



10 DOWNING STREET

From the Private Secretary

14 November 1980

TELEPHONE CONVERSATION WITH PRESIDENT GISCARD

As you know, President Giscard d'Estaing rang the Prime Minister last night. We had been told earlier that his purpose in ringing would be to brief the Prime Minister about his talks on Monday with Chancellor Schmidt.

After an exchange of courtesies, the Prime Minister referred to her efforts to cut down public expenditure here. President Giscard said that he hoped it would be possible to maintain the level of military spending "at an appropriate level". Willingness to maintain military expenditure was an indication of the will of Western Governments to face up to the risks that lay ahead. France was making a substantial increase in its military budget. This was necessary because previous Administrations in France had not done enough. The need for an increase was well understood by French public opinion.

President Giscard said that he and Chancellor Schmidt had exchanged views on the new situation created by the election of Governor Reagan. Chancellor Schmidt would no doubt be giving the Prime Minister his views on Sunday. President Giscard wanted to tell the Prime Minister about his own reaction. The prospect of a strong America taking a more responsible attitude in international affairs was one which was welcomed by France. The West had suffered from the uncertainties and fluctuations in American attitudes. The previous Administration had not been unreliable but could hardly be said to have been very stable. The change in Administration was therefore basically good for the West.

On the other hand, there would be temptation for some to react against the exercise of leadership by the United States. What was needed was a strong partner rather than a leader. Europe should be prepared to express its own point of view and, on occasion, to take initiatives and decisions. The Europeans should be dedicated to improving cooperation and developing their influence. He expected that Chancellor Schmidt would take this line. He hoped that Britain's reaction would be similar, since it was desirable to have a joint attitude on these problems.

/ The Prime Minister

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The Prime Minister asked how the President assessed Chancellor Schmidt's objectives in going to the United States next week. President Giscard said that Chancellor Schmidt had decided early in the summer to make the visit. He was not going to be received by Governor Reagan because Governor Reagan had decided that the United States could not have two Presidents at the same time. Chancellor Schmidt's position would therefore not be a very easy one. He had evidently failed to realise when he made his decision to go how awkward the position would be if there was a change in the Administration. As it was, he would try to sound out the intentions of the new Administration by talking with Governor Reagan's advisers. He knew some of them, e.g. George Schulz, very well.

The Prime Minister, agreeing that Chancellor Schmidt's intention was probably more to brief himself than to put forward ideas, said that she thought Chancellor Schmidt's views on East/West relations had always been slightly different from her own and would certainly be different from Governor Reagan's. President Giscard said that he shared this assessment and that it was a problem which deserved a longer conversation. He hoped that it would be possible to have a talk with the Prime Minister in Luxembourg. He would like to tell her what he thought of the German attitude towards East/West relations since this was "important for us".

President Giscard said a change was taking place in German/American relations which could not be ignored. There were explanations for this. But it was a fact that relations between the Federal Republic and the United States would not be as stable in the years to come as they had been five or ten years ago.

The Prime Minister said that events in the next four or five months were going to be very important. President Giscard agreed. He said that he was very conscious of the ties of culture and language between the United States and Great Britain. He knew that Britain would always have a particular attitude towards the United States. But he hoped the Prime Minister would agree that this was a time in which European ties should be developed. This should be not on a basis of antagonism towards the United States but in the realisation that stronger European cooperation was good for the equilibrium of the relationship. The Prime Minister agreed. She thought that it would be necessary to prove to the United States that the Europeans were playing a very full part in the defence of Europe and, consequently, of the free world. The worst thing would be to allow differences to develop between Europe and the United States. President Giscard agreed. He thought there was little risk of this, except perhaps on the question of the Middle East. Governor Reagan had taken a very pro-Israeli stance and might find the process of readjustment embarrassing. The Prime Minister commented on the temptations to which those participating in US Presidential Elections were exposed.

/The conversation

The conversation ended, as it had begun, with a discussion of domestic political issues. The Prime Minister offered to telephone President Giscard after her return from Bonn. President Giscard welcomed the idea.

I should be grateful if this letter could be given a very limited distribution.

I am sending a copy of this letter to David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

SUBJECT

at 10:15
G.P.

L.A. *[Signature]*

PRIME MINISTER'S
T 222/80
PERSONAL MESSAGE

TRANSCRIPT OF A TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND PRESIDENT GISCARD ON THURSDAY 13 NOVEMBER: 1845 HRS

SERIAL NO. T 222/80

Prime Minister: Hello, good evening. Margaret Thatcher

President Giscard: Hello, how are you?

PM: I am well, and you?

PG: Oh, quite well. And how is the weather in London?

PM: Oh, not very good. Rather cold and wet.

PG: I hope it's not depressing.

PM: No, no. I think some of the politics are depressing with all the problems - but not the weather.

PG: Yes. You mean domestic problems?

PM: I think, well we're all suffering from world recession and it just seems one problem after another. And the fact that one's fellow countries are suffering doesn't make it any easier.

PG: And the public opinion of course gets stirred. Even if the public opinion understands that there are some fundamental elements, at the end she reacts in a bitter way.

PM: Quite right, they think that we only have to sit round a Cabinet table and take a few decisions and it will all be right again.

PG: It is exactly the same here.

PM: However, we're trying to cut down our public spending, and it's not an easy job.

PG: I think - I've no advice to give you on this - I think it's important to keep the military effort at an appropriate level because it's an indication of the will of the Western countries to face the risk of the days to come.

/ PM:

PM: Are you increasing your military budget?

PG: Oh, yes, substantially, above the NATO commitment.

PM: Above the 3 per cent?

PG: Yes, but I think we were behind. The former administrations didn't give enough importance to the maintenance of our military conventional forces though we had to increase it for national purposes but it's well accepted by the population and by the Parliament. We have no discussion of this. I'm calling you just to tell you I've received Helmut, last Monday. I know you are going to visit him on Sunday and it was to exchange our views on the new situation created by the American Election. He will tell you what his attitude is. I just want to tell you what mine is. First, we had no preference between the candidates in the American Election. We expressed no But the fact that there will be a rather strong America and a more responsible attitude in international affairs is something we welcome. We really suffered - it was before your election and also since - we suffered by the uncertainties and fluctuations of the American attitude. It was really not easy to face the problems of the moment with such an un - I would^{not}/say unreliable but certainly not a very stable administration and so basically I think it's good for the Western world to have a strong United States. On the other hand there will be the temptation to react the role of leader of the United States and I don't think that for the time to come we need a leader, I think we need a partner, and my preference is a strong partner, but we have jointly to express points of view and problems and sometimes take some initiatives and perhaps some decisions. So my reaction is first to be happy with a stronger United States but also to be dedicated to improve our co-operation between ^{the European} countries and develop our good influence. And this, probably Helmut will express the view that I hope that the British reaction will be similar because it would be better to have a joint attitude on this.

/PM

PM: Yes. Helmut is going over to see members of the new administration or the advisers. Do you know with what objective in mind Mr. President?

PG: Well, I suppose he decided to go long ago, because the decision was taken in June or May. He's going to accept some degree in an American university or institution. So this is the purpose of the trip. As you know, he will not be received by Reagan.

PM: No, I just heard that today.

PG: Yes, Reagan decided, and I think it's normal, because it's not possible to have two Presidents at the same time and so I think Helmut will be not in a very easy position to have a conversation with Carter and not with Reagan.- at the moment, something which is not very adequate. But probably when he made his decision he did not realise that if there was a change in the administration the situation would be difficult for him. He has no intention, no precise intention, except to sound the orientations of the new administration. As you know, he is a good friend of George Shultz. George Schultz was, during the whole summer an adviser, an important adviser, of Reagan and probably he will meet with him and one or two others but more to receive information than to present any suggestions.

PM: Yes. I have always thought that Helmut's views on the East/West question were a little bit different - they're certainly a little bit different from mine - because he's closer and they'll be rather different from the United States'.

PG: Yes, this deserves a longer conversation when I meet with you - if we have a moment in Luxembourg - I will tell you my opinions on this.

PM: Yes, I think it would be better to do so privately.

/PG:

PG: And there is a change in the German/American relationship. There is change, we can't ignore it. I understand why. It's not only something that we should worry about, there are some explanations. But it is a fact and the stability of the relations between Germany and the United States will not be a reality in the years to come as it was five or ten years ago.

PM: Well, it's very good of you to let me know how you see it because we are seeing Helmut - I think only for about four or five hours - because he's going off to the States. We're going over on Sunday and dining with him Sunday night and then early Monday morning but I do think what happens in the next four or five months is really rather important for us all.

PG: Yes, very important. What I hope, and of course we realise very well the Community of culture, language and some ties between the United States and Great Britain makes always that you have some specific feelings about the attitude concerning the United States but I hope you will support the idea that it's a time in which we must develop the inter-European relations without of course any antagonism towards the United States but having in mind that it's good for the whole equilibrium to have a stronger European cooperation.

PM: Yes, I think we shall have to prove to our American partners that we in Europe are playing a very full part in the defence of Europe and therefore the defence of the free world because I think the worst thing would be if we got any differences developing between Europe and the United States at the moment.

PG: Yes. There is no risk for that except on a very difficult issue which is the Middle East situation because as you know Reagan has taken a very pro-Israeli stance and such an extreme position that he will be in an embarrassing position to readjust.

/PM

PM: It is always the danger of the American elections that they are very, very susceptible to the several lobbies that they get. All right. Well that's very helpful and most kind.

PG: And I hope in Luxembourg that we can have some conversation - not to waste all our time in details in the Agenda - but to exchange some views and if we can spare a few moments I will tell you what I think of the attitude, of the German attitude, to the East/West relations because it's important for us.

PM: Yes, I would be very glad and I'll look forward to that.

PG: Well, I hope that the weight of politics will not - the burden - will not be too heavy

PM: No, no. Thursday is always a bad day. We have long Cabinet meetings in the morning - always every Thursday morning - and it was from 9.30 to 1 o'clock today. Then I go straight across to the House of Commons and I'm on for Question you see, every Thursday. So I come out of Cabinet, then a long briefing for Questions because I don't know what Questions I'm going to be asked - they can be on anything. And then after that I come back and then one feels one has to start the day's work. No, we will cope with our problems but I just have this impression that people don't realise either the cause of the world recession or how unexpectedly deep it is.

PG: Well, I suppose they realise, but they do not draw the practical conclusions.

PM: No, they don't. They always want the easy way - and Great Britain's gone the easy way for so long, but it turned out to be the difficult way in the end and she's not got to go that way. So I'm afraid I get a reputation of being very, very tough and very, very hard.

PG: But your counterpart is so surprising

PM: Yes. Well, he and I had a real fight this afternoon in the House of Commons so I felt much better after that.

PG: No, but it's, well, you know it's a little sad for Great Britain because we haven't the problems here.

PM: Yes, I know.

PG: You have irresponsible people proposing something which is against the nation's interest

PM: Oh, and really going to the root of the nation's interest. Yes, it isn't at all easy but, still

PG: Well, I'll expect to see you in Luxembourg

PM: Yes, if I may, may I ring you back and give you some information after I've been to Bonn? I'll tell you how it went.

PG: Yes, I'm here/^{all}the next week.

PM: All right, I'll look forward to that.

PG: Goodbye.

PM: Thank you very much. Goodbye.