues, France always tried to achieve solidarity with Britain. Franco-British solidarity was one of the keys to solving world problems. He was more worried about European Community problems and the effect these had on our relations. These problems could be discussed the next day.

The discussion ended at 1900 hours.

A. J. C.

4 November 1982

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10 DOWNING STREET

From the Private Secretary

8 November 1982

Dear Brian,

Anglo-French Summit

I enclose copies of the records of conversation at the two tête-à-tête meetings held between the Prime Minister and the President of France - the first on 4 November and the second on 5 November.

I am copying this letter and enclosures to John Kerr (HM Treasury), John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry), John Halliday (Home Office), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

The Prime Minister wishes that these records should not be circulated outside Private Offices except where this is operationally essential - and in that case only the relevant extracts from the record should be distributed.

Yours ever

John Major

Brian Fall Esq
Foreign and Commonwealth Office

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