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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

30 November 1988

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND  
IN MONT ST. MICHEL ON WEDNESDAY 30 NOVEMBER

The Prime Minister met President Mitterrand over lunch at the Mere Poulard restaurant in Mont St. Michel today. Madame Guigou was also present. Their discussion lasted some two hours, after which they walked up the hill to visit the church and then gave a joint press conference. The transcript of the latter will be available to you.

The meeting was extremely amiable, although President Mitterrand confined himself mainly to generalities. The Prime Minister commented afterwards that he had clearly not done much homework. There was not time to cover all the subjects we had hoped to touch on: two particular casualties were Anglo-French defence co-operation and the Middle East.

East/West Relations

The Prime Minister asked President Mitterrand for his impressions of Gorbachev's position and prospects following his visit to Moscow.

President Mitterrand said that he had held extensive talks with President Gorbachev, mostly tête-à-tête. The main issues had been trade and arms control. French trade with the Soviet Union was at low level. Gorbachev had been much pre-occupied by problems with the nationalities, an immensely difficult issue because it called into question the unity of the Soviet Union. You could feel the tension in him when the issue was raised. In his view, Gorbachev's handling of this issue could well determine his overall success or failure. Gorbachev was determined to move ahead with his wider reforms. But they remained deeply unpopular in the country.

The Prime Minister said that she did not think Gorbachev had much room for manoeuvre over the nationalities issue. He could give some latitude to the republics, but had to keep overall control in Moscow's hands. Otherwise all he was trying to achieve would be put at risk. In her view, the West should not interfere in the problem however great the

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temptation. Our goal should be to see greater freedom and human rights throughout the Soviet Union as a whole. President Mitterrand said that Gorbachev clearly understood the needs of the nationalities but nothing he could offer would satisfy them. They wanted independence in all but name. Gorbachev would never accept that the decisions taken in Estonia could carry more weight than those of Moscow. The Prime Minister said that the West should show sympathy. After all, we experienced similar problems. It was probably better, and certainly safer, for us if the Soviet Union remained united. President Mitterrand agreed that it was not in the West's interests to encourage the nationalities to split away.

The Prime Minister asked what progress was being made with economic reform. President Mitterrand said that Russians were clearly feeling freedom in the air and there was much more discussion. But there had as yet been little change in living standards; and there was powerful opposition to reform from the party and the bureaucracy. Unless Gorbachev's reforms began to produce results soon, there could be difficulties. There was no doubt that he was a remarkable man. He had a subtle mind and his strength was his success in creating a rapport with the Soviet people. He was setting up a leadership team loyal to himself and increasingly rested his power on the State rather than Party. He believed in his bones that Gorbachev would succeed, but nonetheless feared a political accident. We might all wake up one morning and find there had been a military coup against him. The Prime Minister commented that the risk was people would not give Gorbachev enough time. Had he given any indication of what he wanted from the West? She thought that his visits abroad helped increase his status at home. President Mitterrand replied that Gorbachev needed arms control agreements so that he could reduce spending on defence. He also wanted Western companies to help to modernise the Soviet economy through joint ventures.

#### Arms Control

The Prime Minister said that she was particularly concerned about the Soviet performance on chemical weapons. Gorbachev had made all sorts of claims about destroying stocks and ceasing production of such weapons, which we knew to be untrue. This cast doubt on his reliability as a negotiating partner. President Mitterrand said he had told Gorbachev that a chemical weapons attack by the Soviet Union would meet a nuclear response. The Prime Minister commented that this raised in her mind the question whether it would not be better for the West to have a chemical deterrent and not rely only on nuclear weapons.

The Prime Minister continued that, looking ahead, she was increasingly worried about the proliferation of nuclear and chemical weapons. Countries as unreliable as Libya were now acquiring the capability to produce chemical weapons and the means to deliver them over long distances, and several more countries would probably acquire nuclear weapons in the next



few years. Hitherto we had thought in terms of a world with five nuclear powers, who could be assumed likely to act responsibly. That was all changing and we must find new ways to manage the risks. In this new situation Britain and France must stay very close to each other. President Mitterrand was the only head of government in Europe to whom she could talk about nuclear weapons and nuclear strategy. The right course for both countries was to preserve strong defences, including their independent nuclear deterrents, while being ready to negotiate with the Soviet Union. President Mitterrand agreed: we could not assume that Gorbachev would succeed in the Soviet Union and it would always be essential to preserve a strong defence. On the Prime Minister's point about chemical weapons, we should not make Gorbachev's sincerity the test, but actual Soviet performance.

The Prime Minister said that it would be very important that NATO should reach decisions on modernisation of its short-range nuclear forces in the course of 1989. They were vital to the strategy of flexible response. In particular it was necessary to decide soon on the replacement for LANCE if it was to be deployed in 1995. The German position was ambivalent, although Chancellor Kohl seemed ready to take the necessary decision next year.

President Mitterrand agreed with the Prime Minister that it was difficult to know where Germany stood. There was often a difference between what Chancellor Kohl wanted to happen and what actually happened. The President recalled his scepticism about the strategy of flexible response. However, he held no doctrinaire position on SNF modernisation. About a year ago he had expressed the opinion that modernisation of NATO's short range weapons should not be allowed to become an obstacle to talks on reducing conventional forces in Europe. But since then, the situation had changed in that the Soviet Union had continued to modernise its own nuclear weapons while promoting reductions in conventional arms. His objection had therefore lost its force and he would not be an obstacle to a decision next year to modernise LANCE. To be quite clear: he had not wanted to see SNF modernisation at the expense of negotiations on conventional forces, but that was no longer a risk.

#### Human rights

The Prime Minister said that she had received the impression from very recent reports that the Soviet Union might no longer insist on agreement to a human rights conference in Moscow as the price for a successful outcome to the CSCE meeting in Vienna. President Mitterrand said the issue had come up in his talks with Gorbachev. He had replied that the conditions for such a conference were being discussed among the western allies. Gorbachev had not seemed much fussed about the issue and had indicated that he was not wedded to any particular date for a conference in Moscow. President Mitterrand continued that he agreed that the West should not have to pay a price for concluding the Vienna meeting. If there were to be a conference in Moscow in due



course, it must be on the basis of an improved Soviet performance on human rights. But we should not overlook the argument that a conference could itself help to put the Soviet Union on the spot. Moreover Western leaders were constantly visiting Moscow and raising human rights issues. It was slightly illogical to make such a fuss about a special meeting to discuss them. The Prime Minister said that her great fear was that all those who had fought for basic human rights in the Soviet Union and East Europe would feel that the West had been hoodwinked if it went to such a conference in Moscow.

The Prime Minister gave President Mitterrand a brief account of her visit to Poland. President Mitterrand said he would shortly be visiting Czechoslovakia. It was likely to be an unpleasant experience.

#### NATO Summit

The Prime Minister said that she saw some virtue in turning the planned meeting of NATO Foreign Ministers in June into a Heads of Government Meeting. It would be good to be seen to reaffirm the principles and the unity of NATO in the presence of a new American President. It would also be an opportunity to approve the comprehensive arms control concept beloved of the Germans, in order to open the way to SNF modernisation. President Mitterrand said that he would think about the suggestion: he was not opposed.

#### European Community

President Mitterrand said that the Rhodes European Council would be an opportunity for contacts but little more than that. Looking ahead to 1989, the main issues were likely to be monetary matters, and the social dimension. On the monetary side, France had accepted free movement of capital. But there must also be fair competition, which meant that the tax treatment of capital in the Community had to be broadly similar. France did not want to impose its own system of taxation on others. But the systems should not be so different as to result in inequality. He knew that the Prime Minister did not agree with this. There would need to be a discussion once the Commission had delivered its report. The Prime Minister said there was already complete liberalisation of capital movements in at least four Community countries and this had given rise to no particular problems. If a uniform withholding tax on savings were to be introduced, there was a risk that people would withhold their capital from Europe altogether.

President Mitterrand continued that free movement of capital would also require strengthening of the European monetary system. He acknowledged that the United Kingdom had taken several initiatives in this area, including wider use of the ecu. His own objectives were to see improved cooperation between Central Banks and the creation of a European Reserve Fund. But these were all matters which would need to be discussed when the Delors Committee had completed its work.

The President added that he hoped there could also be a dialogue on social questions such as health and safety, training and social security. The Prime Minister commented that countries like Britain and France should beware of attempts to get harmonisation of benefits throughout the Community without harmonisation of productive capacities.

The President referred to his audio-visual initiative. European producers were meeting only a fraction of Europe's programme needs, some 5000 hours out of 125000. He would like to see more European productions. 80 per cent of the films shown in France were American. When he had told this to Gorbachev, Gorbachev replied that 50 per cent of the films shown in Moscow were American. He would like to see wider cooperation in this area.

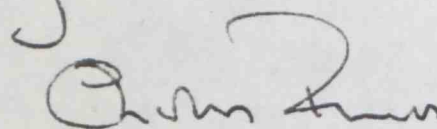
#### Nissan

The Prime Minister referred to the difficulties which had arisen over the import of Nissan cars to France. The President professed complete ignorance of this. After consulting Madame Guigou, he announced it had been a case of over-zealous bureaucracy. France had now promised the Commission that it would let in Nissan cars from the United Kingdom without any restriction. There was no longer a problem. Madame Guigou seemed rather taken aback.

#### Environment

The Prime Minister spoke of the importance of proper international coordination of work on the environment, particularly through the UNEP. President Mitterrand commented that environmental issues were much discussed in Paris and the French Government intended to make proposals. He would ask M. Rocard to inform the Prime Minister of what he had in mind. The Prime Minister said that M. Rocard had already written to her and she had replied stressing the importance of proper coordination. President Mitterrand said that the important thing was to get the subject on the table for discussion. He was not wedded to any particular proposal.

I am copying this letter to Alex Allan (H.M. Treasury), Neil Thornton (Department of Trade and Industry), Roger Bright (Department of the Environment), Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

*yours sincerely,*  


(CHARLES POWELL)

Lyn Parker, Esq.,  
Foreign and Commonwealth Office.



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From the Private Secretary

30 November 1988

*Dear Mr.*

PRIME MINISTER'S MEETING WITH PRESIDENT MITTERRAND

After our excellent but rather heavy lunch with President Mitterrand in the Mere Poulard Restaurant in Mont St. Michel, we set off to walk up the very steep hill to the church at the top, with the Prime Minister setting a cracking pace. Near the top, President Mitterrand was obviously in some difficulty, saying that he felt faint and retiring into an alcove where he supported himself against a wall. His doctor arrived at the double and a stretcher was produced but waved away. He was given some of the water which we carry for the Prime Minister and asked to be left alone to recover. This took some ten minutes. By the time we moved into the press conference he seemed indeed to have recovered. But there was clearly some alarm among his entourage.

*Yours sincerely,*

*Charles Powell*

(CHARLES POWELL)

Lyn Parker, Esq.,  
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