

PREM19

59

GERMANY

(Meetings with Chancellor
Schmidt) (Oct 1979)

(Part 2)

SECRET PT1

Confidential Filing

~~Anglo-German Consultations~~
PM's meetings with Chancellor Schmidt in
Germany. (Bonn October/Nov 1979)

GERMANY

June 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.7.79							
28.7.79							
2.8.79							
9.8.79							
23.8.79							
10.9.79							
11.10.79							
17.10.79							
22.10.79							
30.10.79							
8.11.79							
6.11.79							
7.12.79							

PREM 19/59

BRIEFING FOR BONN VISIT 31/10/79.
AT FOLDER AT REAR OF FILE.

PART 1 ends:-

7 Dec 1971.

PART 2 begins:-

4 June 1980



10 DOWNING STREET

From the Private Secretary

7 December 1979

Parliamentary Question: Visit of
Premier Hua and the Prime Minister's
Visit to Germany

Thank you for your letter of 6 December.
We are entirely content with the draft you
suggest.

N. J. SAUNDERS

Miss Brenda Chaplin,
Protocol and Conference Department,
Foreign and Commonwealth Office

CB



Foreign and Commonwealth Office

London SW1A 2AH Government Offices, Great George Street

Telephone 01- 233 3218

~~MICHAEL~~
Happy MS

Your reference

N J Sanders Esq
10 Downing Street

Our reference TXV 408/301/1/1
TXW 408/309/3
Date
6 December 1979

Dear Mr Sanders

PARLIAMENTARY QUESTION: VISIT OF PREMIER HUA AND THE PRIME MINISTER'S VISIT TO GERMANY

Mr Bryant Godman Irvine (Rye), Deputy Chairman of Ways and Means, has sent the Secretary of State a letter from a constituent, Mr J B McCullough, asking about the costs of the State Visit of Premier Hua and the Prime Minister's visit to Germany.

/ I attach copies of the two letters together with a proposed draft reply from the Lord Privy Seal. As you will see we have to put up a reply tomorrow, 7 December, so I should be grateful for your comments by 12 o'clock if possible.

With apologies for a late job

Yours sincerely
Roxana Chapman

for P T Metcalfe (Miss)
Protocol and Conference Department

TXV 408/301/1/1
TXW 408/309/3

Registry
No.

DRAFT LETTER

Type 1 +

SECURITY CLASSIFICATION

Top Secret.
Secret.
Confidential.
Restricted.
Unclassified.

To:-

B Godman Irvine Esq MP
House of Commons
London SW1A 0AA

From

Lord Privy Seal
Telephone No. Ext.

Department

PRIVACY MARKING

.....In Confidence

1. Thank you for your letter of 27 November enclosing a letter from your constituent, Mr J B McCullough.
2. I suggest the following reply (which has been cleared with the Prime Minister's office) to the first paragraph of Mr McCullough's letter.

'The main cost of Premier Hua's visit was borne by the Government Hospitality Fund who estimate that their costs will be £70,000. The final total covering all expenditure borne by GHF and some other Government Departments will not be to hand for some time.

The Prime Minister's visit to Germany is estimated to have cost £1,891.'

7xV 408/30/1

RECEIVED BY No. 19

- 3 DEC 1979

DESK OFFICE

INDEXED

Action Taken



HOUSE OF COMMONS
LONDON SW1A 0AA
DEPUTY CHAIRMAN OF WAYS AND MEANS
AND DEPUTY SPEAKER

27th November, 1979

Dear Secretary of State

I enclose herewith a letter I have received from my constituent Mr. J.B. McCullough, and would be grateful for a reply which I can forward to him regarding the first paragraph of his letter.

Yours sincerely
Bryant Goldman *Truena*

Enc:

This is a copy. The original
has been extracted and
closed, 40 years.

* ~ ~ ~ ~ ~
* ~ ~ ~ ~ ~ *

18. 11. 79

Dear Sir

I shall be most obliged if
you will let me know as soon as
possible the total cost to the taxpayers
of the state visit of Chairman ~~to the~~
also the visit of Mrs Thatcher to Germany.

I should also like to know if
the subsidy given to MP's meals at
the House of Commons is now to be taken
away in view of the fact that the New
Education Bill will deprive many poor
children from free school meals & others
will have to pay larger payments for
same.

I shall be obliged if you will
let me have all the above information
as soon as possible yours faithfully

J J McCallough

* ~ ~ * Address deleted and
closed, 40 years, under
a FOI Exemption.

W Wayland
29 September 2009

CONFIDENTIAL



Free

German

DSC

10 DOWNING STREET

From the Private Secretary

6 November 1979

Dear George,

PRIME MINISTER'S VISIT TO BONN: PLENARY SESSION

Having compared my notes with those of Clive Whitmore and with the records of the bilateral sessions, I have come to the conclusion that the only part of the discussion in the plenary session which is worth recording is the exchange between the Prime Minister and Chancellor Schmidt. I enclose a record of this.

I am sending copies of this letter and its enclosure to Brian Norbury (MOD), Tony Battishill (Treasury), Garth Waters (MAFF) and Martin Vile (Cabinet Office).

Yours ever

Michael Alexander

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

CONFIDENTIAL

UNCLASSIFIED

FM BONN 021710Z NOV 79

TO PRIORITY FCO

TELEGRAM NO 648 OF 2 NOVEMBER

INFO PRIORITY UKREP BRUSSELS, UKDEL NATO BMG BERLIN (FOR AMBASSADOR)
INFO ROUTINE EEC POSTS AND WASHINGTON. *mb**Rennie Amster*

ANGLO-GERMAN CONSULTATIONS 31 OCTOBER: PRESS REACTIONS

1. THERE HAS BEEN WIDE AND FRIENDLY COVERAGE OF THE PRIME MINISTER'S VISIT. THE GENERAL TONE IS REFLECTED IN AN EDITORIAL IN TODAY'S FRANKFURTER ALLGEMEINE ZEITUNG WHICH SAYS THAT THE ANGLO-GERMAN DISCUSSIONS, LIKE THOSE BETWEEN THE FRG AND FRANCE, ARE NOW MORE THAN CONSULTATIONS: THEY HAVE DEVELOPED INTO A MANIFESTATION OF FRIENDLY RELATIONS BETWEEN NEIGHBOURS. THE ARTICLE SAYS THAT THE PRIME MINISTER IS ACCORDED THE STATUS OF A HEAD OF GOVERNMENT WHO HAS BEEN IN OFFICE FOR YEARS. SEVERAL PAPERS EMPHASISE SCHMIDT'S RESPECT AND ADMIRATION FOR HER.
2. PRESS REPORTS CONCENTRATE ON THE COMMUNITY BUDGET AND ARE BASED PRIMARILY ON THE JOINT PRESS CONFERENCE. THE UK CASE IS FAIRLY PRESENTED. PAPERS EMPHASISE SCHMIDT'S STATEMENTS THAT BRITAIN'S DEMANDS WERE WELL FOUNDED: THAT HE WELL UNDERSTOOD BRITISH DIFFICULTIES: THAT HE HOPED THE EUROPEAN COUNCIL WOULD AT LEAST DECIDE THE PRINCIPLES ON WHICH A SOLUTION SHOULD BE BASED: BUT THAT THE MEETING WITH MRS THATCHER HAD SHOWN HIM THAT THE BUDGET QUESTION WAS EVEN MORE DIFFICULT THAN HE HAD HITHERTO THOUGHT. THE BONNER GENERAL ANZEIGER REPORTS THAT BOTH HEADS OF GOVERNMENT INDICATED DOUBTS ABOUT A QUICK AGREEMENT AND SCEPTICISM THAT FINAL DECISIONS COULD BE TAKEN IN DUBLIN. THE FRANKFURTER ALLGEMEINE ZEITUNG SAYS THAT ALTHOUGH SCHMIDT CONSIDERED IT NECESSARY TO ALLEVIATE BRITAIN'S DIFFICULTIES HE WOULD NOT ASSUME THE ROLE OF MEDIATOR, NOR WOULD HE THREATEN IN ANY WAY ESTABLISHED ELEMENTS OF COMMUNITY POLICY.
3. PRESS COMMENT HAS BEEN THIN SO FAR AND MOST HAS COME FROM CORRESPONDENTS BASED IN BRUSSELS. HAUSER OF THE GENERAL ANZEIGER, WRITING ALSO IN THE FRANKFURTER RUNDSCHAU, POINTS OUT THAT THE BUDGET PROBLEM IS ONE OF A COMPLEX OF INTER-LINKED ISSUES. IF THE UK WERE FORCED OUT OF THE COMMUNITY THERE WOULD BE REPERCUSSIONS FOR BOTH EAST/WEST AND FOR TRANSATLANTIC RELATIONS. A COMPROMISE MUST BE FOUND WHICH SHOWS THE PRIME MINISTER AS VICTOR BUT GISCARD NOT AS LOSER.

4. SOME COMMENT IS LESS HELPFUL. A CORRESPONDENT OF THE FRANKFURTER ALLGEMEINE ZEITUNG WRITES THAT THE PRIME MINISTER HAS OVER-SIMPLIFIED THE MATTER BY EMPHASISING BRITAIN'S BELOW-AVERAGE PER CAPITA INCOME WHILST REMAINING SILENT ABOUT THE REASONS WHY BRITAIN IS LAGGING BEHIND: THE UK'S FAILURE TO RESTRUCTURE THE ECONOMY. THE RHEINISCHE POST'S BRUSSELS CORRESPONDENT ASSERTS THAT BRITAIN'S FIGURES ON THE BUDGET CONTRADICT THE COMMISSION'S. MOREOVER EVEN THE PRIME MINISTER WAS NOT ABLE TO SAY BY EXACTLY WHAT FIGURE BRITAIN'S CONTRIBUTION IS EXCESSIVE.

5. THERE IS MUCH LESS COVERAGE OF OTHER ISSUES. THE PRESS REPORTS FAR-REACHING AGREEMENT ON TNF MODERNISATION AND DIE WELT WRITES THAT THE MEETING LEFT THE IMPRESSION THAT THE FRG AND BRITAIN WOULD PROVIDE THE QUOTE HARD CORE UNQUOTE OF SUPPORT FOR ARMS MODERNISATION AT THE NATO COUNCIL. ON RHODESIA, THE PRESS REPORTS THAT SCHMIDT ECHOED THE PRIME MINISTER'S SUPPORT FOR YOUR CONDUCT OF THE NEGOTIATIONS AND CARRIES HIS COMMENT THAT BRITAIN'S INTENSIVE EFFORTS HAVE BEEN UNEXPECTEDLY SUCCESSFUL SO FAR.

WRIGHT

FCO WHITEHALL DIST:

WED

EID



Germany

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

2 November 1979

Dear Ian,

R 57n

ANGLO-GERMAN SUMMIT : STEEL

The Chancellor was grateful for the briefing on this subject provided for his meeting with the Federal Minister of the Economy, Graf Lambsdorff. You will see from the attached extract of my record of their discussion that Lambsdorff referred at some length to his Government's wish to move towards a free steel market, and to that end to see a significant reduction in the scope of the temporary anti-crisis measures hitherto prevailing.

The Chancellor stuck strictly to his brief and undertook to report Graf Lambsdorff's views to the Secretaries of State for Industry and Trade.

I am sending copies of this letter to Stuart Hampson (Department of Trade) and to Tim Lankester (No.10).

Yours ever,

Jony Battishill

(A.M.W. BATTISHILL)

Ian Ellison, Esq.,
Private Secretary to the Secretary of State,
Department of Industry



AFTERNOON SESSION

Following lunch, at which the German team was joined by Graf Lambsdorff, Federal Minister for Economics, and State-Secretary Schlecht, Ministers resumed for a second bilateral discussion at which Graf Lambsdorff took the lead.

Community Steel Policy

16. Graf Lambsdorff, recalling that the Davignon regime was due to expire at the end of December, said that, whilst the Federal Government were in favour of an entirely free steel market, they recognised the necessity to continue some more limited protection. The Federal Government wanted to see minimum prices abolished, and had so informed the Commission. It was not yet known whether Commissioner Davignon had settled his own preference between outright abolition and suspension. He understood the United Kingdom Government favoured an Italian exception for steel coils. The Federal Government were anxious about this. The maximum price arrangements had a disruptive effect on the market, by giving North Italian producers the opportunity to undercut prices and threaten the industry in Southern Germany. He could not see any advantage for the UK in prolonging the present arrangements and asked if Her Majesty's Government would be willing to re-consider the possibility of a compromise. As regards the external regime, the Federal Government wished to see significant reduction in the restraints on imports from third countries - both as to the number of agreements and the number of products covered by them. The Federal Government's view was that only some 30-40 per cent of steel products needed now to be included within such agreements; this would cover most of those which the UK regarded as sensitive.

17. Replying, the Chancellor explained that the questions raised by Graf Lambsdorff were not within his direct Ministerial responsibility. He had a good deal of sympathy with the general desire to abolish protective measures of this kind. At the same



time, the steel measures were part of an established Community framework within which the steel industry was seeking to reorganise itself; and he hesitated to espouse too extensive a liberalisation whilst substantial structural changes were in train in the British steel industry. The industry was still losing money heavily. His personal view was that this might not be the time to countenance significant changes in the present regime. However, he would certainly report Graf Lambsdorff's views to the Secretaries of State for Industry and Trade.

1-5 NOV 1979

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6 7 8 9 10

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MOO

Germany 2 H.S.



10 DOWNING STREET

From the Private Secretary

2 November 1979

Prime Minister's visit to Bonn

I enclose records of the private sessions of talks between the Prime Minister and Chancellor Schmidt in Bonn on Wednesday.

These records contain a great deal of material which is politically highly sensitive. It is essential that they should be given extremely restricted distribution. This applies with particular force to that part of the record of the tete-a-tete session which is marked Secret and Personal and which should only be seen by one or two senior officials. I shall hope to let you have a partial record of the plenary session early next week. So far as I am aware little was said in the plenary session that was not covered in the various bilaterals.

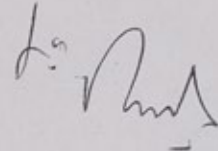
I am sending a copy of this letter and all its enclosures to Martin Vile (Cabinet Office); to Tony Battishill (H.M. Treasury) and Garth Waters (Ministry of Agriculture, Fisheries and Food) with those parts of the records that deal with the EEC budget and to Brian Norbury (Ministry of Defence) with those parts of the record that deal with strategic issues and with TNF modernisation.

M. O'D. B. ALEXANDER

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

SECRET

Alley

CONFIDENTIALL. N. NOTE OF A MEETING BETWEEN THE MINISTER AND MR ERTL, FEDERAL
GERMAN MINISTER OF AGRICULTURE

ANGLO-GERMAN SUMMIT - 31 OCTOBER 1979: BONN

Present: The Rt Hon Peter Walker, Minister of Agriculture, Fisheries and Food	Mr Ertl, Federal German Minister of Agriculture
Mr Evans - MAFF	Mr Rohr
Mr Waters - MAFF	Mr Genske
Mr McCleary - British Embassy, Bonn	Mr Witt

} German Ministry
of Agriculture

CAP and the Budget

1. Mr Walker expressed his disappointment at the response of the Council of Agriculture Ministers on 30 October to Mr Gundelach's review of the CAP budget. Mr Ertl acknowledged that a major problem confronted the financing of the CAP. Some savings could be found, perhaps of the order of 500 million units of account, but these were a drop in the ocean. At best, money for the CAP would run out in a year or two and enlargement could not be financed without an increase in revenues.

2. Mr Walker thought that it would be difficult to arrive at an agreed solution of the budget difficulties because the various Member States had such different interests in the CAP. Some were gaining immense benefits from the CAP while others were bearing a heavy cost. Some were more than self-sufficient in agricultural commodities while others were not. Mr Ertl replied that such difficulties had dogged the CAP from the beginning and were now aggravated by the divergence of Member States' economic performances. The "stocktaking exercise" of 1975 had shown that there was no common objective among Member States in their attitudes to the CAP. He recalled his previous conversation with Mr Walker at Bad Wiesse in the summer in which he had explained the central importance of the CAP to the Franco-German pact which had established the EEC. France had expected to gain access to German markets for her agricultural exports and Germany access to French markets for her industrial goods. In practice, German agricultural exports to France had risen at the same rate as French industrial exports to Germany, and agricultural exports from the Benelux countries and Denmark to Germany had also increased. These developments were basic to an understanding of the various Member States' interests in the EEC. France wanted to maintain her agricultural exports not only for the sake of her farmers, but in order to save foreign exchange, as did Denmark, Ireland and Italy. Italy and the United Kingdom wanted to

increase milk production in order to save foreign exchange. Against this background, a common global solution to the problems of the CAP could not be expected. Compromises had to be found and the problems worsened with time.

3. Mr Ertl recalled that France always favoured heavy intervention régimes in the meat sector. It was not, therefore, surprising that France was pressing for a heavy régime for sheepmeat.

4. Mr Ertl noted that the British Press constantly attacked small German farmers in connection with EEC surplus production. He pointed out that 50% of German farmers could be considered small, but that they accounted for only 20% of agricultural production. Improvements in farm structure would reduce the number of small farmers, but result in increases in production as larger farms were created. 440,000 cows had been slaughtered in Germany in 1978 under the non-marketing scheme, but had reduced the cow population by only 0.5%. This showed that the average herd size was increasing, but larger farms would have higher investment costs and would be unable to withstand an extension of the 1979 price freeze. Even so, milk production in Germany had increased by 2%.

5. Mr Walker argued that a price freeze should reduce farm incomes, but national aids and national financial policies were increasingly coming into play. These were not taken into account in Brussels' decisions. It was clear that national Governments would use such measures to prevent their farmers from being bankrupted by decisions taken under the CAP. Production would therefore be maintained by national aids, with the EEC budget meeting the cost of surplus disposal. If national aids were not brought under closer control, CAP decision taking would gradually decrease in importance. Mr Ertl thought that there was no prospect of bringing these aids within the purview of the CAP unless Member States could agree on an economic union which harmonised economic policies. He did not now believe that such a union could be attained before the end of the century.

6. Mr Walker said that the reason why there was no prospect of changing the CAP was that certain countries, namely the Netherlands, Denmark and Ireland made enormous gains from the budget and others, such as France, benefited from the trade flows of the CAP, and understandably did not want to surrender these advantages. Italy was moving from a position of net loss to one of net gain, having benefited from the generous structural package. Belgium was almost in balance in its transactions. Germany incurred a large net loss but believed that the price was worth paying; the United Kingdom, which would now incur the biggest loss, would argue that it was not.

7. Referring to the discussion at the informal meeting of the Council on 30 October, Mr Walker said that it was clear that the Commission had decided to tackle surplus production by means of quotas. It was still paying lip service to rejection of the quota system, but it was implicit in the proposals for a higher co-responsibility levy on those who increased milk production that quotas should be imposed. The Commission was also proposing

to use quotas to attack surplus sugar production. Mr Ertl replied that the problem of surpluses had been increased by the fall in the value of the US dollar. World prices had dropped, thus increasing the cost of disposal of EEC surpluses, and the dollar fall had also cheapened imports of feedstuffs. He agreed that quotas would not succeed in solving the problems of surplus production. They would have to be applied to farms and dairies and the administrative costs would be excessive. Countries with low historic rates of self-sufficiency would oppose the introduction of quotas. Mr Rohr thought that Commissioner Gundelach was not actually proposing a system of quotas, but rather a graduated co-responsibility levy which would increase with increases in production. He agreed, however, that in practice such a measure would have to be applied on a national basis and further refined to apply to individual farmers and creameries. He too, however, believed that such an approach would be unsuccessful.

8. Mr Walker said that a quota system could not be applied on an EEC basis. It would clearly be unacceptable to German farmers that they should be penalised for increases in UK milk production and vice versa. The penalty would have to be applied to those who actually increased production: and this meant individual quotas. As for sugar, most countries would oppose cuts in the 'A' quotas for their own production. It was depressing that Mr Ertl and he should agree that quotas would not succeed but be unable to propose measures that would succeed.

9. Turning to the problem of the financial ceiling on expenditure, Mr Ertl said that both the enlargement of the Community and the maintenance of the CAP would require increases in EEC revenues. He could not believe that any Member State would oppose the maintenance of the CAP in the last resort. Ways would have to be found of soldiering through the financial crises of the next year or two until revenues were increased. Mr Walker replied that decisions could not be deferred for two years: the problems were already here. Mr Rohr argued for a pragmatic approach to the problems of the next two years. An increased co-responsibility levy, cuts in the sugar quotas and reductions in the cost of other commodities might enable the Community to get by. It would be over-ambitious to plan as far ahead as 1985. Mr Evans reminded him that both the French and German Presidents had firmly said that the 1% ceiling could not be increased. Measures such as the co-responsibility levy were transparent devices to avoid the application of the ceiling and would be immediately perceived as such by the British Parliament. Mr Walker added that Britain would not be able to agree to price increases to be offset by co-responsibility levies in order to finance the CAP. In practice such levies were taxes on the consumer. In the sugar sector production levies could be set to reduce surplus production, but in the milk sector levies would have no effect if they were offset by price increases.

10. Turning to the prospects for the next price fixing, Mr Ertl said that no Member State would be able to accept price

cuts. Farmers' incomes had already been reduced as costs of production increased, while intervention prices were frozen. Quotas would be so difficult and take so long to negotiate that they would not provide a solution in time. It was not likely that agreement could be reached to tackle the problem of cheap imports of feedstuffs which substituted for Community grain. In summary, the problems seemed so large that Agricultural Ministers would be unable to solve them. If imports of cheap feedstuffs could be cut by 5% or 10% the costs of the dairy sector could be brought under control. But such measures were taboo for Germany and farmers, who would actually benefit from a better balanced milk market, could not be expected to cut down their use of cheap concentrates voluntarily. German farmers tended to point out that if they switched to the intensive livestock production systems used in the Netherlands, German milk production would increase dramatically. Access to cheap feedstuffs was a major illogicality of the system.

11. Mr Ertl said that the German approach to the price fixing would be guided by the principle of increasing farmers' incomes in line with the increases in other sectors of the economy. Farmers' incomes would have to be increased by about 6% to 7% which would mean a 3% price increase. He could not be expected to reduce German farmers' incomes in an Election year.

12. Mr Rohr confirmed that these calculations took into account only the position of full-time farmers.

Fisheries

13. Mr Ertl asked whether the United Kingdom would ratify the Canadian Framework Agreement. Mr Walker explained that the United Kingdom would ratify the 1979 Agreement in December by which time it would almost have ended. He regretted that this point had not been the subject of bilateral consultation before the last Council. He explained that British fishermen were nervous of making third country agreements before the CFP was settled and that the British Government had to carry British fishermen with it to reach a satisfactory settlement.

14. As for the prospects of agreement on a CFP, Mr Walker asked whether Mr Ertl thought that France wanted to make progress. He recalled that he had twice asked for a bilateral meeting with the French Minister and had twice been refused. Finally Mr Le Theule had offered a bilateral meeting one hour before the Fisheries Council but even that had not taken place because the British delegation had been delayed by fog. In Luxembourg Mr Le Theule had agreed to have talks with the British, but Mr Walker was not sure that France wanted to make progress. He thought that it should be in the French interest to settle the CFP before Spain joined the Community. Agreement could be reached within the next six months if France would co-operate, but friction between the Gaullists and the Giscardiens was complicating the issue. Mr Ertl replied that he would seek to discover whether France wanted to make progress. He contrasted favourably Mr Le Theule's readiness to talk with Mr Mehaignerie's fixed positions. He pointed out that Mr Le Theule was pre-occupied with his transport responsibilities and that he had not really mastered his fisheries brief.

15. Mr Walker agreed that this was the case, but recalled that Mr Le Theule had pressed for the June Fisheries Council to take place despite opposition from the United Kingdom, Germany and the Netherlands and the Commissioner. At the lunch before that meeting, Mr Le Theule had shown some understanding of the British approach, but at the Council itself he had embarrassed the United Kingdom and had pressed the Commission to take legal action against Britain's fisheries measures after the Council. He seemed to have sent in his fishing boats to get arrested and even to have promised his fishermen that the Government would pay their fines. Britain's fisheries measures were based on scientific evidence and were not discriminatory. The mesh sizes found in use by the French boats that had been arrested were much smaller than those that the French Minister himself had agreed should come into force from 1 September. Mr Walker said that he had faced constant provocation from Mr Le Theule which had been repeated at the last Fisheries Council. He therefore had the impression that Mr Le Theule, for some reason, did not want a settlement. It would be useful if Mr Ertl could persuade him to try to reach one; otherwise France alone would prevent the agreement that everyone else wanted.

16. Mr Ertl said that he had told Commissioner Gundelach that agreement could not be reached by legal action. He had been unable to see the French Minister himself, but Gundelach reported that he had encountered difficulties with France. The French had told Gundelach that they had not promised to pay the fines of fishermen that were arrested. Mr Ertl had pointed out that he had never promised to pay the fines of German nationals, whatever the provocation of other Member States had been. The French had said that they had not deliberately set up confrontation with the United Kingdom. Mr Ertl would try to persuade Mr Le Theule to agree to seek progress, but he did not at that moment know what his real intentions were.

17. Mr Walker pointed out that Denmark was the country most adversely affected by the British conservation measures. The Pout Box presented a major difficulty for Denmark, but even so he had managed to have a good bilateral discussion with the Danish Fisheries Minister. The Danish Election had then intervened, but the Danish Government had decided not to make a campaign issue out of the Pout Box. Mr Walker would meet the new Danish Minister of Fisheries to see if a rational solution could be found to the difficulties of the Pout Box. He was sure that a settlement could be reached that would be satisfactory to France ahead of Spanish accession. If France did not respond, it would be because President Giscard, the Gaullists and the Communists were fighting for votes.

18. Mr Ertl agreed that the EEC, and fish stocks, would be the losers if a common approach could not be established. The EEC would strengthen its position in negotiations with third countries if it could reach internal agreement on the CFP;

otherwise its negotiating position would be weakened. He accepted that a common approach was essential to effective conservation measures. He promised to use his good offices in the search for a common solution which would take some time to work out, possibly until next Spring. He had assured his Bremen fishermen that the United Kingdom Government sought a common approach, but needed to carry its own fishermen with it. Similarly, Mr Ertl had to show his own fishermen that he was not surrendering on all fronts. The German Ministry had elaborated the lines of a possible settlement. He was anxious that the British Government should not be criticised by Mr Silkin for having surrendered on fisheries. German fishermen realised that political point.

19. Mr Ertl said that he and Mr Gundelach agreed that the present CFP proposals did not provide scope for movement. He agreed that bilateral discussions were needed to facilitate progress and he did not mind if the decision was deferred until January or February of 1980. He advised against mixing up fisheries with agriculture.

20. Mr Walker agreed with this point. It would be advantageous for Europe if progress could be made on a new Common Fisheries Policy at a time when the Common Agricultural Policy was undergoing immense difficulties. He thought that British fishermen could be satisfied without damaging the vital interests of other countries. The Dutch had privately expressed understanding of the British problems. They too would have to negotiate in tough terms so as not to lose the support of their fishermen. Denmark knew that the British Government was prepared to seek a solution which allowed the pout fishery to continue without damaging stocks of whitefish.

21. Mr Walker therefore saw no basic difficulties with the Netherlands, Denmark, Italy, Germany or Belgium, which had a small but important industry. His main fear was that the French Government would seek to maximise their electoral advantage from the negotiations. Mr Ertl again offered to use his good offices in an attempt to ascertain French intentions.

Sheepmeat

22. Mr Ertl said that he had been shocked at the suggestion at the last Agriculture Council that an intervention system would be cheaper than a premium system in supporting the sheepmeat market. Germany could not accept the introduction of intervention for sheepmeat. He would like British and German officials to discuss whether the assertion was true or not. He was not convinced that it was true and thought that the real situation should be fully exposed. Mr Walker assured Mr Ertl that he would never agree to intervention for sheepmeat. It could be shown at a particular moment of time that intervention was cheaper than premiums, but all experience showed that intervention was the most expensive support system.

23. He recalled that Germany had originally supported the United Kingdom in opposing Community financing of premiums. If there were to be Community financing, Mr Walker could not be expected to tell British farmers that they would have to pay for premiums for the Irish and the French to compensate them for their past illegalities. Britain could only agree to Community financed premiums if British producers were treated in the same way as Irish ones. British producers and the British balance of budgetary transfers would benefit to the tune of £400 million from such a scheme. It would be much cheaper for the EEC to allow France to maintain the prosperity of her sheep farmers by means of nationally financed premiums. Mr Rohr suggested that the best solution might be to provide a basic premium (possibly set at zero) to be financed from the EEC with Member States allowed to make supplementary payments at their own expense. Mr Ertl thought that such a move would put at risk the principle of common policies.

Conclusions

Finally, Mr Ertl and Mr Walker agreed on the terms of the report of their bilateral discussion to be presented by Mr Walker to the Plenary Session. A report of the Plenary Session will be circulated separately.

G R Waters

G R WATERS
Principal Private Secretary
1 November 1979

Circulation

Mr Harding
Mr Perrins
Mr Sadowski
Mr Kuyk
Mr J H V Davies
Mr J R Moss
Mr Evans
Mr Kelsey
Mr Wilson
Mrs Archer
Mr Dixon
Mr Alexander - 10 Downing Street ✓
Mr Walden - PS/SOSFA
Mr Robson - PS/SS Scotland
Mr Craig - PS/SS Wales
PS/SS Northern Ireland
HM Ambassador Bonn
Mr McCleary - Bonn
Mr Pooley - UK REP Brussels

SUMMARY RECORD OF A PLENARY MEETING BETWEEN THE PRIME MINISTER AND HERR SCHMIDT, CHANCELLOR OF THE FEDERAL REPUBLIC IN BONN ON WEDNESDAY, 31 OCTOBER 1979, AT 1700

Present:

The Prime Minister	Chancellor Schmidt
Foreign and Commonwealth Secretary	Herr Genscher
Chancellor of the Exchequer	Herr Matthofer
Secretary of State for Defence	Herr Lambsdorff
Minister of Agriculture	Herr Apel
and Officials	Herr Ertl
	and Officials

* * * * *

Community Budget

The Prime Minister took up the question of the Community Budget. She said that it represented a very great political and practical problem for HMG. Next year Britain's contribution would be larger than our entire aid programme. The following day the Government would be announcing reductions in planned expenditure on housing, welfare, education etc. at the same time as the contribution to the EEC Budget was going over £1,000 million per annum. She recognised the difficulty for Britain's partners in finding the money to ease Britain's problem. But if they found it difficult, how much more difficult was it for Britain! The Conservative Party had always espoused the EEC cause and always would. It was better for the free world and for Britain if Britain was a member of the EEC. But it was becoming increasingly difficult to convince the British people their country was getting a fair deal. Britain was seeking in Dublin understanding of the problem and cooperation in agreeing a solution.

The Prime Minister said she did not want the Budget problem to dominate the scene. Britain was playing a full role in other ways. In the context of Theatre Nuclear Force Modernisation, we had agreed to increase the number of GLCMs based in the United Kingdom. We were increasing our expenditure on defence: policies of détente would be meaningless without a credible defence effort.

/ We had

We had fulfilled the Tokyo remit in helping the Community to formulate a position on oil import targets even though this had been against our own interests. We had made it clear that we were anxious for an agreement on the Common Fisheries Policy. We had relaxed exchange controls and expected this to be helpful.

Chancellor Schmidt said that his discussions with the Prime Minister had deepened his personal understanding of the significance of the budgetary transfer problem. However, it could not be solved unilaterally. The Community as a whole would have to solve it. The problem was not insoluble but it was very difficult. It was not enough merely to ask for a solution. Decisions had to be taken about who would pay, how they would pay and on what time-scale. It was doubtful whether Heads of Government on their own could resolve the issue. It was too complicated and their meeting was too short.

The Commission's proposals would be very important. Thereafter Foreign Ministers and Finance Ministers would have to prepare the ground. The pros and cons of the various options would have to be clarified. Some elements of Community policy could not be questioned.

- a) Own resources;
- b) The principle that budgetary outlays were determined by Community policies; and
- c) The legal framework of the Community.

The Commission and the responsible Ministers should come up with tangible written options for a solution.

Chancellor Schmidt said that he did not like the use of the word convergence in the present context. Convergence meant more than a fair distribution of contributions and receipts. Ensuring that the poorer countries were net recipients was not the only way of bringing about convergence. Nor would a fair budget deal of itself bring about convergence.

/ Chancellor Schmidt

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Chancellor Schmidt repeated his intention to be as helpful as possible. Although the Federal Republic would not accept a role of mediator, they understood that if anyone's position needed alleviation, it was that of Britain. The Federal Republic would put up its share of the money. Britain had a legitimate case but in order to win it good lawyers would be needed. Moreover in this instance the judges were interested parties. The Prime Minister would have to be as frank with others as she had been with him. If anything was to be achieved in the European Council, it would in effect have to be achieved before Dublin.

[Reports on the discussions between Foreign Ministers and Finance Ministers were delivered before the above exchange, and on those between Defence Ministers and Agriculture Ministers after it]

At the end of the meeting, Chancellor Schmidt raised the question of the timing of the next Anglo/German Summit. He and the Prime Minister agreed that it should if possible be combined with the Konigswinter meeting in Cambridge on 28 March. They agreed, as a consequence, to press for the spring meeting of the European Council to take place on 31 March and 1 April.

The discussion ended at 1745.

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6 November 1979

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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND
CHANCELLOR HELMUT SCHMIDT AT THE CHANCELLERY IN BONN
ON 31 OCTOBER 1979 AT 1530

PRESENT

The Prime Minister
Foreign and Commonwealth Secretary
Mr. M. O'D. B. Alexander

The Federal Chancellor
Herr Genscher
Dr. von der Gablenz

* * * * *

Rhodesia

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Rhodesia situation
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The Prime Minister said that the Rhodesia talks in London had reached a critical stage. Agreement had been reached on a Constitution and on the installation of the Governor. It would be ridiculous and absurd if the talks were to break down on the problems of the interim period. It would mean that those responsible for the break-down are not genuinely interested in democracy. Britain intended to go ahead with the internal elections. If the Patriotic Front decided not to participate that would be their decision and theirs alone. That the talks had got as far as they had was due largely to the superb way the talks had been handled by the Foreign and Commonwealth Secretary. Chancellor Schmidt said that he shared the Prime Minister's admiration for the way Lord Carrington had handled the negotiation.

The Foreign and Commonwealth Secretary said that there was a feeling abroad that HMG only needed to negotiate with the Patriotic Front. The Chancellor said that he recognised that Britain was dealing with three parties or even, if one included Mr. Smith, with four. The Foreign and Commonwealth Secretary said that Bishop Muzorewa had been given no credit for accepting a British Governor with executive powers or for accepting that the Governor would in fact run the country while the Bishop was fighting the election. For a man who had recently won the support of 64 per cent of the electorate to make these concessions, and to agree to submit himself to another election, was remarkable. The Patriotic Front had themselves made concessions on the Constitution. They would now have to trust Britain over the appointment of the Governor and the handling of the interim period. The Chancellor agreed.

/Theatre Nuclear

Theatre Nuclear Forces (TNF)

The Prime Minister said that the immediate question was how to help the Dutch take the right decision about the deployment of theatre nuclear forces on their soil. The Foreign and Commonwealth Secretary pointed out that he would be seeing the Dutch Foreign Minister, Dr. Van Der Klaauw in the following week. The Chancellor said that both Dr. Van Der Klaauw and the Dutch Defence Minister were sound on the question of TNF modernisation. However, this was not the case where the Labour Opposition and the Christian Democratic Party were concerned. Herr Genscher added that the Christian Democratic Party had decided the previous evening that there would have to be two years of arms control negotiations with the Warsaw Pact before they would agree to the deployment of TNF. The Foreign and Commonwealth Secretary said that it was not clear exactly what the Christian Democratic Party had decided. If it merely meant that the missiles could not be deployed until after two years of negotiations, this would be of no particular significance since the missiles could in any case not be deployed before 1983. The Chancellor said that even if this was all that the Christian Democratic Party had said, it would be a decision of weakness. He asked whether the Prime Minister would be able to bring some influence to bear on the Dutch Prime Minister, Mr. Van Agt. He for his part intended to make a further attempt to persuade the Leader of the Opposition. His attitude was important because of the effect it would have on the actions of the Belgian Parties. The Foreign and Commonwealth Secretary said that it might be possible for him to see the Dutch Prime Minister during his forthcoming visit. The Prime Minister said that it might be helpful if she were to send a message to the Dutch Prime Minister asking him to see the Foreign and Commonwealth Secretary.

Herr Genscher said that the Dutch Government might suggest reducing deployment on missiles in the Netherlands to half the proposed figure. The Foreign and Commonwealth Secretary and the Prime Minister said that this approach was unacceptable. Herr Genscher agreed and observed that if one country started to talk in terms of halving the number of missiles it would accept, the public elsewhere would wonder why the deployment in every country should not be halved. The Chancellor said that even though the

/agreed figure of

Wagon
 Defence May 79
 Modernisation of
 TNF in Europe

agreed figure of 576 missiles was an artificial one. it was essential that the Alliance should now stick to it. The Prime Minister said that it would be a very good idea for the whole of the Dutch Cabinet to see the NATO presentation on the military balance in Europe. She had seen it recently and had once again been impressed by the extent of the Soviet lead in various areas. Chancellor Schmidt said that this was an excellent idea. The Foreign and Commonwealth Secretary should find out whether the Dutch Cabinet had seen it and if not try to persuade Dr. Van Der Klaauw that they should do so. The Foreign and Commonwealth Secretary said that he would do this, He added that his discussions with the Norwegians on this subject had not been easy. Even though the Norwegians would not have to accept the missiles on their territory, they had seemed to be in some doubts about approving the programme. However, they were now coming round.

Chancellor Schmidt said that he had talked to President Carter on 29 October about the possibility of a US offer to withdraw unilaterally one thousand obsolete nuclear warheads from the Federal Republic. News of this idea had leaked to the newspapers. By making it official the Americans would:-

- (a) pre-empt the Dutch decision and make it easier to resist a reduced deployment of new weapons; and
- (b) counter balance the effect on world opinion created by Mr. Brezhnev's speech in Berlin.

NATO had 7,000 nuclear warheads on German soil: they probably needed only 700 or possibly 70! NATO's position would look more credible if 1,000 warheads were removed. However, President Carter had not so far been convinced. He accepted that it would be right to remove the warheads but thought that the decision should wait until the December NATO meetings. Chancellor Schmidt said that ^{the fact that} the leaks that had already taken place meant that the potential impact of the proposal was already diminishing. The Prime Minister said that she was anxious that NATO should not make a gesture of this kind without making sure of getting something in return. The Foreign and Commonwealth Secretary said the return would be that the Dutch would remain on board. The Prime Minister wondered whether there was not a risk that NATO /would give up

would give up the warheads but fail to bring the Dutch along. Chancellor Schmidt said that one day soon he would in any case have to tell the Americans to take "this rubbish" away. The gesture of a unilateral withdrawal now would cost nothing and would look very good. It could be linked with the Option Three proposal which had been discussed in the context of the MBFR negotiations. The Russians had been offered this sort of reduction in NATO Forces in return for diminishing their own forces by 30,000 men and 1500 tanks. Mr. Brezhnev's statement had, in a sense, signalled that the Russians were willing to carry out their part of the Option Three bargain. NATO could do the same. It would not alter the military balance but would make it more difficult for the Dutch to insist on still further reductions.

The Community Budget

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Env for #3
Future Policy towards
Community budget*

The Prime Minister stressed the importance of this problem for Britain. Popular resentment on the question was very great. She was constantly being faced in the House of Commons with statements that if no solution was found in Dublin, Britain should withhold its contribution. She had constantly replied that the Government intended to remain within the law. Nonetheless, it was essential that Britain should get satisfaction. There could be no half measures. There had to be a broad balance. Although entitled to it as one of the poorer members of the Community, Britain was not asking for net benefit from the Community budget. But it would be impossible for Britain to make an annual contribution of £1,000 million or more. Chancellor Schmidt said that the English newspapers were over-stating Britain's case. The take-it-or-leave-it attitudes which were being expressed were not prudent. The Prime Minister said that the media were merely reflecting general resentment at Britain's position as the main contributor to the budget.

The Chancellor said that he agreed that Britain had a case. But the psychology of the situation was of great importance. The Prime Minister should be under no illusions about what would happen if the future of the Community came into doubt. It would not fragment: the other eight members of the Community would remain together. However, a split between Britain and the rest of the

/Community

Community would represent a terrible weakening of the West's position in the 1980s. There was now no US leadership and no prospect of it. The Foreign and Commonwealth Secretary said that the Community must not break up. Chancellor Schmidt said that it was necessary to look at the worst option. The tone of the British press was detrimental to the prospects of success in Dublin. The French were saying it reflected official briefing. President Giscard was telling him not to be flexible. Chancellor Schmidt was replying to President Giscard that it was essential to be flexible and that no member must be left feeling so dissatisfied as Britain at present did. Nonetheless, President Giscard was building up a tough position.

The Prime Minister said that President Giscard's position was not a strong one. France had after all been a net beneficiary from the budget for many years. Britain's position was neither fair nor equitable. At the same time as she was reducing planned expenditure on education, housing, health and other things of importance to her electorate, she was having to increase Britain's contribution to the budget. Moreover, the budget was going to countries with lower rates of tax. Chancellor Schmidt said that the difficulty with Britain's membership had of course been that she had had to make the necessary structural changes so rapidly. The original members had had many years in which to do it. Nonetheless, Britain would only get the undertakings she required in Dublin if there was an atmosphere there of give-and-take. All the participants would have to be able to defend the outcome of the European Council meeting when they returned to their own countries. The Prime Minister repeated that Britain was paying more than she could afford. The Foreign and Commonwealth Secretary said that it seemed to him legitimate for the other members to say it was Britain's own fault that she was in such a mess. He was ashamed at having to point out that Britain was the third poorest member of the Community. The Prime Minister was determined to rectify the situation but this would take time and would involve the British Government in taking some extremely unpalatable decisions. As and when these decisions were taken and cuts were made, there would be major repercussions. People were going to have to do without things to which they had become accustomed. If the economy was prospering, there might be fewer objections to a major British contribution to the Budget. But how could the present contribution be justified when people were in any case having to make sacrifices?

/Chancellor Schmidt

Chancellor Schmidt said that he fully understood the British problem. But to solve it, the Prime Minister would have to put herself in the shoes of the other members. The German Government had no intention of making difficulties. Equally they could not and would not fight with the French on the question. The Prime Minister said that she had not asked the German Government to do so. Nonetheless, it was difficult to accept the attitude of the French Government. Chancellor Schmidt said that the French would argue that there had already been three negotiations about British membership and that the Dublin mechanism, even if functioning imperfectly, was in place. Their position would be that everyone must obey the agreements which already existed and that a solution should be found by adapting the corrective mechanism. The Prime Minister said that the British people were not prepared to go on financing the other members. Chancellor Schmidt said that the only payment from the British budget was the one per cent VAT contribution. The contribution from levies and tariffs did not go through the budget. The Foreign and Commonwealth Secretary said that nonetheless they represented a transfer of resources. Chancellor Schmidt agreed but went on to argue that if the CAP were abolished, Britain's budget would not benefit in any way. The Prime Minister said that if sugar and beef were de-budgetised, Britain would derive a major benefit. Chancellor Schmidt said that the Prime Minister was right to focus on the question of the financing of the agricultural surpluses. A reduction in the overall outlay on agriculture would reduce the deficit of those who were net contributors. An attack on the financing of the surpluses would have the support of Community Finance Ministers. In approaching the problem in this way, the Prime Minister might find the allies that she needed. No one would lightly agree to shoulder their share of the 1.5 billion units of account needed to bring Britain into a position of broad balance. The Prime Minister said that if the other members were not prepared to pay their share, how could Britain be expected to bear the entire burden. Chancellor Schmidt said that the Federal Republic was certainly prepared to pay more. It was equally clear that Italy, Ireland and France were not at present prepared to pay more. Luxembourg did not count. Belgium, the Netherlands and Denmark were all in surplus. But even if they were prepared to pay, that would not be enough. A way had to be found to bring intelligent people together to find ways of tackling the problem. It could not be left to the last moment

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because Heads of Government did not understand all the intricacies. The Prime Minister said that the problem was a political one and recalled the language approved by Community Ministers in 1970, during Britain's accession negotiations, about the need to take action to avoid unacceptable situations arising. Chancellor Schmidt said that he recognised that Britain had a legitimate case. Unfortunately to state this was not sufficient. A way of solving the problem also had to be found. The problem should be tackled in slices. Agreement should be sought on the need to decrease the outlay on agricultural products. It would be difficult for President Giscard to reject this since it would not hit France specifically. Other problems could be dealt with later. The regional and structural funds should not be touched but changes in the operation of FEOGA were badly needed. Eight of the Agriculture Ministers would no doubt threaten to resign but the Finance Ministers would be sympathetic and President Giscard would understand. (Chancellor Schmidt suggested that the Prime Minister should remind President Giscard that Communist firms in France sold butter out of intervention to the Soviet Union and used the profits to finance the French Communist Party.)

Chancellor Schmidt said that it was essential that the meeting in Dublin should be carefully prepared. If the various locomotives now in motion ran on down the rails without action being taken, there could only be a collision with unforeseeable consequences. The meetings of Finance Ministers and Foreign Ministers in mid-November would be important. Perhaps there could be a private meeting of Foreign Ministers in the evening. The Foreign and Commonwealth Secretary said there would have to be a technical in-put because the Foreign Ministers would not be familiar with the detail. Chancellor Schmidt agreed that the technical problems were formidable. He instanced the problem of how the net transfers would be divided up assuming the scale of relief for Britain had been agreed. Germany could not accept payment on a GNP basis because she would then end up paying more than would be indicated by the one per cent VAT contribution. This would be totally unacceptable. If the budget had to be decreased, there would be a quarrel as to where and how the reduction should take place. Unless the Commission produced a paper with sensible

/ options

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options and unless the Foreign Ministers (not the Ministers of Agriculture) had discussed the paper, the Community would find itself in considerable trouble. Mr. Lynch was unlikely to prove a sufficiently strong President to be able to pull things together in Dublin.

The Prime Minister pointed out that she had been willing to take a decision to accept an extra flight of GLCMs without hesitation and without bargaining. She had been prepared to contribute to the achievement of the targets laid down at the Tokyo Summit (with the establishment of which she had disagreed) without haggling. But when it came to meeting Britain's grievances no one was willing to help. She felt deeply resentful that Britain's grievances were not being dealt with. Chancellor Schmidt pointed out that the decision on the GLCMs and on oil were unilateral decisions. A decision to solve Britain's budgetary problem would have to be a multilateral decision. The Prime Minister said that her unilateral decision in this area appeared to be to contribute £1,000 million per year to the Community budget. The Foreign and Commonwealth Secretary said that the problem was to persuade our friends in the Community that there was a problem and that action had to be taken. Chancellor Schmidt said that if Britain failed to persuade her friends she would have to leave the Community. In order to persuade them, it would be necessary to offer them a means of maintaining face vis-a-vis their own electorates. The other Heads of Government could not simply pay over several hundred MUAs and then return with equanimity to face their respective Parliaments. The Federal Republic might be the only member of the Community who could get away with an offer of as much as two or three hundred MUA per year. Compared with President Giscard, who had to deal with M. Chirac as Leader both of the Guallist Opposition and of the agriculture lobby, the situation of the German Government was relatively easy. Their opponents tended to say

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that the Government was not doing enough for the Community. But even within his own Cabinet there would be trouble with Herr Ertl if the agriculture budget was cut, and with the rest of the Cabinet if cuts were made elsewhere. The position in some of the smaller member countries would be even less favourable. In Denmark, where Mr. Jørgensen had just been returned with a reduced majority, it would be very difficult indeed for him to agree to transfer 100 MUA to Britain.

The Foreign and Commonwealth Secretary asked what steps Britain should take to help the other members to reach the right kind of decision. Chancellor Schmidt said that a solution of the fisheries problem might be helpful with the French and the Danes. Energy was the greatest unsolved problem facing the Community. The UK, the Netherlands and Germany had some resources. The other members had nothing, and were getting no help from the Community. France, it was true, had a very large nuclear programme, and by the late 1980s would have substituted nuclear power for something like 70 per cent of its present oil requirements. But they would be awkwardly placed in the interim. Germany would rely on coal and on oil derived from coal. The cost of such oil would be three times the cost of oil today in real terms. The Germans' position would probably be manageable eventually. But as with France, there would be a difficult interim period. Italy, Denmark and Ireland had no energy resources and no alternative programme in prospect.

said

The Prime Minister/that Britain had already made a concession on energy. As regards fish, the present difficulties had arisen because Britain had conserved her resources, and the French had not. France's waters had been fished out. Britain had done the right thing where others had failed to do so. Chancellor Schmidt said that the British Government should not think they were doing the right thing and others were not. This was not true. Britain had joined a club

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/with fixed

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with fixed rules. She had discovered that the rules were unbearably unjust. But in order to change them, the consent of the other members would be necessary. It would be necessary to campaign with them to convince them of the need for change. They knew that Britain had a case and that they ought to give something up. But Britain would have to give up something as well. If they were given a pretext for saying no or for delaying and confusing the issue, they might well decide that it suited them to take this way out. They would have to be persuaded to subscribe to an undertaking in Dublin. If Britain's attitude were to be one of "take-it-or-leave-it", the other members might well say leave it. This was a real and serious danger. The Prime Minister said that the attitude of the other members, as described by Chancellor Schmidt, mirrored the attitude of her electorate. She herself had always been strongly pro-European, and did not wish to be faced with the prospect of having to tell the anti-Europeans that they had been right.

The Chancellor said that part of the problem was that the judges were party to the dispute. Even a good case needed a good lawyer. For the other eight members to help Britain out, they would have to accept that they would suffer financially. The Foreign and Commonwealth Secretary said that it would be a terrible thing for the Community to break up. But if Chancellor Schmidt was correct in suggesting that President Giscard did not accept that Britain had a case, the Eight would have some very difficult decisions to take. Was it possible that they wanted Britain to wreck the Community? Chancellor Schmidt said that the other members of the Community had long since ceased to believe the previous British Government. They had got fed up with hearing from No. 10 that the situation was intolerable. So far, most of them had only got as far as accepting that Britain wanted yet another renegotiation, they were disinclined to agree. The Foreign and Commonwealth Secretary said that the present British Government had spent

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its first five months in office trying to remove misunderstandings inherited from their predecessors. However, the lack of a fair deal on the budget was a serious obstacle. The Prime Minister said that Mr. Callaghan had set out Britain's budgetary problem plainly in his speech at the Lord Mayor's Banquet twelve months previously. The situation was worse now than it had been then. Chancellor Schmidt repeated that he agreed that Britain had a legitimate grievance. He agreed that a solution had to be found. But the presentation of that solution in the other member countries would be a matter of the greatest importance. It would be difficult for all the members, notably for the Italians and the Danes. Foreign Ministers would have to meet informally to try to find relevant procedures and principles. If the principles could be agreed in Dublin, the difficulties would be on the way to a solution. If the principles were not agreed, the break-down of the Community could follow within a year.

The Prime Minister said that her Government would probably face considerable criticism following the publication of the Public Expenditure Paper the following day. There was an increasing likelihood that the Government would be faced on the issue of the Community budget with increasingly strong anti-Community feeling. Chancellor Schmidt said that nonetheless it was necessary for Britain to do more than simply ask for a solution to be found. If everyone was to ask for their money back, the Community would be bankrupt within a very short time. In the search for a solution, much would depend on the way the President of the Commission presented the problem. One difficulty was that Mr. Jenkins was English. Nonetheless his standing and reputation were good. He would have to produce the options. The British Government would have to be clear before Dublin which options it preferred. It would be essential for Britain's representatives to be concrete. The German Government would consider before going to Dublin what concessions it could make. They would adopt a middle of the road position, but would not be willing to act as mediators.

/The Prime Minister

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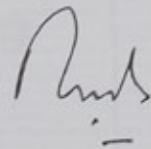
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The Prime Minister stressed that she was not prepared to seek a solution which involved a larger budget. Expenditure on the CAP would have to be reduced. Chancellor Schmidt urged the Prime Minister to have this worked out in concrete terms. Without cutting into the CAP, the problem would not be soluble. The Prime Minister said that one way of reducing the expenditure on surpluses would be to de-budgetise a substantial part of the CAP and to fund it nationally.

Chancellor Schmidt said "the man on the moon", looking at the problem, would say it was difficult but not impossible to solve. If it were to be solved, there would have to be contacts before Dublin. The number of options on the table would have to be limited and clear. It was no use expecting Mr. Lynch to do much more than call the speakers in order. There was a risk that the performance of the Presidency would be as weak as that of the Japanese in Tokyo. The Prime Minister said that in the end the problem came down to finding the money. She was afraid that those who were getting it at present would want to go on getting it. She would be looking closely at the legal position in regard to withholding contributions. Chancellor Schmidt said that he hoped the Prime Minister would also look closely at all the various mechanisms which might be used to assist in resolving the issue. Commissioner Gundelach might turn out to be an essential participant in any discussion, Even if there were no problem with net transfers, the CAP might explode under the pressure of existing problems.

The discussion ended at 1700 hours.



1 November 1979

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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE FEDERAL CHANCELLOR IN THE FEDERAL CHANCELLERY, BONN, AT 1115 ON WEDNESDAY 31 OCTOBER 1979

Present:

Prime Minister
Mr. C.A. Whitmore

Chancellor Schmidt
Dr. Jurgen Ruhfus

* * * * *

The International Situation

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Defense 743
CTB, SALT,
MBFR.

Chancellor Schmidt said that he was doubtful whether the United States would be able to provide the Alliance with the necessary leadership over the next 12 months. The Soviet Union would be as aware as the NATO allies of the predominance of American domestic issues in the period preceding the Presidential election. When he had spoken to President Carter the previous day, the President had said that the prospects for ratification of SALT II were difficult and he had said no more than that he hoped ratification would take place by Christmas. When the Prime Minister said that she thought that the President's handling of the recent crisis with the Soviet Union over the stationing of Soviet combat troops in Cuba had been bad, Chancellor Schmidt agreed and said that he should have either ignored the presence of Soviet troops or made much more of it. As it was, the President had blown hot and cold, and his crisis management had been poor. But the Alliance might well have to learn to live with this, for in his view President Carter had a better than evens chance of being re-elected. He thought that Senator Kennedy's past would prevent him from getting the Democratic nomination, and he did not believe that any of the Republican candidates was a really convincing runner for the Presidency. But President Carter's chances turned on the ratification of SALT II. He believed that President Carter might well be destroyed electorally if he failed to get the Treaty ratified. There were things about the Treaty which he did not like.

/He thought that

He thought that the Americans had blundered over the non-circumvention clause and the Protocol, for they had received nothing in exchange for these concessions. It was essential that the Protocol was not extended, and he believed that the non-circumvention clause required an official statement of interpretation by the Americans. The Prime Minister said that such a statement existed, but it seemed to her that its language went flatly in the face of the Treaty language. The United Kingdom needed American help with the replacement of Polaris. There were certain things which technically we could do ourselves but which it would be immensely cheaper to do with American help.

Chancellor Schmidt said that looking ahead, he saw the worst-case situation for the Alliance as one where there was a failure to ratify SALT II and President Carter was re-elected. If this combination of events came about, American leadership of the Alliance would no longer be credible. At the same time the leadership of the Soviet Union would almost certainly be changing. President Brezhnev was obviously very ill, and there were no settled procedures, as far as he could see, for determining the succession. There was likely to be a rough period if the Soviet leadership sought to replace him while he was still alive or even to regulate the succession. Given President Brezhnev's state of health, other leaders must already be taking certain decisions, but it was difficult to know who they were and who would actually come to the top eventually. But he thought that a new leadership would have to build up its authority not only within the Soviet Union and its loyal allies but also with countries like Rumania and Yugoslavia. They would have to try to appear tough and self assured. If, at the same time, they were faced with a weak leadership in NATO, this could make them unduly self confident. We could thus rapidly find ourselves in a crisis of "the world's equilibrium system". Indeed he thought that we were already in the early stages of such a development. This raised the question

/whether the

whether the European allies would be steady and perceptive enough to provide some cooperative leadership in those fields where it was lacking most. This concerned not only subjects like the East-West balance in strategic and longer range Theatre Nuclear Weapons but also the Middle East and energy. The dependence of the West on Middle East oil was extremely dangerous, and if the supply was seriously disrupted, although the United States might somehow muddle through on the basis of a crash programme to develop their own resources, Germany, Italy and France would be in the gravest difficulties, not short of the collapse of their political and economic systems. The United Kingdom, with its North Sea oil, would be better placed but even so, would be bound to be affected. This was the crisis which he most feared might confront a West without leadership. The Soviet Union, on the other hand, could survive the interruption of oil supplies from the Middle East better than any country apart from the United Kingdom. If this crisis occurred, it would be of the utmost importance that France, the United Kingdom, the Federal Republic and other Western European countries found ways of living with each other and cooperating on a much more extensive basis than now, and this would require total mutual confidence.

C.A.W.

1 November 1979

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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE
FEDERAL CHANCELLOR IN THE FEDERAL CHANCELLERY, BONN, AT
1115 ON WEDNESDAY 31 OCTOBER 1979

Present:

Prime Minister
Mr. C. A. Whitmore

Chancellor Schmidt
Dr. Jurgen Ruhfus

* * * * *

Premier Hua's Visit to Western Europe

*Copy on China May 79
Visit Premier Hua Guo feng
to UK
and China -*

The Prime Minister said that Premier Hua, who was *Sino-Soviet Relations* now in the middle of his visit to the United Kingdom, had told her how pleased he had been with his talks with the Chancellor in Bonn. She had herself discussed the international scene with him on Monday and Tuesday and was due to discuss bilateral issues with him the following day. She had first met Premier Hua in Peking three years ago and had been struck then by how very much he was in command. His present visit had served to confirm that impression. Until his present visit to Western Europe he had not previously been to a Western country. Yet he was handling the visit with remarkable self-confidence and ease of manner. He had given her a detailed account of his view of the position in a very wide range of countries: he seemed to have considerable knowledge of what was happening even in relatively obscure states. In talking about the inevitability of war with the Soviet Union, he had tempered slightly the view which he had taken three years earlier when he had told the Prime Minister that he thought that she was too soft on this. But the weakness of his present argument was his assumption that if the Soviet Union attacked China, NATO would attack the Soviet Union.

/ It was not clear

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It was not clear why he made this assumption since it was plain that China would not automatically come to the help of the West if the Soviet Union attacked us. She had told him that, in her view, the Soviet Union, faced with NATO firm in the West and with China in the East, were probing the soft underbelly which ran through Afghanistan, Iran and other Middle Eastern countries into the African continent.

Chancellor Schmidt said that he agreed with the Prime Minister's assessment of Premier Hua's qualities. He had found him clever and wise, with the outlook of a much bigger man than he had expected. He had been deeply impressed by Premier Hua. China had come a very long way since the death of Mao. It had been noticeable that Premier Hua had not mentioned Mao's name once in his speeches in the Federal Republic. He had given his German hosts an assured and detailed assessment of Sino/Soviet relations, which he had said was not his personal analysis alone, but the joint appreciation of the Chinese leadership as a whole. It was the Chinese view that there would not be a war with the Soviet Union in the 1980s. They were confident in their judgement that the Soviet Union would never dare to initiate a war on two fronts. Premier Hua had said that China could separate Eastern Siberia from the rest of Russia by cutting their railways. The Soviet Union knew that they could not destroy all of China's missile forces and so the prospect of a retaliatory strike against Soviet cities deterred them from attacking China. In making this fresh appraisal of the strategic relationship between China and the Soviet Union the Chinese were in effect abandoning their own propaganda. Premier Hua had also told him that the Chinese had thoroughly analysed the Soviet strategic position before they undertook what they had termed the self-defence operation in Vietnam. They had been confident that the Soviet Union would not intervene in response to China's involvement, and their assessment had been proved right in the event.

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The Prime Minister said that she had found Premier Hua rather uncertain about the present situation in South East Asia. She had told him that the United Kingdom regarded Pol Pot as a cruel and barbarous dictator. She had not, however, mentioned to Premier Hua that the United Kingdom would have to reconsider before very long whether we should continue to recognise Pol Pot. His regime was no longer in control of the whole of Kampuchea, and there might be a case for recognising neither him nor the regime of Heng Samrin for the time being. Chancellor Schmidt added that in deciding what to do about recognition, it would be important to take account of the views of the ASEAN countries.

Copy m
Kampuchea
Oct 79
Situation -
Message
from Prince
Sihanouk

In response to a question by Chancellor Schmidt, the Prime Minister said that she had last met Prime Minister Lee Kuan Yew at the Commonwealth Heads of Government Meeting in Lusaka. On that occasion he had offered a brilliant analysis of the world scene. He had seen two new factors of significance. The first was that despite having the widespread sympathy of the international community following the end of the Vietnam War, the Vietnamese Government had shown themselves to be unable to establish real peace and to build prosperity for their people. Second, we had to recognise that for many people conflict had become a way of life which they were reluctant to give up. Unfortunately this analysis had been Lee Kuan Yew's only intervention at Lusaka, and it was a pity that he had not done more to use his undoubted influence in a helpful way.

Chancellor Schmidt said that he regarded Lee Kuan Yew as a man of considerable judgement. He ought to be more influential, but the fact was that he was too successful and other developing countries disliked him for it. It was a pity that Singapore was so small a scene for him:

/ he appeared to

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he appeared to feel constrained from taking action which might put his tiny state into the middle of international controversy. He might make a good United Nations Secretary General. The Prime Minister disagreed with this. She thought that Lee Kuan Yew was too much of a man of action to be prepared to take on the United Nations job.

/ Rhodesia

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Copy on Rhodesia Pt 8
Situation/Constitutional
Conference

Rhodesia

The Prime Minister said that she had had a long talk with Premier Hua about Rhodesia but she had found it difficult to get him to understand the basic concept of our approach to the problem. He had told her that the Front Line States would not accept Bishop Muzorewa as the leader of an independent Rhodesia. China had of course an interest in a Patriotic Front victory in Rhodesia, even though Mr. Nkomo was receiving Soviet help. She had told him that the battle was no longer one between black and white but between black and black. Our objective now was to see that the Rhodesian people could make a choice in free and fair elections, and if the Patriotic Front lost, they must accept the verdict of the ballot box and stop fighting. The concept of the ballot box was a difficult one to get over to Premier Hua, but she would return to this subject with him in their further talks the following day. She would also point out to him again that a stable Rhodesia would be a check on the expansionism of the Soviet Union in Southern Africa. If Rhodesia drifted into chaos, it would make the eventual loss of South Africa that much more likely, and this in turn would weaken the West as a whole since they relied on South Africa for certain vital raw materials.

Chancellor Schmidt said that the fundamentals of the British approach to Rhodesia appeared to him to be clear and simple and he would have expected Premier Hua to understand them. He had told him when he was in Bonn that he thought that the Foreign and Commonwealth Secretary was handling the Lancaster House negotiations extremely well. He would, however, be grateful for the Prime Minister's assessment of the chances of bringing the talks to a successful conclusion.

/ The Prime Minister

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The Prime Minister said that successive British Governments had stipulated that six conditions should be fulfilled before Rhodesia could be restored to legality and given independence. The Rhodesian election of last April had returned a black majority Government with a 64 per cent turnout, and there were many people in the United Kingdom who thought that Bishop Muzorewa's Government had met all six conditions. There were, on the other hand, those who argued that there was some doubt about whether the fifth principle, which was that any settlement should be acceptable to the people of Rhodesia as a whole, had been adequately satisfied. It was also argued that the constitution on which his Government had been elected was deficient in two respects. It would have been possible to ask him to put right these two defects and then to recognise his Government as a legal and independent one. If the British Government had followed this course, however, we should almost certainly have not gained the support of the international community and this would not have been helpful to Rhodesia. We had therefore decided to take the route which we were now following, and our main purpose at the Lusaka Conference had been to carry other countries along with us. As a result of the Lancaster House negotiations so far we had obtained the agreement of the participants to a constitution which not only got rid of ^{the} two deficiencies in the existing Rhodesian constitution but was also comparable to the constitutions which we had granted in the past to former British colonies. We were now trying to negotiate the pre-independence arrangements, and this was the most difficult stage so far. The British Government were proposing that a British governor should be installed in Rhodesia during the transitional period in whom legislative and executive authority would be vested. It was envisaged that Bishop Muzorewa and his Ministers would devote themselves to contesting the elections. The present security forces would be answerable to the governor. Although we were expecting there to be a ceasefire, we wanted to keep the pre-independence period to no longer than two months.

/ The longer it lasted

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The longer it lasted the more likely it was that guerrilla activity would increase and if events took a serious turn, the Governor would be helpless. There was no intention to support him with British troops. It would be for him to supervise the elections, thus fulfilling the undertaking which the British Government had given at Lusaka, and to ensure that they were free and fair. Bishop Muzorewa was prepared to go along with these pre-independence arrangements. Given the nature of the election which he had won in April, this was a big step for him to take and few people realised how far he was prepared to come. But it was by no means certain that the Patriotic Front would also agree to the British Government's transitional proposals. They were arguing that the pre-independence period should be longer than two months: they claimed that they needed more time to establish themselves inside Rhodesia. Britain could not accept this, since the Patriotic Front had been active for a long time and Mr. Nkomo and Mr. Mugabe were as well known in Rhodesia as Bishop Muzorewa.

Chancellor Schmidt said that President Kaunda had asked him to try and persuade the Prime Minister to lengthen the transitional period and to remove the army and police commanders during the pre-independence stage. He was simply reporting this approach from President Kaunda and was not offering any comment on it, though it did seem to him that Britain needed to carry with her the Front Line Presidents as well as those actually participating in the talks at Lancaster House. He also wondered whether the Prime Minister felt that she was getting enough support from the United States, Canada, France and the Federal Republic.

The Prime Minister reiterated the importance of keeping the transitional period as short as possible. The guerrillas were not a disciplined force in the way the Rhodesian Army was and they might cause trouble at any time. The British Government was

/confident that

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confident that the Army Commander, with whom we were in direct touch, would serve the Governor loyally once he was installed. She agreed on the importance of carrying the Front Line Presidents with us. We had succeeded in doing this in Lusaka, but both President Kaunda and President Nyerere were now worried that if the Patriotic Front lost the election, they would still have the guerrilla forces based in their territories. On the other hand, they should see that it was in their own interests to have a stable, independent Rhodesia. Zambia in particular, which already relied for vital supplies on the railway that ran through Rhodesia and which was heavily dependent on South Africa for foodstuffs, would benefit. But if Rhodesia was to remain a stable and prosperous society, it was imperative to retain the confidence of the white population there in the future of the country. All Britain could do was to restore Rhodesia to legality, at which point the sanctions would fall away, and to see that free and fair elections were held on the basis of the Constitution already agreed at Lancaster House. Once we had done that, the future of Rhodesia was in the hands of its own people. We were now within an ace of this goal and we were in particular need of our friends' support. The Foreign and Commonwealth Secretary had been very pleased with the response he had had from our European partners at Ashford Castle, and Mr. Vance was supporting us, though there were other members of the United States administration who were less helpful, even though Rhodesia was already, under its existing Constitution, a far more democratic state than many other African countries.

TNF Modernisation

*Copy on Defence. May 79
Modernisation of TNF in Europe*

The Prime Minister said that she saw President Brezhnev's recent speech in East Berlin as the opening shots in a psychological campaign to dissuade Western European members of NATO from agreeing to the modernisation of Theatre Nuclear Forces. The Soviet Union had applied similar pressure successfully over

/ERW, and they

ERW, and they plainly believed that they could arouse fears amongst the more faint-hearted allies once again. This was why she had spoken out strongly in her recent speeches in Blackpool and Luxembourg. Britain was determined to fulfil its obligations in the defence field, and this was why we had agreed without a moment's hesitation to take an additional flight of 16 GLCMs (for which Chancellor Schmidt said he was very grateful). She had discussed TNF modernisation at length with Sr. Cossiga when she had visited Rome and she did not believe that the Italians would waver. She had, however, been worried that the Belgians and Dutch would not accept TNF on their soil. She had herself found during discussions in September that M. Simonet accepted the need for TNF modernisation, but it had been less clear what view M. Martens, who did not yet appear to be fully in the saddle, took. The Dutch seemed to see the greatest difficulties, and we and the Germans should do what we could to help them to overcome them. She was, however, clear that the Alliance could not settle for as little as half the proposed number of TNF in Europe: an essential pre-requisite of deterrence was the maintenance of the military balance. Moreover, the Alliance should not let itself get into the position where the Soviet Union was able to bargain its obsolete weapons against our new missiles. If the Soviet Union did not want NATO to have modern TNF, they would have to give up the SS20 and Backfire.

Chancellor Schmidt said that the present problem with longer range Theatre Nuclear Forces in Europe had begun with a double mistake by the United States and the Soviet Union. They had defined strategic systems as those weapons which could be launched from the territory of one of them to reach the soil of the other. This had meant that intermediate range and medium range systems were outside the scope of then current arms limitation negotiations, and this had allowed the Soviet Union to build up in the 1960s a very considerable lead in systems of this kind. The Soviet Union had then decided to increase this lead still further with systems like the SS20, and they had made the mistake of thinking that they could get away with this step. The Americans had been slow to realise

/what was happening,

what was happening, and he had had to wake them up by making public speeches a couple of years ago. But once the United States understood what the Soviet Union had been doing, they had decided rapidly on the need to modernise the Alliance's TNF and expected the allies to agree with them immediately. But a number of the Western European members of the Alliance had political difficulties over this. They had never had nuclear weapons stationed on their soil which could reach the Soviet Union. This was true of Belgium and the Federal Republic, but it was the Dutch who felt the problem most acutely. We were now at a critical moment in the Alliance's consideration of TNF modernisation. If the Dutch could not be brought along on TNF, their attitude might quickly spread to Belgium and then to Italy and the Scandinavian allies and even, possibly, to the Federal Republic. For this reason he had telephoned President Carter a month ago to suggest that the decision on TNF modernisation should be taken immediately, but the President had taken the view that such action might precipitate the very split with the Dutch which it was essential to prevent. The present position was not wholly comparable with what had happened on ERW. On that occasion the European allies had not let the United States down but, on the contrary, had given them all the help that they needed, even though this had been politically difficult for a number of them. It was President Carter himself who had drawn back at the last moment and who had let down his European allies. The Germans were doing all they could to help the Dutch over TNF modernisation both openly and privately. He had himself talked not only to the Dutch Prime Minister but also, privately, to Mr. Joop den Uyl, the Leader of the Opposition. He thought that it might help Dutch Ministers to remain firm if they could be given a military presentation which included details of the scale and nature of the threat posed by Soviet systems like the SS20. It was hard to believe that such information was not already available to the Dutch Government, and it might be that they preferred not to know. It might be helpful if the Prime Minister or Lord Carrington spoke to their Dutch colleagues.

/The International Situation

The International Situation

The discussion on the international situation is recorded separately.

EEC Budget

*copy on Envo 7/1 73
Future Policy towards EEC
Community Budget*

The Prime Minister said that the problem of the Community Budget was politically extremely difficult for the British Government. It might seem small to the Germans but it loomed very large for the United Kingdom. The facts were simple. Britain was unique within the Community in having below average gnp per head and being a net contributor to the Budget. We were in fact the seventh poorest member of the Community and in 1980 we would be the biggest net contributor. The domestic background to next year's net contribution of £1,000m was that, as part of its efforts to turn round the British economy, the British Government was having to cut expenditure on a number of socially important programmes: for example, spending on housing would be reduced by £700m in 1980 and the education programme by over £300m. There was a good deal of public opposition to these cuts, and this was made much stronger when people saw an outflow of £1,000m, most of which was going to other members of the Community who were far wealthier than Britain. She was now being urged from a number of quarters to withhold the British contribution to the Budget. But she was taking a firm line in reply and making it clear that the British Government would not flout the law. Once Community law was ignored, it would be the end of the Community. Hitherto the United Kingdom had always obeyed Community decisions carrying the force of law. She had told the House of Commons that to withhold our contribution would be contrary to European law and she was not prepared to do this. But this made it all the more necessary that the Community should accept the fairness of our case and agree to an equitable solution to the problem of the Budget. The United Kingdom was not asking

/for a penny piece

for a penny piece out of the Budget. We were seeking a broad balance between our gross expenditure and our receipts. This meant that Britain should not be a substantial net contributor. During a recent visit to London Mr. Roy Jenkins had told her that there were those who thought that Britain would accept a 50 per cent reduction in our net contribution. She had told him that this would not do: she would not be able to hold British public opinion if our net contribution was reduced by no more than half. It had also been suggested that it would be enough if Britain became the second biggest net contributor after the Federal Republic, but this was not acceptable either: if we were to be compared with anybody it should be with France who was only just becoming a small net contributor now. Because of the growing pressure on the British Government it was imperative that she came away from the Dublin European Council at the end of November with a full answer to the problem. It would not be sufficient for her to be offered a little now with the promise of more negotiations later. She had to return from Dublin with an arrangement which would bring the British contribution into broad balance in 1980. Moreover, Britain wanted to arrive at this solution without the total size of the Budget being increased.

The Prime Minister continued that she believed passionately that Britain should be in Europe. The reasons for her conviction were primarily international political reasons. But she could not stress enough the seriousness of the crisis which would arise if a solution to our Budget problem could not be found. We simply wished to be treated as equitably as our partners in the Community.

Chancellor Schmidt said that it was his personal conviction that the problem had to be solved. When he had spoken to President Giscard about it recently, the President had told him that he was being too forthcoming, but he had replied that a solution had to be found. But he did not believe that this could be done if those concerned staked out maximum positions now. It
/was essential

was essential to create an atmosphere in which it would be possible for people to move. It was not so much a question of what was fair and unfair but of adopting the right psychological approach. It would be, nonetheless, extremely difficult to find a solution acceptable to everybody for several reasons. First, because of their complexity, the mechanics of the Community Budget were not understood by the Heads of Government. Second, other countries would have to contribute more or receive less in order to relieve the United Kingdom, and none of them would want to do that. They would argue that the Community's finances were functioning precisely according to the arrangements which had been negotiated and there was no need to change them. The French, in particular, were likely to take this line. Third, a figure of £1,000m was an enormous sum, even if Heads of Government could be brought to comprehend the mechanics of the Budget and they were ready to compromise. An added difficulty was there was as yet no proposal from the Commission on the table, and time was now very short before the Dublin meeting in which to work out a solution to such a highly complex problem. For these reasons he believed that the most the British Government could hope for from Dublin was a clear-cut declaration of intent. It was no use expecting Heads of Government to grapple with the details of a technical solution. The European Council should give Finance Ministers a clear directive to work out a detailed solution, and this would allow the Prime Minister to report to Parliament that Britain had been given satisfactory undertakings. Even this would be difficult to achieve. He believed that the European Council would have to recognise at Dublin that an answer could be found only if expenditure on agriculture was substantially reduced next year: much of the present difficulty was caused because of the explosion in agricultural outlays. He had not made an assessment of which countries would suffer by such an approach, and he had not discussed the matter with his Agriculture Minister, Herr Ertl. But he wanted to find a way forward.

/The Prime Minister

The Prime Minister said that when the United Kingdom's gnp rose to an appropriate level, the British would expect to be net contributors. The Government was making every effort to improve the country's economic performance. One of their recent economic measures designed to make the economy freer was to lift exchange controls. Sterling had had to be supported hard the previous day. It was no part of the Government's policy to let sterling go down but if it did so at a reasonable pace, the Government would have to let it do so. We could not stop the market but only smooth movements in the value of sterling. Britain would not restore exchange controls. Generally, the Government would hold firm to its economic policies, although things would get worse before they got better. The Government was telling the trade unions that they had freedom to negotiate pay deals but that they should use it responsibly. The Government was not going to increase the money supply to finance excessive wage settlements. Chancellor Schmidt said that this was a line he had pursued over the years. He thought that sterling would hold up over the next few months. The British Government could look forward to another 4½ years in office, and he was sure that there would be light at the end of the tunnel by the end of that period.

The Prime Minister said that Britain was prepared to take the lead on many things in Europe such as the much needed reform of the CAP but only when a solution to the Budget problem had been found. Following the last meeting of the European Council, it was for the Commission to come forward with proposals for dealing with the problem, and we had already offered them a number of ideas of their own. She recognised that the other members of the Community would be reluctant to give up some of their present benefits in order to help solve Britain's problems, but if it was difficult for them each to give up something, how much more difficult was it for the United Kingdom to bear the whole burden of its net contribution as it was doing at present.

/Chancellor Schmidt said

Chancellor Schmidt said that Britain should recognise that if a solution to the Budget problem was to be found, the other Governments would need to be able to show that they had got something out of whatever changes were agreed: they had their publics and Parliaments to think about as well. France, for example, wanted to remain in broad balance as she was now. Italy wanted a bigger slice of the cake than she had received hitherto. Sr. Cossiga thought that British and Italian interests were parallel. But the fact was that if the United Kingdom was relieved of its net contribution and the Italians received a bigger transfer of resources, other members of the Community were going to have to give up even more. Moreover, it was inevitable that the other members would not want to treat the Budget in isolation but would want to draw in other problems such as fisheries and energy. It was, in particular, important to give the French the feeling that we were ready to seek a fair deal on fish as well as on finance.

The Prime Minister said that the United Kingdom had tried to be fair in every field: we had not only played our part properly on agriculture by opening up our markets to the other members of the Community on fish and on energy but also on matters like defence which, though not strictly Community business, were of vital concern to members of the Community. But we could not go on being fair if others were not ready to treat us in the same way. At the time of the British accession negotiations in 1970 the Community had recognised that if unacceptable situations arose on our Budget contributions, the very survival of the Community would demand that the institutions find equitable solutions. Britain now expected that to be done. A solution to the fisheries problem should be found separately on its own merits. We wanted a solution and we would abide by any decisions of the European Court on fish as on other things. It was our view that we should reach agreement first on conservation: there would be no point in having a Common Fisheries Policy if there were no fish left. Similarly, we had dealt with energy on its merits and we did not wish to re-open recent decisions.

/Chancellor Schmidt said

Chancellor Schmidt said that he wanted to be frank. It was essential that the Prime Minister should distinguish herself in the eyes of her European colleagues from her two predecessors and must not appear as a third edition of the last two Labour administrations. At present events within the Community were moving towards a clash between the United Kingdom and France. This must be avoided in view of the present world situation. If ever the Community broke up, the Soviet Union would pick its members off piece-meal. When the Commission's proposals on the Budget were on the table, Britain, France and Germany should concert together to establish what each other's vital interests were in an attempt to arrive at a solution. It was essential to do this before the meeting in Dublin. It was no good looking to Mr. Lynch as the Chairman of the meeting of the European Council for he knew nothing of the complexities of the problem and would not be able to bring about an agreement.

The Prime Minister said that her approach and that of her Government to the Community was entirely different from that of her Labour predecessors. She did not believe that they would have taken the decision to accept the 16 additional GLCMs or to go beyond self sufficiency in the recent decisions on oil import targets. Nonetheless she did not like the present atmosphere which she recognised would be associated by other members of the Community with previous Labour Governments, but she had to emphasise once again the need to find an equitable solution to a problem which imposed such a heavy burden on Britain.

C.A.W.

1 November 1979



A. R. - 2/11

ANGLO-GERMAN CONSULTATIONS:

BONN 31ST OCTOBER 1979

The Chancellor of the Exchequer's bilateral discussions

MORNING SESSION

Present:

Chancellor of the Exchequer
Sir Kenneth Couzens
Mr. H. Overton, H.M. Embassy

Herr Matthofer, Federal
Minister of Finance
Herr Lahnstein, State Secretary
Federal Ministry of Finance
Senior officials, Federal
Ministry of Finance

EEC Budget Contributions

Herr Lahnstein opened the discussion. Since the last Finance Council the Federal Government's position on the Budget issue had not changed. He stressed three points. First, it was not realistic to look for a complete answer to the UK's problem at Dublin. The first step was important; but a solution of the Community's expenditure problems was for the medium term. There would have to be some compromise. Second, it was important to maintain the 1 per cent VAT ceiling: the Federal Government would welcome firm UK support for this. Third, in their view the existing Dublin mechanism should form the basis for a solution. The idea of a brand new mechanism would cause the Federal Government some difficulty. He hoped the UK would not feel the need to press that.

2. Herr Matthofer said that he had had a long talk with Chancellor Schmidt the previous day. The Chancellor's view, which he shared, was that the West would be faced with weak Soviet leadership over the next few years because of Mr. Brezhnev's ill health. Because of that, and because of disenchantment with US leadership, it was



all the more important to ensure cohesive leadership within the Community: this would need to be founded on common understanding between France, Germany and the UK. His Government would do all it could to foster a common position. This might mean facing internal difficulties over the CAP; the French Government's difficulties in moving on agriculture before 1981 could not be ignored. It also required a determination to hold the 1 per cent VAT ceiling on own resources as a means of exerting pressure for changes in the CAP.

3. The Chancellor said he agreed on the importance of maintaining cohesion within the European Community. But his Government had to give priority to the economy if the UK was to be able to fulfil its economic and defence obligations. This involved difficult and unpopular decisions. Our GDP had fallen in ten years from just under 90 per cent of the EEC average to little over 70 per cent. In contrast, the German GDP was growing faster than in the rest of the Community. The German economy was likely to grow by 4 per cent this year; the UK economy by less than 1 per cent. Public expenditure had been reined back to the level of 1978/79, and would have to be kept at that level in real terms if government borrowing and interest rates were to be held at manageable levels. Against that background, the UK contribution to the Community budget was a matter of great political importance. We shared the Federal Government's wish to maintain the ceiling on own resources and to see a re-structuring of CAP expenditure. But these issues deserved attention in their own right: the problem of the UK budget contribution required a separate and urgent solution. We required a broad balance in the UK's financial relationship with the Community. This compared with a forecast net contribution on present arrangements of £1-1½ billion in 1980, rising to £1.6 billion in 1983. To expect the UK to continue paying sums of that amount was unreasonable.



4. The Chancellor went on to draw a number of comparisons. The UK net contribution in 1980 would exceed the whole of our overseas aid programme, which already absorbed a larger percentage of GDP than in Germany. UK expenditure on defence was already larger in relation to GDP than that of any other Community member; and defence expenditure outside our territorial limit relative to GDP exceeded that of all other NATO members. Our net contribution was equally a major element in eliminating the surplus on invisibles; it represented more than 10 per cent of the UK public sector borrowing requirement; was equivalent to the proceeds of a 2 per cent rate of VAT; and represented an additional 2p on the basic rate of income tax. Arguments advanced by some of our partners against a satisfactory solution were not compelling. The flow of North Sea oil would not last indefinitely; in any event oil did not offset our low GDP. Nor was it right to attribute our net contribution to failure to increase our trade with the rest of the Community: imports from the EEC had risen from 26 per cent of the total in 1968 to 38 per cent in 1978, and even more sharply in relation to manufactured goods. The FRG's trade with the rest of the Community had meanwhile begun to fall. (At this point the Chancellor handed over a copy of the note on UK trade patterns annexed below. Herr Matthofer complained that paragraph 2 overlooked Germany's increasing imports from non-oil LDCs and her greater dependance on imported crude oil. The Chancellor replied that no criticism was intended of the Federal Republic: the facts were directed primarily at mistaken French criticism of UK trade patterns. The Germans appeared to accept this.)

5. Continuing, the Chancellor stressed that the growing size of our net contribution was a factor inhibiting economic recovery in the UK. It was not a situation which had been expected when we joined the Community. Assurances of a diminishing share of Community resources going to support the CAP had proved mistaken. The broad balance which we looked to the Community to provide



was not something plucked out of the air: it was a principle to which the UK Government attached highest importance. A solution based on removing the restrictions in the present Dublin mechanism would not be sufficient to achieve this.

6. Herr Lahnstein intervened to say that on German calculations, the UK's gross contribution would be reduced by 600 MEUA, or 500 MEUA after allowing for our proportionate share in the cost of financing our own relief. It would turn the French into net payers: this would raise a difficult political problem. Sir Kenneth Couzens replied that the size of the UK net contribution also posed a political problem. Herr Lahnstein said he recognised that, but the UK was the "demandeur", whereas the French were not. He added that his Government did not feel that they were in the centre of this argument: although they were net payers, this caused no difficulty for German public opinion. Frankly speaking, he could not see any prospect of reaching an agreed solution at Dublin if the UK wanted to go beyond removal of the present restrictions from the Dublin mechanism. Their own soundings of Community partners indicated that the French would be joined by the Danes and the Benelux countries in opposing demands on that scale. The Chancellor said he did not underestimate the problem for our partners in having to pay more: their difficulties in meeting a share of the UK net contribution merely served to underline the size of the total burden which the UK was assuming on its own account. Sir Kenneth Couzens said that the German figures appeared to be fairly close to our own. They showed all too clearly that only two-fifths of our present net contribution derived from our excess gross contribution to the budget, and three-fifths from our low receipts. It was reasonable to start with the Dublin mechanism, provided the exercise was not limited to removing the present restrictions: why should one not go on to introduce new conditions? One could still call this the Dublin mechanism. Herr Lahnstein said that he was bound to advise that if the UK took that line it would be overplaying its hand. We should not have a single friend at Dublin. And he begged us to



step down from such an extreme position. The Chancellor replied that for the Prime Minister to return with less than half a solution from Dublin might be worse than facing united opposition from our partners to a more equitable solution. Herr Lahnstein wondered whether that was so. Surely the UK could accept immediate help on the scale suggested, with the prospect of further improvement in the medium-term as the Community adjusted its expenditure pattern to the 1 per cent VAT ceiling and our trade continued to shift in favour of the Community. Would that not provide a sufficient basis for a solution?

7. The Chancellor said the trouble was that we had received such assurances twice before. This time, we were resolved to have a solution which addressed itself directly to the size of our net budget contribution. Sir Kenneth Couzens added that there would be difficulty in containing the present level of agricultural expenditure, let alone reducing it as a proportion of the Budget. Herr Lahnstein said there was an important difference between present and past attempts to remedy the situation. The approaching limit on own resources was bound to impose a squeeze on agricultural expenditure. Sir Kenneth Couzens thought this ignored the range of possible accounting devices (co-responsibility levies; national contributions; negative expenditure) which could be used to circumvent the ceiling. Surely even the Federal Government had its political divisions on this subject?

8. Herr Lahnstein said that, in that case, he foresaw the prospect of total deadlock in Dublin. Even to achieve agreement to reduce the UK net contribution by 500 MEUA would require considerable perseverance. Herr Matthofer added that the French would see the UK demands as confirming their fears about lack of commitment to the Community. Contacts with Paris had shown the French firmly resolved in their position. They thought the British were "playing chicken". He too foresaw great difficulty in establishing an agreed position. He had spoken to M. Monory only the previous week. The latter had tried to recruit the Federal Government to a strong common position. It was clear that the French Government



feared criticism from the "Gaullists" if they moved very far. There was no problem for Germany: public opinion accepted the legitimacy of their position as large net payers to the Community - they got their money back in other ways. Both he and Herr Lahnstein repeated several times that they wished to be as helpful as possible. They did not regard themselves as directly involved in what was essentially an argument between the UK and other members of the Community, especially France.

9. Herr Matthofer said he wanted to be clear: was the Chancellor saying that a reduction of 600 MEUA in our gross contribution from modifying the Dublin mechanism would not be enough? The Chancellor said that was so.

1980 EEC Budget

10. Herr Lahnstein then went on to probe the UK attitude towards the European Parliament amendments to the draft 1980 Community Budget, related to the maximum rate of increase on non-obligatory expenditure. The Federal Government, along with France and Belgium, had already indicated a wish to keep the rate of growth as close as possible to the 13.3 per cent maximum derived from applying Article 203. He hoped the UK would support them in trying to get a reasonable compromise between the Council and the Parliament.

11. The Chancellor said that he was not wholly familiar with all the details. But our attitude to this, as to other matters, would be influenced by the overriding requirement to reduce our net contribution. He could not give unqualified support to the German position, but he was inclined to their view, so long as this did not prejudice any possible improvement in our net contribution position. We had made it clear that we did not want to see our budgetary problem solved by simply increasing Community expenditure. Herr Lahnstein said he understood the UK position. Perhaps there could be further contacts before the issue came up for decision by the Budget Council? He agreed that it was awkward for the Budget Council to precede the Finance Council; but this was a treaty requirement which could not be avoided.



Exchange Control

12. Herr Lahnstein spoke approvingly about the decision to end UK exchange controls. He wondered what this meant to the £ and why downward pressure had been delayed until this week. The Chancellor replied that he had no reason to think that the pressure on sterling the previous day was especially due to the announcement on exchange controls. There could be many reasons, including relative interest rates. The Chancellor went on to explain the reasons behind his decision, stressing the wisdom of acquiring income bearing assets overseas to offset the depletion of North Sea oil. But it was bound to mean that sterling would face a period of more than average uncertainty until the market had absorbed the consequences of this decision. This, plus recurrent pressures as a petro-currency, made it difficult to forecast the likely movements of sterling over the next six months or so.

EMS

13. Herr Lahnstein asked whether that effectively also settled our attitude to EMS. The Chancellor said the Government's position on EMS remained unchanged. The exchange control decision provided another factor which made it difficult for sterling to join the exchange rate mechanism for the time being. Herr Matthofer said that the Federal Government would certainly not insist on UK membership just at the moment. Herr Lahnstein said he was sure the answer was to have a UK representative at meetings of EMS members. Without sterling, it would mean extending the initial phase of EMS, but he saw no difficulty in that. The move to a full European Monetary Fund would have to be delayed. Sir Kenneth Couzens said he hoped any blame for lack of progress on setting up the EMF would not be laid at the feet of the United Kingdom. Herr Matthofer said that would not be done. In his view, the initial stage of EMS had worked better than he had expected and he saw no difficulty in going on as they were.

14. As a separate matter, Herr Matthofer apologised to the Chancellor for the misunderstanding which had led to the absence of a UK



representative at the re-alignment meeting in October. Steps had been taken to ensure that this would not be repeated.

15. The morning session ended at approximately 12.30 p.m.



AFTERNOON SESSION

Following lunch, at which the German team was joined by Graf Lambsdorff, Federal Minister for Economics, and State-Secretary Schlecht, Ministers resumed for a second bilateral discussion at which Graf Lambsdorff took the lead.

Community Steel Policy

16. Graf Lambsdorff, recalling that the Davignon regime was due to expire at the end of December, said that, whilst the Federal Government were in favour of an entirely free steel market, they recognised the necessity to continue some more limited protection. The Federal Government wanted to see minimum prices abolished, and had so informed the Commission. It was not yet known whether Commissioner Davignon had settled his own preference between outright abolition and suspension. He understood the United Kingdom Government favoured an Italian exception for steel coils. The Federal Government were anxious about this. The maximum price arrangements had a disruptive effect on the market, by giving North Italian producers the opportunity to undercut prices and threaten the industry in Southern Germany. He could not see any advantage for the UK in prolonging the present arrangements and asked if Her Majesty's Government would be willing to re-consider the possibility of a compromise. As regards the external regime, the Federal Government wished to see significant reduction in the restraints on imports from third countries - both as to the number of agreements and the number of products covered by them. The Federal Government's view was that only some 30-40 per cent of steel products needed now to be included within such agreements; this would cover most of those which the UK regarded as sensitive.

17. Replying, the Chancellor explained that the questions raised by Graf Lambsdorff were not within his direct Ministerial responsibility. He had a good deal of sympathy with the general desire to abolish protective measures of this kind. At the same



time, the steel measures were part of an established Community framework within which the steel industry was seeking to reorganise itself; and he hesitated to espouse too extensive a liberalisation whilst substantial structural changes were in train in the British steel industry. The industry was still losing money heavily. His personal view was that this might not be the time to countenance significant changes in the present regime. However, he would certainly report Graf Lambsdorff's views to the Secretaries of State for Industry and Trade.

GATT

18. Graf Lambsdorff expressed a good deal of anxiety at the French decision to hold up Commission signature of the MTNs agreement on behalf of the European Community. He was particularly worried that the agreement might not now be signed before 20th November when the US waiver on countervailing duties ran out. He thought that if the French position was to be changed it was essential to convince Monsieur Deniau personally.

19. The Chancellor replied that he would be seeing Monsieur Monory on 6th November and would take the opportunity of raising the matter with him. Graf Lambsdorff said this would be helpful, though he thought that Monsieur Barre and Monsieur Monory were already favourably disposed towards the matter.

Energy

20. Graf Lambsdorff spoke in rather critical terms of what he called our "lack of flexibility" in using North Sea oil to ease the EEC's difficulty in meeting the 1985 import targets agreed in Tokyo and subsequently confirmed at the meeting of Energy Ministers held in Paris. The UK net export figure of 23 million tons a year at the time of Tokyo had subsequently been reduced to nil, and only recently increased to 5 million tons a year. US interpretation was that UK production gave no flexibility in meeting the overall EEC import target. The Federal Government had told Secretary Duncan that they did not accept that interpretation.



Graf Lambsdorff said he would be grateful if the Chancellor would relay his anxieties to the Secretary of State for Energy, and seek a reconsideration of the position by Her Majesty's Government. He found it difficult to advise his own colleagues to be more flexible in other fields if the UK was not prepared to be more flexible on this.

21. The Chancellor said he was less familiar than the Secretary of State for Energy with the details of this subject. He noted, without prejudice, what Graf Lambsdorff had said and undertook to see that his views were relayed to the Secretary of State for Energy. Sir Kenneth Couzens mentioned the decision to cut back on gas-flaring as a factor limiting North Sea oil production: he hoped the Federal Government would recognise the wisdom of that decision. Graf Lambsdorff acknowledged this; but persisted in pressing for greater flexibility on the 5 million tons figure. British North Sea oil represented the only flexibility available to the Community.

22. The discussion ended with Herr Lahnstein making some ritual noises about the spot market, and about reports which reached him on a visit to Pittsburg of fears about the price of BNOC forward sales. The Chancellor replied that BNOC were following, not leading the market; the prices they were charging properly reflected the value of security of supply. Prices had certainly not been fixed in a hostile way.

23. The afternoon session ended at approximately 3.40 p.m.

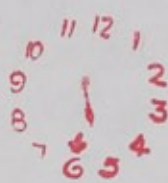
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Chief Secretary
Financial Secretary
Sir Douglas Wass
Sir Kenneth Couzens
Mr Jordan Moss
Mr Barratt
Mrs Hedley Miller
Mr Monck (pages 9-11)
Mr Michell
Mr Turnbull (para. 18-19)

Mr Alexander, No 10.

AB
(A.M.W. BATTISHILL)
1st November, 1979

2 - NOV 1979



GUIDE TO THE GERMAN PRESS

BRITISH INFORMATION SERVICES.
BRITISH EMBASSY BONN.

Germany

Wednesday, 01 October 1979

ZDF 'Bilanz' 8.15 pm: Strauss on Hua and China trade

- 1) Mrs Thatcher's visit to Bonn today: Welt says the British PM can reckon with sympathy and understanding but no express support of her wishes regarding EC finances. Schmidt holds his British counterpart in great esteem personally and understands her political worries. However, he does not want to take on the role of an official mediator and wants to leave a decision to all the EC partners. Welt notes that Mrs Thatcher has meanwhile corrected the impression of having given an ultimatum to the partners, so that Bölling was able to state: "The prerequisites for a discussion on British wishes are favourable! Bonn thinks several solutions are possible - what is probable is a redistribution of budget payments on the basis of the 'corrective mechanism'. Welt ends by noting Schmidt's words to Hua that he would see for himself what a clever politician Mrs Thatcher was. FAZ has a similar article on its front page, noting that the German side favours a modification of the corrective mechanism. The Federal Government has indicated that it will come out in favour of a positive solution to Britain's budget problem at the Dublin summit. FAZ also carries a longer item: 'The "iron lady" in Bonn', noting that both Schmidt and Mrs Thatcher "know what to think of each other". British diplomats in Bonn also point to the 'monstrous unfairness' that Britain should have to pay more to the EC than the 'rich' FRG. Bonn does not want to become a mediator. The reduction of Britain's payments by DM 1.3 md - 1.5 md, which London is striving at, is being rejected as too high by the other partners. FAZ says the EC finances will not be the only topic of the consultations in Bonn. The German side is interested in the Rhodesia conference, and Britain's attitude towards the NATO decisions planned in Dec. The paper notes the monosyllables emerging from the press and information services in London and Bonn before the meeting; when things become serious, their offices become silent. This need not be the worst omen for useful talks. KStA underlines that Schmidt will express certain sympathy for Britain's position regarding budget payments, but will not make any promises. NRZ thinks the talks in Bonn could help to avoid a crisis at the Dublin summit. If Britain's wishes are not met, she could exert pressure by refusing to cooperate in several fields, e.g. fishery policy, energy, consumer protection, transport. By applying the corrective mechanism, the UK's contribution would be reduced only by 20-25% and this would not satisfy Britain. London political circles think Schmidt might welcome British urging for a CAP reform since it could help the SPD to fight the resistance of the FDP. RP's item points to the propaganda campaign in Britain showing how poor the Britons are and how they are being exploited by the EC. The Conservative Government has not done anything yet to cool the anti-EC mood; since the election victory, it has even heated it up. SZ recalls Schmidt was most impressed by Mrs Thatcher during his visit to London in May; the British side would like the Bonn talks to deal almost exclusively with the EC payments. SZ has a leader: 'Understanding for Mrs Thatcher', saying that Britain's special circumstances should prompt a cut in her payments next year. Then the PM would not lose face. The CAP, which Schmidt does not like either, will not be touched, at least not until after the French election in 1981. Hill comments in KStA and StZ and supports British arguments against the CAP, which is the cause of the dilemma of the EC finances.
- 2) Israeli secret service activities in Bavarian prison: The Bundestag will take this up next week (FAZ's lead). The AA has promised the Arab ambassadors a 'serious investigation'; they made representations on Monday (FAZ, GA Welt, BR). Van Well said that clearing up the affair was not the

business of the AA but that the Arab ambassadors would be informed of the results of the German authorities' investigation; he assured them that the German position on the Palestinian question was not affected by the incident; an AA spokesman denied that the ambassadors had lodged a protest. The Iraqi ambassador said that access by foreign secret services to sentenced Arab citizens was a very troublesome affair and that such cases did not foster German-Arab relations; the Arab ambassadors hoped that lessons would be drawn precluding a repetition (all in SZ's lead story). The PLO has directed severe accusations at the FRG but said there would be no retaliation (the reports quote the Security Chief, Abu Iyad). The Federal Intelligence Service (BND) and the Government admitted mistakes had been made (GA, KStA); the responsible Federal official has been reprimanded (GA, StZ) and the Bavarian official lectured (GA, SZ, FR). 'BND: Bavaria responsible for the investigations' (StZ's headline). FAZ thinks the Federal authorities are to blame but that Baum does not seem to be affected. FAZ goes into the sensitive foreign policy aspects. HB is also critical of the Federal Government. GA: There is relief at the PLO statement.

3) Economic: The reports of increased tax revenue have revived Opposition calls for tax relief (GA lead story, SZ, FR). The plans are to use the money to retire debts, says Matthöfer (FAZ, FR, GA). The editorials mainly agree. The latest report of the Economics Ministry says economic trends continue to be favourable (GA, Welt, FAZ, FR, HB, StZ). Pension payments must rise in 1981, say the insurance companies (RP lead story).

4) British affairs: In connection with Hua's visit to the UK, HB underlines: 'British are lagging behind in trade with China! Other papers have a dpa item noting that Britain wants to compete with the FRG and referring to Trade Secretary Nott's statement after his talk with Hua. FAZ, Welt, SZ i.a. note HMG's measures to stop so much gas being burned off in the N. Sea oil fields. GA and FAZ have short reports on the CBI's latest enquiry showing industry's pessimism. Most papers refer to Whitelaw's announcement of plans to cut the number of immigrants. Bode writes in SZ that, after the 'act of liberation' (EC membership), Ireland is thinking more of reuniting with Ulster; it is probable that Ireland could bring up the national question in the EC soon. FAZ comments on Lord Carrington's patience during the long Rhodesia conference, which is admirable.

5) EC: 'Bonn brings fish to Dublin summit table': The Federal Government is considering linking the fishery issues and the British budget contribution. Mrs Thatcher has already rejected linkage. The latest meeting of the agriculture ministers did not narrow the differences but reportedly did improve the atmosphere. London's policy is blocking arrangements with non-EC countries (StZ). Secretary Walker hinted at green light for the agreement with Canada perhaps at the next meeting, i.e. just after Dublin (HB). The British expect too much, but the credit and debit side of the EC ledger are indisputably imbalanced (HB comment). The economic pages of Welt and GA play up Commissioner Gundelach's call for CAP reform, which he says is unavoidable. 'Agriculture fund bankrupt in 1981?' (GA). For the first time, the agriculture ministers discussed concrete ways and means to cut surplus production (Welt). Ertl in a press conference presumed he would have Cabinet support, as in the past; he obviously still hopes for EC approval of higher farm income (Welt). StZ has a caustic editorial on farm surpluses. Hauser reports that Brunner plans to give up his Brussels post for a seat in the Bundestag. Haferkamp and Jenkins are considered ripe for replacement. The worst nightmare of many EC officials would be an extension of the Jenkins era. The insiders want Tindemans to replace him (FR and GA). Bonn has welcomed the EC-ACP '2nd Lomé' agreement (RP, BR i.a.). EC aid to Cambodia has been increased (Welt, RP).

6) DDR, Berlin: BR's lead announces: 'No more road tolls for visitors to the DDR'; other papers report too on the agreement reached with E. Germany. Gaus said the Allies had been consulted and had approved (BR, with a disgruntled comment on a further lucrative deal for the DDR). FR sees the agreement as 'a good sign' for further arrangements. Welt notes the 'moderate and quite restrained' comments in Moscow and E. Berlin on Giscard's visit to Berlin. The paper comments that the emphasis on the correct French protocol should not awaken any doubts of the public on the correctness of the other allies; neither Carter nor HM Queen Elizabeth violated the status of the city.

7) Defence: FAZ, SZ, GA refer to the attack in 'Neues Deutschland' on Genscher's statement on Brezhnev's proposals, charging him with trying to put down mines against détente. On DDR radio, Falin comes out against dismissing Brezhnev's suggestions as propaganda (FAZ, SZ, StZ). Ex-Gen. Baudissir tells StZ that he does not think a decision on the production of Pershing II missiles is necessary; there is no 'gap' in western defence capability. 'US to develop new nuclear warheads - radiation of missiles in Europe should be restricted' (StZ). Holland and Belgium have had a talk on the new missiles (SZ).

MISCELLANEOUS: Geissler presented a CDU analysis of SPD-FDP policy (StZ main item i.a.). SWAPO charges the FRG with robbing Namibia's natural resources e.g. filling 30% of its uranium supplies there, and of being the only country to violate all UN resolutions on Namibia; the AA denies this (FR).

Germany

Prime Minister

German net contributions to the Community Budget* (EUA million)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979⁺</u>	<u>1980⁺</u>
Actual	1007	1015	1292	347	1018	1048
As % of GNP	0.30	0.26	0.29	0.07	0.18	0.18

(cf. declining trend)

* with MCAs attributed to the exporter (except 1975)

+ Commission forecast

Source : EEC statistics and forecasts

Britain's net contribution in 1980 will be about 0.6 % of GNP !

Ant



Foreign and Commonwealth Office

London S.W.1

30 October 1979

Dear Michael

arb

Inner German Consultations: Trade in Political
Prisoners

Since the FRG's practice of buying out political prisoners from the GDR is currently in the news, the Prime Minister / might find it useful to have the attached note on the subject when she visits Bonn Tomorrow.

I am sending copies of this letter to the Private Secretaries of the Chancellor of the Exchequer, Secretary of State for Defence, and the Minister for Agriculture, and to Martin Vile (Cabinet Office).

Yours etc

Paul Lever

M O'D B Alexander Esq
10 Downing Street

INNER GERMAN RELATIONS: TRADE IN POLITICAL PRISONERS

According to recent press reports, an unacknowledged but long-standing arrangement by which the Federal Government pays hard currency to the GDR in return for the release of political prisoners may be terminated by the GDR. The reports speculate that the GDR may have decided to end the practice in order to avoid criticism during its forthcoming membership of the UN Security Council and during the run-up to the 1980 CSCE Review Conference in Madrid. Further possibilities mentioned are an East German desire to change the system so that lump sum payments would be made instead of fees for individual prisoners, or that the GDR security services are simply overwhelmed in administering an amnesty declared on the 30th Anniversary of the GDR.

H M Embassies at Bonn and East Berlin report that the position is still unclear. The FRG Permanent Representative in East Berlin believes that no final decision has been taken by the GDR Politburo, but that the GDR may seek more discreet ways of pursuing the arrangement. The Federal Government have been reluctant to brief us on the subject, but admit that since 1970 they have 'bought back' some 11,000 political prisoners. The total sum paid to date could well be over DM500m.

There seems to be nothing to support the BBC story that it was an ITV programme about 'traffic in people' which prompted the GDR to suspend the existing arrangement.

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SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ 211 6402

M Alexander Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

*Top Copy on: Energy,
Pt 2,
Policy*

[Signature]
30 October 1979

Dear Mike,

NORTH SEA OIL PRICING

Since the Energy brief for the Prime Minister's meeting tomorrow with Chancellor Schmidt was prepared, we have learned that the Algerians have raised their crude prices by £2.77 per barrel as from 24 October, following the Libyan increase on 15 October. Both these African producers now sell their highest quality crudes at £26.27 per barrel as compared with the OPEC ceiling of £23.50 per barrel. The other major African producer, Nigeria, has not yet increased its prices, but is expected to do so very shortly.

These moves have increased the pressure on UK producers, including BNOC, to increase their own prices, in line with those of comparable African crudes, and the oil companies now see an early rise in North Sea prices as inevitable. We have been endeavouring, so far successfully, by means of informal pressure to persuade UK producers to delay any increase until the Nigerians have increased their prices and to defer action until it is clear what the Nigerians are going to do.

However, because action must come soon and because of the risk that any advance notice of the possibility of a price increase will be misrepresented in the press as an immediate increase it is accordingly suggested that the Prime Minister might wish to inform Chancellor Schmidt about the situation. In doing so it would be useful to emphasise that the action of British oil producers, including BNOC, is intended to be consistent with our general objective of ensuring that North Sea prices follow rather than lead the market.

I am sending copies of this letter to Tony Battishill in the Treasury, Paul Lever in the FCO and Martin Vile in the Cabinet Office.

Yours ever,

Denis

Denis Walker
Private Secretary

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~9307622~~ 218 2111/3

*Top Copy to: DEFENCE,
May 79,
Modernisation of T.N.F.*

CONFIDENTIAL

30th October 1979

MO 20/3/4

Prime Minister

Dear Michael,

And 3/4

BONN VISIT: DEFENCE MATTERS

At yesterday's briefing meeting for the Prime Minister's visit to Bonn, the Prime Minister asked for a clearer explanation of the meaning and interrelationship of the references (at the end of paragraph 2 of the brief on defence matters) to the arms control element of the TNF package and to linkage with SALT 2 ratification.

My Secretary of State sees the position as follows. Most of our Continental Allies, including the Germans, believe that if TNF modernisation is to be put over in their own countries it needs to be accompanied by some kind of offer to bring such systems eventually within an arms control negotiation. The details of any offer are undefined and still under discussion. But:

a. The United Kingdom is in no way committed to the inclusion of any UK systems - Polaris or its successor, any future UK Ground Launched Cruise Missiles force, or our other capabilities - in any negotiation. At present NATO's modernisation plans for Long Range Theatre Nuclear Forces are limited to United State-owned systems and the arms control move contemplated would be similarly limited.

b. We should not negotiate from weakness and must not therefore make any arms control offer in advance of a firm and specific decision to go ahead with modernisation.

/ We ...

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c. We should make it clear to public opinion that the Soviet Union has a substantial advantage in terms of its existing weapons - their LRTNF modernisation, in effect, is already far advanced.

It is envisaged that a comprehensive report on the position, covering both LRTNF modernisation and the accompanying arms control components, will be put to MISC 7 after the mid-November Nuclear Planning Group and before NATO decision-taking meeting on 12th December.

There is also a question about SALT 2 which may be raised. If SALT 2 were not ratified by the United States some of our Continental Allies try to say this would make it impossible to get TNF modernisation through their Cabinets and Parliaments. The Dutch in particular have been inclined to push matters to the point of making prior SALT 2 ratification a condition of TNF decisions on 12th December (you will have seen my letter to George Walden of 25th October). This needs to be quashed. It implies a SALT 2 timetable which the US Senate may find genuinely hard to meet; it might actively provoke Senators to resentment and so prove actually counter productive; and it could entail a further defeat for the West in the nuclear field.

Mr Pym believes that the Prime Minister might wish to urge the Chancellor not to support any conditions which give ground to the Russians but to remain ready (as the UK will be) to go ahead robustly with the TNF decisions even if SALT is not in the bag by 12th December.

I am copying this letter to Paul Lever (Foreign & Commonwealth Office) and Martin Vile (Cabinet Office).

Yours ever
Brian Norbury

(B NORBURY)

M O'D B Alexander Esq
10 Downing Street

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IMMEDIATE

GPS 730

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FM BONN 251115Z OCTOBER 79
TO IMMEDIATE FCO
TELEGRAM NO 631 OF 26 OCTOBER

PS / N° 10 D.S

ANGLO-GERMAN CONSULTATIONS: 31 OCTOBER.

1. THE FEDERAL GERMAN CHANCELLOR APPROACHES THE BONN SUMMIT FROM A STRONG POLITICAL AND ECONOMIC BASE AT HOME. HE IS UNQUESTIONABLY IN CHARGE. POLITICALLY, IN THE RUN-UP TO HIS PARTY CONFERENCE IN BERLIN IN DECEMBER, HIS MAIN CONCERN IS TO KEEP THE SPD UNITED ON DEFENCE (TNF MODERNISATION) AND ARMS CONTROL AND ON THE CIVIL USE OF NUCLEAR POWER: THE PROSPECTS ARE REASONABLY SATISFACTORY ON BOTH. IN THE LONGER TERM, HE HAS CAUSE FOR CONCERN ABOUT THE EFFECT OF THE GROWING ENVIRONMENTALIST VOTE ON HIS COALITION PARTNER, THE FDP. IT IS TOO EARLY TO FORM A VIEW ON THE LIKELY IMPACT OF STRAUSS ON THE OCTOBER 1980 ELECTIONS, BUT SO FAR SCHMIDT HAS LITTLE CAUSE FOR WORRY. THE ECONOMY CONTINUES TO PERFORM WELL: 4% GROWTH, 5% INFLATION, 3% UNEMPLOYMENT. BUSINESS CONFIDENCE, DESPITE THE GENERAL OUTLOOK, IS HIGH. BRITISH EXPORTS ARE UP 40% ON 1978 (EXCLUDING OIL 28%).

2. AGAINST THIS BACKGROUND, SCHMIDT HAS TWO BROAD OBJECTIVES FOR HIS MEETING WITH THE PRIME MINISTER: TO PREPARE THE

① GROUND BILATERALLY FOR THE EUROPEAN COUNCIL AT DUBLIN, AND
② TO SEEK A BROAD MEETING OF MINDS ABOUT THE STATE OF THE WORLD.

3. HE KNOWS THAT THE MAIN BRITISH PREOCCUPATION IS THE BUDGET. HE HAS ACCEPTED THAT WE HAVE A CASE IN EQUITY AND NEED SATISFACTION FOR DOMESTIC REASONS. HE REALISES THAT, IN ANY ADJUSTMENT, THE GERMANS WILL HAVE TO PICK UP THE BIGGEST TAB BUT HE IS NONETHELESS AT THE HELPFUL END OF THE SPECTRUM OF COMMUNITY OPINION. HE IS LOOKING FOR A SOLUTION BASED BOTH ON THE CORRECTIVE MECHANISM IN THE SHORT TERM AND ON THE REFORM OF THE CAP IN THE LONGER TERM. HE SEES THE FRENCH ATTITUDE AS THE MAIN OBSTACLE AND LYNCH'S CHAIRMANSHIP AS A MAJOR WEAKNESS, BUT WILL USE HIS INFLUENCE ON BOTH TO GET A COMPROMISE. HE WANTS THE PROBLEM OUT OF THE WAY SO THAT THE COMMUNITY CAN GET TO GRIPS WITH THE PROBLEMS OF THE WORLD.

4. WHILE NOT LOOKING FOR A SPECIFIC (NEXT THREE WORDS UNDERLINED) QUID PRO QUO HIS ZEAL IN WELL-DOING WILL BE INFLUENCED BY THE DEGREE THAT HE IS CONVINCED BY OUR EUROPEAN VOCATION, IN DEEDS

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AS WELL

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AS WELL AS IN WORDS. WITHIN THE COMMUNITY, HE EXPECTS US TO FIGHT FOR CAP REFORM AND WILL WEIGH IN WITH SUPPORT AFTER HIS OWN ELECTIONS IN 1980 AND THE FRENCH ELECTIONS IN 1981. HE HOPES WE HAVE SOME IDEAS CONSISTENT WITH THE TREATIES AND ACQUIS. HE LOOKS TO US FOR SOLIDARITY OVER THE 1% VAT CEILING. HE LOOKS FORWARD TO OUR FULL INTEGRATION INTO THE COMMUNITY WHEN WE JOIN THE EMS.

5. MORE BROADLY, HE HOPES THAT WE WILL TAKE A EUROPEAN VIEW OF THE WORLD, CONSISTENT WITH HIS OWN AND GISCARD'S. HE IS WORRIED ABOUT THE DEFECTS OF AMERICAN LEADERSHIP, WHILE RECOGNISING THAT, IN DEFENCE AT LEAST, THERE IS NO ALTERNATIVE. FOR HIM, DEFENCE AND DETENT ARE EQUALLY IMPORTANT, AND HE TAKES BOTH EQUALLY SERIOUSLY: HE WILL BE INTERESTED IN OUR VIEW OF BOTH. FOR HIS PART, HE WANTS A CLEAR AND PREDICTABLE RELATIONSHIP WITH THE RUSSIANS AND HIS OPINION ON MANAGING THEM NOW (THE BREZHNEV SPEECH) AND IN THE LONGER RUN WILL BE WORTH HEARING.

6. FOR THE REST HE WILL STILL BE UNDER THE INFLUENCE OF THE HUA VISIT AND WILL WANT TO COMPARE NOTES. HE WILL HOPE FOR AN ACCOUNT OF THE PROSPECTS FOR RHODESIA: HE IS A GREAT ADMIRER OF YOUR CONDUCT OF THE LANCASTER HOUSE CONFERENCE. HE SEES THE MIDDLE EAST AS THE MAJOR SOURCE OF PRESENT AND FUTURE CRISIS, WITH EASTERN EUROPE COMPETING FOR OIL SUPPLIES IN THE MIDDLE 80S AS THE RUSSIAN EXPORT SURPLUS DWINDLES. ENERGY, ITS PRICE AND AVAILABILITY, IS HIS CONTINUING PREOCCUPATION. HE HOPES THAT THE PRIME MINISTER WILL VOLUNTEER A PROGRESS REPORT ON THE BRITISH ECONOMY.

7. ABOVE ALL, HE HOPES THAT IN THE COURSE OF THE VISIT, WHETHER CONDUCTING SPECIFIC BUSINESS OR MORE BROADLY EXCHANGING VIEWS, A SENSE OF MUTUAL CONFIDENCE WILL GROW. THIS CAN COME AS MUCH, IF NECESSARY, FROM DIFFERENCES OF VIEW OR IMPEDIMENTS TO AGREEMENTS IF OPENLY STATED AS FROM AGREEMENTS REACHED. THE ESSENTIAL THING FOR HIM IS TO KNOW WHERE HE STANDS. HE WOULD LIKE EUROPE, UNDER FRANCO-GERMAN-BRITISH LEADERSHIP, AND IN PARTNERSHIP WITH THE UNITED STATES, TO DEVELOP A PERSONALITY AND STRENGTH OF ITS OWN TO EXERT INFLUENCE AND PROVIDE STABILITY IN AN UNCERTAIN BUT INTERDEPENDENT WORLD, BUT SEES US AS TOO PREOCCUPIED WITH OUR DOMESTIC PROBLEMS TO MAKE MUCH OF A CONTRIBUTION.

WRIGHT

FILES

WED

PS/PUS

EID

MR BULLARD

ACDD

MR FERGUSSON

RESD

ESSD

PS/LAS

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copy on Speech file

Germany

22 October 1979

Anglo-German Consultations

The Prime Minister has seen your letter to me of 17 October. She has approved the programme enclosed with it.

I should be grateful if you would submit a draft speech for the Prime Minister's use at the dinner which Chancellor Schmidt plans to offer her.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

MICHAEL ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

BF
on
speech
file

2,
—

PRIME MINISTER

Visit to Bonn: Meeting with Herr Kohl

The Embassy in Bonn have telephoned to say that the planned meeting between you and Herr Kohl during your visit to Bonn on 31 October will not take place. It seems that there was a nonsense in Herr Kohl's office: he will in fact be in Portugal on 31 October, and the request for a meeting with you should never have been made.

//
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AMS.

ms.

19 October 1979

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Foreign and Commonwealth Office

London S.W.1

17 October 1979

Dear Michael,

Anglo-German Consultations

Thank you for your letter of 10 October. We have noted the timetable for briefs.

The Embassy in Bonn have telephoned the Department about three proposed changes to the programme for the summit:

- (a) The Germans have proposed a session between the two Heads of Government and the two Foreign Secretaries for half an hour immediately before the plenary;
- (b) they propose that the Prime Minister should pay a formal call on President Carstens at 14.45, after lunch and before the session with Foreign Ministers;
- (c) The Embassy suggest that the Prime Minister might have an informal session with the British press in the Residence between the press conference (which might end at 18.15 or 18.30) and the time at which she would have to leave for the dinner (about 20.15).

I should be grateful if you could let me know if the Prime Minister has any objection to these proposed additions; I attach a copy of the programme as it would look if they were incorporated. The call on the President follows the precedent set in the recent visits by President Giscard and Signor Pertini; and as you know a session with the local British press was held in the Ambassador's residence when the Prime Minister went to Rome.

We have also learnt that Chancellor Schmidt plans to make a speech at the dinner lasting some 12 minutes. It would be normal for the Prime Minister to reply, perhaps not at the same length but certainly substantively. Her reply will have to be prepared in advance, since we are not likely to have a sight of Chancellor Schmidt's draft until very shortly before the event. Would you like us to submit a draft?

I am sending a copy of this letter to Martin Vile (Cabinet Office).

Yours etc

Paul

(P Lever)
Private Secretary

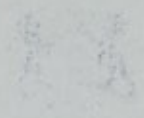
M O'D B Alexander Esq
10 Downing Street
LONDON

CONFIDENTIAL

10 OCT 1979

London and Country Club
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17 OCT 1979



PROGRAMME FOR THE PRIME MINISTER'S VISIT TO BONN, 31 OCTOBER

- 1100 Individual bilaterals (Prime Minister and Chancellor Schmidt alone with note-taker; other Ministers in session with their opposite numbers)
- 1300 Lunch (on a similar pattern; the Prime Minister in the Chancellery, and other Ministers as guests of their interlocutors)
- 1445 Prime Minister to call on President Carstens
- 1530 Meeting of Chancellor Schmidt, Prime Minister, Herr Genscher and Lord Carrington
- 1600 Plenary session
- 1730 Press conference
- 1800 Lord Carrington addresses German Society for Foreign Policy (DGAP) : *Prime Minister meets Herr Kohl.*
- 1845 Prime Minister meets British press in Ambassador's Residence
- 2030 Dinner hosted by Chancellor Schmidt

Germany
Copy on PM Trans Abd,
Bonn. Sept 79



10 DOWNING STREET

From the Private Secretary

17 October, 1979.

Prime Minister's Visit to Bonn: 31 October

I told you in my letter of 10 October (not to all) that I would be consulting the Prime Minister again about the composition of the party for the Anglo-German consultations in Bonn on 31 October. I have now done so. The Prime Minister has decided that she should be accompanied by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Defence Secretary, and the Minister of Agriculture.

The briefing meeting on Monday, 29 October, mentioned in my letter under reference will be at 1200 hours and not 1215.

I am sending copies of this letter to Tony Battishill (HM Treasury), Brian Norbury (Ministry of Defence), Garth Waters (Ministry of Agriculture, Fisheries and Food), and Martin Vile (Cabinet Office).

M. O. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

SB

(2)

PRIME MINISTER

Helmut Kohl would like to see you during your visit to Bonn on 31 October. I have discussed this with Michael Alexander and he says this would be possible between 6 and 7.30, but in the first instance we ought to check with the Ambassador (Oliver Wright) that this would not create any difficulties. Can we do this please?

CS.

I must see him

~~Prime Minister~~

ans.

16 October 1979

*It now happens that
Herr Kohl's office made a
mistake: in fact he will be
in Portugal on the day in
question!*

Print 23/14

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COPY NO

1

PRIME MINISTER'S VISIT TO BONN
31 OCTOBER 1979

LIST OF BRIEFS ISSUED IN THE PMVX(79) SERIES

1. STEERING BRIEF

Brief by Foreign and Commonwealth Office

2(i) STEERING BRIEF ON THE EUROPEAN COMMUNITY

Brief by Foreign and Commonwealth Office

2(ii) EUROPEAN COMMUNITY QUESTIONS: COMMUNITY BUDGET

Brief by HM Treasury

2(iii) EUROPEAN MONETARY SYSTEM

Brief by HM Treasury

2(iv) THE COMMON AGRICULTURAL POLICY

Brief by the Ministry of Agriculture, Fisheries and Food

2(v) FISHERIES

Brief by Ministry of Agriculture, Fisheries and Food

2(vi) EXTERNAL COMMUNITY QUESTIONS

Brief by Foreign and Commonwealth Office

2(vii) OTHER INTERNAL COMMUNITY QUESTIONS

Brief by Foreign and Commonwealth Office

3(a) INTERNATIONAL FINANCIAL AND ECONOMIC QUESTIONS (INCLUDING THE NORTH-SOUTH DIALOGUE, GATT AND THE MTN's)

Brief by HM Treasury

3(b) ENERGY

Brief by the Department of Energy

*Briefs in series
PMVX(79) 1-12 to be
released in CAB 133/502.
This set destroyed.*

AtWayland

27 October 2009

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4. EAST-WEST RELATIONS (INCLUDING INNER GERMAN RELATIONS AND BERLIN)
Brief by Foreign and Commonwealth Office
5. DEFENCE MATTERS
Brief by the Ministry of Defence
6. ARMS CONTROL AND DISARMAMENT
Brief by Foreign and Commonwealth Office
7. PREPARATIONS FOR CSCE FOLLOW-UP MEETING IN MADRID
Brief by Foreign and Commonwealth Office
8. CHINA (INCLUDING CHINA/VIETNAM RELATIONS, REFUGEES, AND CAMBODIA)
Brief by Foreign and Commonwealth Office
9. RHODESIA
Brief by Foreign and Commonwealth Office
- 10(a) REGIONAL QUESTIONS: SOUTHERN AFRICA
Brief by Foreign and Commonwealth Office
- 10(b) DEVELOPMENTS IN NIGERIA AND GHANA
Brief by Foreign and Commonwealth Office
- 10(c) REGIONAL QUESTIONS: THE NEAR EAST (INCLUDING ARAB/ISRAEL DISPUTE)
Brief by Foreign and Commonwealth Office
- 10(d) THE MIDDLE EAST (INCLUDING IRAN AND AFGHANISTAN)
Brief by Foreign and Commonwealth Office
11. RELATIONS BETWEEN THE US AND EUROPE
Brief by Foreign and Commonwealth Office
12. FRG INTERNAL POLITICAL AND ECONOMIC SCENE
Brief by Foreign and Commonwealth Office

Cabinet Office

26 October 1979

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Germany

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Pmt

Cabinet Office,
Whitehall,
London, SW1.

15th October, 1979

PS(79) 32

Dear Private Secretary,

Visit of the Prime Minister to Bonn - 31st October 1979

This letter sets out the briefing arrangements for the visit of the Prime Minister to Bonn on Wednesday, 31st October.

The objectives for the visit, as approved by the Prime Minister, are at Annex A. The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex B. Instructions on format are at Annexes C and D.

Seventy-five copies of each brief should be sent to the Cabinet Office, 70, Whitehall, to arrive no later than 14.00 hours on Thursday, 25th October. They should be addressed to Mrs. Wagner in Committee Section, who should be consulted (tel. no. 233 7628) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Michael Palliser, Sir Douglas Wass, Sir Frank Cooper, Sir Kenneth Couzens, Sir Kenneth Clucas, Sir Peter Carey, Sir Jack Rampton, Sir Brian Cubbon, Sir William Fraser, Mr. Kenneth Stowe, Mr. Brian Hayes and to Michael Alexander (No. 10).

Yours sincerely,

(Signed) M.J. VILE

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ANGLO-GERMAN CONSULTATIONS, OCTOBER 1979

UK OBJECTIVES

1. To obtain German support for UK objectives on the budget at the Dublin European Council.
2. To extend common ground with the Germans on other pressing Community problems, notably the CAP and fisheries.
3. To exchange views on defence questions and the East-West relationship; to concert efforts to ensure positive decisions in December from the Alliance discussions on TNF Modernisation and arms control; to review defence procurement policy, and particularly to emphasise the importance we attach to the future Tactical Combat Aircraft project.
4. To assess the international economic and monetary situation including international/energy prospects and policies.
5. To enlist German support for our Rhodesia policy, especially in the UN context.

ANGLO-GERMAN OBJECTIVES

PROBABLE GERMAN OBJECTIVES

1. To consolidate a close working relationship with the Prime Minister, as an essential part of the Bonn-London-Paris tripod.
2. Within the overall aim of encouraging Britain's positive attitude to the Community -
 - a. to explore the minimum terms acceptable to HMG for settlement of the EEC Budget question;
 - b. to ensure that HMG continues to oppose any breach of the 1% VAT ceiling because of its significance for the control of CAP expenditure;
 - c. to press for early progress towards a CFP settlement;
 - d. to maintain bilateral cooperation on energy subjects generally and to seek ready and preferably cheaper access by the FRG to North Sea oil;
 - e. to emphasise the political significance of HMG's joining the EMS exchange rate mechanism.
3. To achieve an understanding with the UK on how to handle the Alliance discussions on Theatre Nuclear Force Modernisation and Arms Control and to exchange views on East/West relations generally in the light of recent developments in US/Soviet relations.
4. To learn how HMG see the way ahead on Rhodesia and South Africa.

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ANNEX B

LIST OF BRIEFS

<u>PMVX(79)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO	
2.	European Community Questions		
	(i) Community Steering Brief	FCO	As appropriate
	(ii) Budget	Treasury	FCO, Cabinet Office
	(iii) EMS	Treasury	FCO, Cabinet Office
	(iv) CAP	MAFF	Treasury, FCO, Cabinet Office
	(v) Fisheries	MAFF	FCO, NIO, Scottish Office
	(vi) External Community Questions	FCO	As appropriate
	(vii) Other Internal Community Questions	FCO	"
3.	International Financial and Economic Questions (including energy, the North-South dialogue, GATT and the MTNs)	Treasury	FCO, Energy, Trade
4.	East/West Relations (including inner-German Relations and Berlin)	FCO	MOD, Treasury, Trade
5.	Defence Matters	MOD	FCO
6.	Arms Control and Disarmament (MBFR, SALT and non-proliferation)	FCO	MOD
7.	Preparation for CSCE follow-up in Madrid	FCO	
8.	China (including China/Vietnam Relations, refugees and Cambodia)	FCO	Home Office
9.	Rhodesia	FCO	

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<u>PMVX(79)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
10.	Regional Questions: (a) Southern Africa (b) Developments in Nigeria and Ghana (c) The Near East (including Arab/Israel dispute) (d) The Middle East (including Iran and Afghanistan)	FCO	
11.	Relations Between the United States and Europe	FCO	
12.	FRG Internal Political and Economic Scene	FCO	

INSTRUCTIONS ABOUT FORMAT

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex D. Those preparing briefs should note the following:-

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained and with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.
- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) The top page only should bear the symbol and number of the briefs in the top left-hand corner (e.g. PMVX(79) 5), with the date of production below; a copy number in the top right-hand corner; and the visit heading, the title of the brief (in capitals) and the name of the Department responsible (as in Annex D).
- (f) Briefs should bear at the foot of the last page, on the left-hand side, the name of the originating Department and the date of origin.
- (g) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the standard way with the brief number (e.g. PMVX(79) 5 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation.
- (h) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.

CLASSIFICATION

ANNEX D

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PMVX(79) Serial No.

COPY NO

Date

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PRIME MINISTER'S VISIT TO BONN
31 OCTOBER 1979

SUBJECT Insert subject in capitals

Brief by name of originating Department e. g. Foreign and
Commonwealth Office

At the foot of the last page:-

Department of origin e. g. Foreign and Commonwealth Office

Date

CLASSIFICATION

SIR JOHN HUNT
CABINET OFFICE

Anglo-German Consultations: 31 October 1979

The Prime Minister has seen your minute to me of 12 October on this subject. She has agreed Annexes B, C and D. She has made it clear that she herself has no intention of discussing all the subjects listed in Annex A.

MICHAEL ALEXANDER

15 October 1979

SB

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Ref. A0413

MR. ALEXANDER

Prime Minister

*Appe Annexes B, C & D. (The German
ambition to win everything must not be taken
too seriously !) !!*

Anglo-German Consultations: 31st October

Phm 12/x

The next in the series of 6-monthly consultations between the Prime Minister and Chancellor Schmidt will be held in Bonn on 31st October. On the German side the Embassy in Bonn expect the following to attend, in addition to Herr Genscher: Count Lambsdorff (Economy), Herr Matthöfer (Finance), Herr Offergeld (Overseas Development), Herr Apel (Defence) and Herr Ertl (Agriculture). You are considering the composition of the British team in the light of this.

2. The present plan is for the Prime Minister's party to arrive in Bonn on the morning of 31st October in time to begin individual talks in restricted session at 11.00 (equivalent to 10.00 London time). Working lunches are planned for 13.00, after which restricted sessions will be continued unless it is decided at the time that at this stage there should be a wider group. At 16.00 there is to be a plenary session, and at 17.30 a press conference. At 18.00 Lord Carrington is to give a talk, followed by questions, to the German Society for Foreign Policy on the subject "Europe: Prosperity and Security". Chancellor Schmidt will give a dinner in honour of the Prime Minister at 20.30 and the party will return to the United Kingdom the same evening.

3. In place of a formal agenda, German officials have given the Embassy in Bonn a long 'check list' of subjects on which they intend to brief their Ministers and the Chancellor (Annex A). Obviously there will not be time for all these subjects to be discussed. I think nonetheless that we shall have to provide briefs on them all, if only, for some, in a rather foreshortened form, since those which the Chancellor himself does not raise may come up during the discussions between other Ministers. Chancellor Schmidt does of course have wide-ranging interests but it seems most likely that his talks with the Prime Minister will in fact focus on three main topics:

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- (i) European Community questions, including the budget, the CAP, fisheries, our participation in the European Monetary System, etc.
- (ii) Defence and East-West relations, including the implications of President Brezhnev's recent speech in East Berlin.
- (iii) The international economic situation, and in particular energy.

It is towards these main subjects that the steering brief will be directed.

Various aspects of United States/European relations are also bound to come up; and, depending on developments at Lancaster House, Southern Africa is likely to feature fairly prominently as well.

4. I attach at Annexes B and C draft objectives for the meeting and at Annex D a suggested list of briefs. I would be grateful if you would let me know if the Prime Minister is content with these.

M.H.

(John Hunt)

12th October, 1979

ANNEX A

ANGLO-GERMAN CONSULTATIONS, OCTOBER 1979

List of subjects for discussion (proposed by FRG officials)

'FM' signifies: probably for discussion between Foreign Ministers only

1. Community Questions

- (a) Prospects for Dublin European Council
- (b) CAP
- ~~(c) Convergence~~
- (d) Fisheries
- (e) EMS
- ~~(f) European Political Cooperation: Prospects and Tasks~~ FM
- (g) Enlargement FM
- ~~(h) EEC/ASEAN Relations~~ FM
- ~~(i) Lome II~~ FM
- ~~(j) Euratom Chapter VI~~ FM

2. Security Questions

- (a) TNF modernisation
- (b) SALT II/III
- (c) MBFR

3. East/West Questions

- (a) Preparation for CSCE follow-up: Madrid (also military aspects of Security)
- (b) Political and economic relations with China: possible effects on relations with the Soviet Union FM
- ~~(c) Russian position on the North/South dialogue - British impressions of the latest North/South consultations with the Soviet Union~~ FM
- (d) Chancellor Schmidt's visits to Poland and Hungary
- (e) Inner-German and Berlin Questions

4. North/South Questions (including 'The new global dialogue' and Havana) ?

The high worked out - may be needed by the P.I. - but not by me.

- 5. International Energy Policy
 - (a) Energy Situation
 - (b) International Energy cooperation
- 6. Regional Questions
 - (a) Rhodesia (London Constitutional Conference)
 - ~~(b) Southern Africa (Namibia, Angola, South Africa)~~ FM
 - ~~(c) Developments in Nigeria and Ghana~~ FM
 - (d) Situation in the Near East FM
 - (e) Situation in the Middle East FM
 - (f) Situation in Iran FM
 - (g) Chairman Hua's visit to Europe
 - (h) Indo/Chinese Refugees
 - (i) Situation in Cambodia FM
 - ~~(j) Nicaragua and Central America~~ FM
- 7. International Economic Situation (including the economic situation in the FRG and UK)
- 8. GATT Questions
 - (a) New developments in trade policy
 - (b) Steel and textiles

ANNEX B

ANGLO-GERMAN CONSULTATIONS, OCTOBER 1979

UK OBJECTIVES

1. To obtain German support for UK objectives on the budget at the Dublin European Council.
2. To extend common ground with the Germans on other pressing Community problems, notably the CAP and fisheries.
3. To exchange views on defence questions and the East-West relationship; to concert efforts to ensure positive decisions in December from the Alliance discussions on TNF Modernisation and arms control; to review defence procurement policy, and particularly to emphasise the importance we attach to the future Tactical Combat Aircraft project.
4. To assess the international economic and monetary situation including international/energy prospects and policies.
5. To enlist German support for our Rhodesia policy, especially in the UN context.

ANNEX C

ANGLO-GERMAN OBJECTIVES

PROBABLE GERMAN OBJECTIVES

1. To consolidate a close working relationship with the Prime Minister, as an essential part of the Bonn-London-Paris tripod.
2. Within the overall aim of encouraging Britain's positive attitude to the Community -
 - a. to explore the minimum terms acceptable to HMG for settlement of the EEC Budget question;
 - b. to ensure that HMG continues to oppose any breach of the 1% VAT ceiling because of its significance for the control of CAP expenditure;
 - c. to press for early progress towards a CFP settlement;
 - d. to maintain bilateral cooperation on energy subjects generally and to seek ready and preferably cheaper access by the FRG to North Sea oil;
 - e. to emphasise the political significance of HMG's joining the EMS exchange rate mechanism.
3. To achieve an understanding with the UK on how to handle the Alliance discussions on Theatre Nuclear Force Modernisation and Arms Control and to exchange views on East/West relations generally in the light of recent developments in US/Soviet relations.
4. To learn how HMG see the way ahead on Rhodesia and South Africa.

ANNEX D

ANGLO/GERMAN CONSULTATIONS

DRAFT LIST OF BRIEFS, OCTOBER 1979

1. Steering Brief
2. European Community questions
 - i Community Steering brief
 - ii Budget
 - iii EMS
 - iv CAP
 - v Fisheries
 - vi External Community questions
 - vii Other internal Community questions
3. International financial and economic questions (including energy, the North-South dialogue, GATT and the MTNs)
4. East/West relations (including inner-German relations and Berlin)
5. Defence matters
6. Arms Control and Disarmament (MBFR, SALT and non-proliferation)
7. Preparation for CSCE follow-up in Madrid
8. China (including China/Vietnam relations, refugees and Cambodia)
9. Rhodesia
10. Regional questions:
 - a) Southern Africa
 - b) Developments in Nigeria and Ghana
 - c) The Near East (including Arab/Israel dispute)
 - d) The Middle East (including Iran and Afghanistan)
11. Relations between the US and Europe
12. FRG Internal Political and Economic scene.

RESTRICTED

Germany



Foreign and Commonwealth Office

London SW1A 2AH

11 October 1979

Dear Michael,

Anglo-German Consultations

In your letter of 11 September you recorded the Prime Minister's agreement that a decision on the inclusion of the Minister of Agriculture in the party accompanying her to Bonn should be held over until we knew whether the Common Agricultural or Common Fisheries Policies would be likely to be discussed.

It has now become clear (Bonn telegrams 495, 537 and 561, copies enclosed) that the Germans expect the discussions to cover the Common Agricultural Policy and Fisheries, and propose to involve Herr Ertl in the talks; and that Graf Lambsdorff will participate for the discussion of energy matters as well. The Foreign and Commonwealth Secretary thinks that, agriculture and fisheries being subjects of particular importance at present both to us and to the Germans, it would be misunderstood if we were not to match Herr Ertl's presence; indeed it might look as though we were shrinking from serious discussion of them. In the circumstances, therefore, he thinks that it would be advisable for Mr Walker to be included in the team and he suggests that the Prime Minister may wish to agree to this. Lord Carrington would regard Mr Walker's presence as more important on this occasion than that of the Secretary of State for Energy, although some of the same arguments apply here also.

I am sending a copy of this letter to Martin Hall (Treasury), David Omand (MOD), Frances Thompson (MAFF), Denis Walker (Energy) and Martin Vile (Cabinet Office).

Yours etc

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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FM BONN 061115Z SEP 79

TO PRIORITY FCO

TELEGRAM NUMBER 495 OF 6 SEPTEMBER

24

MY TELNO 476: ANGLO-GERMAN CONSULTATIONS

1. OUR CONTACTS IN THE FEDERAL MINISTRY OF AGRICULTURE HAVE INFORMED US THAT ERTL INTENDS TO PRESS FOR HIS INCLUSION ON THE GERMAN TEAM ON 31 OCTOBER AND THAT HE WILL WISH TO SEE BOTH CAP AND CFP ON THE AGENDA.
2. DECISIONS ON THE COMPOSITION OF THE GERMAN MINISTERIAL PARTY AND ON PROPOSALS FOR THE AGENDA WILL NOT BE TAKEN UNTIL 20 SEPTEMBER. MEANWHILE THE FEDERAL MINISTRY OF AGRICULTURE IS WORKING ON THE ASSUMPTION THAT ERTL AND CAP/CFP WILL BE INCLUDED.
3. IF THIS IS SO, IT WOULD SIMPLY NOT BE UNDERSTOOD HERE IF MR WALKER WERE NOT INCLUDED IN THE PRIME MINISTER'S PARTY.

WRIGHT

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FM BONN 251000Z SEP 79

TO PRIORITY FCO

TELEGRAM NUMBER 537 OF 25 SEPTEMBER

ADVANCE

FILE

AS

PS LHS

Mr. Lavis.

PS LHS

SR A D

R

MR FELG

25/9.

Walt

ANGLO/GERMAN CONSULTATIONS

1. THE FEDERAL GOVERNMENT HELD AN INTERDEPARTMENTAL MEETING OF OFFICIALS ON 20 SEPTEMBER TO DISCUSS ARRANGEMENTS FOR THE SUMMIT. THE AUSWAERTIGES AMT HAVE TOLD US THAT THE MAIN CONCLUSIONS WERE AS FOLLOWS.

PARTICIPATION

2. CHANCELLOR SCHMIDT WOULD FAVOUR PARTICIPATION BY A FAIRLY BROAD SPECTRUM OF HIS MINISTERS. APART FROM HERR GENSCHER THE GERMANS ARE LIKELY TO PROPOSE THAT THE FOLLOWING MINISTERS SHOULD ATTEND: GRAF LAMSDORFF (ECONOMY), MATTHOEFER (FINANCE), ERTL (AGRICULTURE), OFFERGELD (OVERSEAS DEVELOPMENT). THE AUSWAERTIGE AMT HAVE TOLD US THAT NO DECISION HAS YET BEEN TAKEN ABOUT ATTENDANCE BY HERR APEL. HE HAS BEEN INFORMED OF THE PRIME MINISTER'S INTENTION THAT MR PYM SHOULD ATTEND (YOUR TELNO 276).

SUBJECTS FOR DISCUSSION

3. AS A RESULT OF THE INTERDEPARTMENTAL MEETING THE AUSWAERTIGES AMT HAVE PROPOSED THE FOLLOWING LIST. THEY DESCRIBED IT AS A CATCH-ALL LIST, COMPILED LARGELY FOR BRIEFING PURPOSES, RATHER THAN AN AGENDA. MINISTERS WOULD DECIDE LATER ON WHICH OF THE ITEMS THEY SHOULD CONCENTRATE. THOSE MARKED QUOTE FM UNQUOTE WERE ENVISAGED AS SUBJECTS FOR DISCUSSION BETWEEN YOURSELF AND HERR GENSCHER BUT THAT DID NOT, OF COURSE, RULE OUT DISCUSSION BY HEADS OF GOVERNMENT.

I COMMUNITY QUESTIONS

- A. PROSPECTS FOR DUBLIN EUROPEAN COUNCIL
- B. CAP

- D. FISH
- E. EMS
- F. EUROPEAN POLITICAL COOPERATION: PROSPECTS AND TASKS FM
- G. ENLARGEMENT FM
- H. EEC/ASEAN RELATIONS FM
- I. LOME II FM
- J. EURATOM CHAPTER VI FM

II SECURITY QUESTIONS

- A. TNF MODERNISATION
- B. SALT II/III
- C. MBFR

III EAST/WEST QUESTIONS

- A. PREPARATION FOR CSCE FOLLOW UP: MADRID (ALSO MILITARY ASPECTS OF SECURITY)
- B. POLITICAL AND ECONOMIC RELATIONS WITH CHINA: POSSIBLE EFFECTS ON RELATIONS WITH THE SOVIET UNION FM
- C. RUSSIAN POSITION ON THE NORTH/SOUTH DIALOGUE - BRITISH IMPRESSIONS OF THE LATEST NORTH/SOUTH CONSULTATIONS WITH THE SOVIET UNION FM
- D. CHANCELLOR SCHMIDT'S VISITS TO POLAND AND HUNGARY
- E. INNER-GERMAN AND BERLIN QUESTIONS

IV NORTH/SOUTH QUESTIONS (INCLUDING QUOTE THE NEW GLOBAL DIALOGUE UNQUOTE AND HAVANA)

V INTERNATIONAL ENERGY POLICY

- A. ENERGY SITUATION
- B. INTERNATIONAL ENERGY COOPERATION

VI REGIONAL QUESTIONS

- A. RHODESIA (LONDON CONSTITUTIONAL CONFERENCE)
- B. SOUTHERN AFRICA (NAMIBIA, ANGOLA, SOUTH AFRICA) FM
- C. DEVELOPMENTS IN NIGERIA AND GHANA FM
- D. SITUATION IN THE NEAR EAST FM
- E. SITUATION IN THE MIDDLE EAST FM
- F. SITUATION IN IRAN FM
- G. CHAIRMAN HUA'S VISIT TO EUROPE
- H. INDO/CHINESE REFUGEES
- I. SITUATION IN CAMBODIA FM
- J. NICARAGUA AND CENTRAL AMERICA FM

VII INTERNATIONAL ECONOMIC SITUATION (INCLUDING THE ECONOMIC

VIII GATT QUESTIONS

- A. NEW DEVELOPMENTS IN TRADE POLICY
- B. STEEL AND TEXTILES

PROGRAMME

4. THE AUSWAERTIGES AMT TOLD US THAT THE FEDERAL CHANCELLOR HAD AGREED THE FOLLOWING OUTLINE PROGRAMME, THOUGH TIMINGS WERE APPROXIMATE AND COULD BE ADJUSTED.

- 11.00 (LOCAL TIME IE 10AM LONDON TIME) INDIVIDUAL TALKS START IN RESTRICTED SESSION
- 13.00 WORKING LUNCHES
- 14.30 CONTINUATION OF RESTRICTED SESSIONS (UNLESS IT IS DECIDED AD HOC OR EARLIER THAT AT THIS STAGE THERE SHOULD BE A WIDER GROUP)
- 16.00 PLENARY
- 17.30 PRESS CONFERENCE
- 18.00 - 19.30 LORD CARRINGTON ADDRESSES DGAP
- 20.00 DINNER

5. COMMENT. WE HAVE TOLD THE AUSWAERTIGES AMT THAT, GIVEN THE TIME DIFFERENCE, 1100 MAY BE TOO EARLY A START FOR THE TALKS: AND THAT THE PROPOSED TIMINGS FOR YOUR ADDRESS AND FOR THE DINNER LEAVE AN AWKWARD GAP.

WRIGHT

(copy) Depart
~~07.45~~ ~~Arrive~~ Northolt
 22.30 ~~Depart~~
 23.00 ~~Arrive~~ Heathrow

NNNN

SENT AT 251108Z AMV

07.45 Depart Northolt
 10.15 ^{Bonn} Arrive Cologne
 11.00 Talks start
 22.30 ^{Bonn} Depart Cologne
 23.00 Arrive Heathrow

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GRS 320

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FM BONN 051209Z OCT 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 561 OF 5 OCTOBER

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YOUR TELEGRAMS NUMBERS 309 AND 310: ANGLO/GERMAN CONSULTATIONS

1. THE SUMMARY OF BRITISH AND PROBABLE GERMAN OBJECTIVES IN ANNEXES B AND C SEEMS ADMIRABLE. IN THE LIST OF MAIN SUBJECTS, ITEM (B) WOULD MORE ACCURATELY REFLECT GERMAN PRIORITIES IF IT WERE AMENDED TO READ: QUOTE OTHER COMMUNITY MATTERS INCLUDING FISHERIES, CAP AND EMS UNQUOTE. ENERGY QUESTIONS (ITEM D) ARE ALSO LIKELY TO COME UP IN THE COMMUNITY CONTEXT.

2. ON MINISTERIAL PARTICIPATION, I FEEL BOUND TO DRAW ATTENTION TO THE MARKED DISCREPANCY BETWEEN THE GERMAN AND THE BRITISH TEAMS. (YOU WILL INCIDENTALLY HAVE SEEN FROM MY TELEGRAM NO 544 THAT HERR APEL IS NOW DEFINITELY INTENDING TO BE PRESENT.) IN PARTICULAR, I NOTE THAT IT IS YET TO BE DECIDED WHETHER MR WALKER IS TO BE INCLUDED AND THAT THERE IS AT THE MOMENT NO BRITISH COUNTERPART PLANNED FOR GRAF LAMBSDORFF. IN DECIDING WHETHER TO MAKE ANY ADDITIONS TO HER TEAM, THE PRIME MINISTER WILL WISH TO BEAR IN MIND THAT PROGRESS ON AGRICULTURAL QUESTIONS (NOTABLY REFORM OF THE CAP AND FISHERIES) FIGURES HIGH ON THE LIST OF BOTH BRITISH AND GERMAN OBJECTIVES. THE GERMANS WILL BE EXPECTING TO DISCUSS THESE QUESTIONS IN DEPTH, AND IT IS NO DOUBT FOR THIS REASON THAT CHANCELLOR SCHMIDT PROPOSES TO HAVE HERR ERTL IN HIS TEAM. THESE QUESTIONS, AND THE WAY WE HANDLE THEM WITH THE GERMANS, ALSO HAVE A DIRECT BEARING ON OUR PRIMARY OBJECTIVE, WHICH IS TO OBTAIN GERMAN SUPPORT FOR THE UK POSITION ON THE COMMUNITY BUDGET.

3. THE SAME CAN BE SAID ABOUT ENERGY. THE GERMANS WILL CERTAINLY BE HOPING TO DISCUSS BOTH TRADE AND ENERGY (HENCE THE PRESENCE OF GRAF LAMBSDORFF), BUT ATTACH PARTICULAR IMPORTANCE TO THE LATTER. OUR LATEST CONTACTS WITH THE GERMANS ON THE ECONOMIC SIDE HAVE CONFIRMED THE IMPRESSION THAT OUR REACTION ON ENERGY QUESTIONS WILL BE AN IMPORTANT FACTOR IN DETERMINING THE EXTENT TO WHICH THE GERMANS DECIDE TO HELP US ON THE BUDGET. FROM THIS POINT OF VIEW IT SEEMS HIGHLY DESIRABLE THAT THE BRITISH TEAM SHOULD INCLUDE AN INTERLOCUTOR FOR GRAF LAMBSDORFF, AT LEAST ON THE ENERGY SIDE.

WRIGHT

FILES
WED
MR FERGUSSON

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PRIME MINISTER

51

To be replaced

Anglo-German Consultations: Bonn: 31 October

I understand from Bonn that Chancellor Schmidt intends to propose participation in the Anglo-German Consultations on 31 October by the following Ministers:- Herr Genscher (Foreign Affairs)

- Herr Apel (Defence)
- Herr Lambsdorff (Economy)
- Herr Matthoefer (Finance)
- Herr Ertl (Agriculture)
- Herr Offergeld (Overseas Development)

You have already agreed in earlier minuting that the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Defence Secretary should accompany you to Bonn. You agreed to hold over a decision on Mr. Walker's participation pending clarification of Herr Schmidt's intentions. Now that we know Herr Ertl will be present, you may wish to agree that Mr. Walker should come to Bonn.

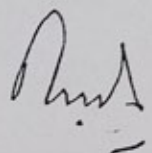
This list will mean that your team has no interlocutor for Graf Lambsdorff. Since he is an important member of the Government, this is perhaps a pity. Would you be prepared to reconsider the question of participation of, say, Mr. Howell (Graf Lambsdorff is responsible, among other things, for German energy policy)? The point of having an equivalent for each German participant is that much of the day is taken up with bilaterals between specialist Ministers. From the attached outline programme, you will see that only 90 minutes late in the afternoon is spent in plenary session.

/ On the basis

On the basis that each Minister will want a private secretary and one official with him; that you have already agreed that Sir Robert Armstrong and Mr. Franklin should be of the party; and that there should be the normal (and in my view necessary) underpinning of detectives, Garden Room girls, press officer, etc., the total party is likely to be between twenty-five and thirty strong (depending on whether or not Mr. Howell comes). A party of this size can be accommodated in an Andover and the larger HS125.

I know that you will consider a party of this scale very large. But if you wish to try to develop relations with the German Government of the level and intensity of those that already exist between the French and German Governments, we have little option but to encourage departmental Ministers to develop close working relations with their opposite numbers. Meetings of the kind taking place on 31 October are much the best way of getting the process under way. Because of the way the talks are arranged, the presence of departmental Ministers in no way diminishes the impact of your own talk with Herr Schmidt. For the most part, your own talk will be tete-a-tete with only private secretaries present.

Do you agree that the party should be constituted as set out above? In particular, do you wish the Secretary of State for Energy to participate?



11 October 1979

W.R.
ANGLO/GERMAN CONSULTATIONS: BONN: 31 OCTOBER

Outline programme (all times local times)

0745	Depart Northolt
1015	Arrive Bonn/Cologne
1100	Talks start
1300	Working lunches
1430	Continuation of talks
1600	Plenary
1730	Press Conference
1800-1930	Speech by Lord Carrington
2000	Dinner
2230	Depart Bonn/Cologne
2300	Arrive Heathrow

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Foreign and Commonwealth Office

London SW1A 2AH

10 October 1979

Sir John Hunt GCB
CABINET OFFICE

Handwritten: Hunt - 11/x

Handwritten: Dear John,

ANGLO-GERMAN CONSULTATIONS: 31 OCTOBER

1. The next in the series of 6-monthly consultations between the Prime Minister and Chancellor Schmidt will be held in Bonn on 31 October. The Prime Minister has said that she wishes to be accompanied by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Defence Secretary. In the light of the inclusion of Herr Ertl in the German team, the Prime Minister may also wish to consider whether to include the Minister of Agriculture. On the German side the Embassy in Bonn expect the following also to attend, in addition to Herr Genscher and Herr Ertl: Count Lambsdorff (Economy), Herr Matthöfer (Finance), Herr Offergeld (Overseas Development) and Herr Apel (Defence).

2. The present plan is for the Prime Minister's party to arrive in Bonn on the morning of 31 October in time to begin individual talks in restricted session at 1100 (equivalent to 1000 London time). Working lunches are planned for 1300, after which restricted sessions will be continued unless it is decided at the time that at this stage there should be a wider group. At 1600 there is to be a plenary session, and at 1730 a press conference. At 1800 Lord Carrington is to give a talk, followed by questions, to the German Society for Foreign Policy on the subject 'Europe: Prosperity and Security'. Chancellor Schmidt will give a dinner in honour of the Prime Minister at 2030 and the party will return to the UK the same evening.

3. In place of a formal agenda, German officials have given the Embassy in Bonn a long 'check list' of subjects on which they intend to brief their Ministers and the Chancellor (Annex A). Obviously there will not be time for all these subjects to be discussed. I think nonetheless that we shall have to provide briefs on them all, if only, for some, in a rather foreshortened form, since those which the Chancellor himself does not raise may come up during the discussions between other Minister. Chancellor Schmidt does of course have wide-ranging interests but it seems most likely that his talks with the Prime Minister will in fact focus on three main topics:

- i. European Community questions, including the budget, the CAP, fisheries, our participation in the European Monetary System etc.

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/ii.



- ii. Defence and East-West relations, including the implications of President Brezhnev's recent speech in East Berlin.
- iii. The international economic situation, and in particular energy.

It is towards these main subjects that the steering brief will be directed. As with the Anglo-French consultations, about which I am writing to you separately, it is clear that various aspects of US/European relations are bound to come up. And, in the light of developments at Lancaster House, Southern Africa is likely to feature fairly prominently as well.

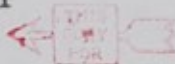
4. I attach at Annexes B and C our assessment of British and possible German objectives at the meeting and at Annex D a suggested list of briefs, the preparation of which might best, if you agree, be coordinated by the Cabinet Office.

Answers,

A handwritten signature in dark ink, appearing to read "Michael", written over a horizontal line.

Michael Palliser

cc: Sir Douglas Wass KCB, HM Treasury
B D Hayes Esq CB, MAFF
Sir Frank Cooper GCB CMG, MOD
Sir Jack Rampton KCB, Department of Energy
Sir Peter Carey KCB, DOI
C A Whitmore Esq, No 10



ANNEX A

ANGLO-GERMAN CONSULTATIONS, OCTOBER 1979

List of subjects for discussion (proposed by FRG officials)

'FM' signifies: probably for discussion between Foreign Ministers only

1. Community Questions
 - (a) Prospects for Dublin European Council
 - (b) CAP
 - (c) Convergence
 - (d) Fisheries
 - (e) EMS
 - (f) European Political Cooperation: Prospects and Tasks FM
 - (g) Enlargement FM
 - (h) EEC/ASEAN Relations FM
 - (i) Lome II FM
 - (j) Euratom Chapter VI FM
2. Security Questions
 - (a) TNF modernisation
 - (b) SALT II/III
 - (c) MBFR
3. East/West Questions
 - (a) Preparation for CSCE follow-up: Madrid (also military aspects of Security)
 - (b) Political and economic relations with China: possible effects on relations with the Soviet Union FM
 - (c) Russian position on the North/South dialogue - British impressions of the latest North/South consultations with the Soviet Union FM
 - (d) Chancellor Schmidt's visits to Poland and Hungary
 - (e) Inner-German and Berlin Questions
4. North/South Questions (including 'The new global dialogue' and Havana)

5. International Energy Policy
 - (a) Energy Situation
 - (b) International Energy cooperation

6. Regional Questions
 - (a) Rhodesia (London Constitutional Conference)
 - (b) Southern Africa (Namibia, Angola, South Africa) FM
 - (c) Developments in Nigeria and Ghana FM
 - (d) Situation in the Near East FM
 - (e) Situation in the Middle East FM
 - (f) Situation in Iran FM
 - (g) Chairman Hua's visit to Europe
 - (h) Indo/Chinese Refugees
 - (i) Situation in Cambodia FM
 - (j) Nicaragua and Central America FM

7. International Economic Situation (including the economic situation in the FRG and UK)

8. GATT Questions
 - (a) New developments in trade policy
 - (b) Steel and textiles

ANNEX B

ANGLO-GERMAN CONSULTATIONS, OCTOBER 1979

UK OBJECTIVES

1. To obtain German support for UK objectives on the budget at the Dublin European Council.
2. To extend common ground with the Germans on other pressing Community problems, notably the CAP and fisheries.
3. To exchange views on defence questions and the East-West relationship; to concert efforts to ensure positive decisions in December from the Alliance discussions on TNF Modernisation and arms control; to review defence procurement policy, and particularly to emphasise the importance we attach to the future Tactical Combat Aircraft project.
4. To assess the international economic and monetary situation including international/energy prospects and policies.
5. To enlist German support for our Rhodesia policy, especially in the UN context.

ANNEX C

ANGLO-GERMAN OBJECTIVES

PROBABLE GERMAN OBJECTIVES

1. To consolidate a close working relationship with the Prime Minister, as an essential part of the Bonn-London-Paris tripod.
2. Within the overall aim of encouraging Britain's positive attitude to the Community -
 - a. to explore the minimum terms acceptable to HMG for settlement of the EEC Budget question;
 - b. to ensure that HMG continues to oppose any breach of the 1% VAT ceiling because of its significance for the control of CAP expenditure;
 - c. to press for early progress towards a CFP settlement;
 - d. to maintain bilateral cooperation on energy subjects generally and to seek ready and preferably cheaper access by the FRG to North Sea oil;
 - e. to emphasise the political significance of HMG's joining the EMS exchange rate mechanism.
3. To achieve an understanding with the UK on how to handle the Alliance discussions on Theatre Nuclear Force Modernisation and Arms Control and to exchange views on East/West relations generally in the light of recent developments in US/Soviet relations.
4. To learn how HMG see the way ahead on Rhodesia and South Africa.

ANNEX D

ANGLO/GERMAN CONSULTATIONS

DRAFT LIST OF BRIEFS, OCTOBER 1979

1. Steering Brief
2. European Community questions
 - i Community Steering brief
 - ii Budget
 - iii EMS
 - iv CAP
 - v Fisheries
 - vi External Community questions
 - vii Other internal Community questions
3. International financial and economic questions (including energy, the North-South dialogue, GATT and the MTNs)
4. East/West relations (including inner-German relations and Berlin)
5. Defence matters
6. Arms Control and Disarmament (MBFR, SALT and non-proliferation)
7. Preparation for CSCE follow-up in Madrid
8. China (including China/Vietnam relations, refugees and Cambodia)
9. Rhodesia
10. Regional questions:
 - a) Southern Africa
 - b) Developments in Nigeria and Ghana
 - c) The Near East (including Arab/Israel dispute)
 - d) The Middle East (including Iran and Afghanistan)
11. Relations between the US and Europe
12. FRG Internal Political and Economic scene.



11 OCT 1979





10 DOWNING STREET

From the Private Secretary

10 October 1979

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Prime Minister's visit to Bonn : 31 October

So far as I can see from our files here, you have not been given a time by which the briefing for the Prime Minister's visit to Bonn should be available. I should be grateful if it could reach me by close of play on Thursday 25 October. There will be a briefing meeting during the morning of Monday 29 October. It will probably be at 1215 but I will confirm the precise time later.

I shall be consulting the Prime Minister tomorrow, in the light of Bonn telegram 537, about the precise composition of the party to accompany her. If there are any points you wish me to take into account perhaps you could have a word with me on the telephone.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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FM BONN 081654Z OCT 79
TO PRIORITY FCO
TELEGRAM NUMBER 556 OF 8 OCTOBER
AND TO ROUTINE EEC POSTS WASHINGTON UKDEL CECD

for Prime Minister

It would, of course, guarantee headlines for your Luxembourg speech if you felt able to go further on this subject: at the moment it says "our objective is to enter the mechanism when the position of sterling has stabilised sufficiently" in the form of words you used with Giscard. More importantly, it would help on the Budget.

ANGLO-GERMAN CONSULTATIONS: EMS
1. THE GERMANS HAVE TOLD US THAT SCHMIDT WILL WISH TO DISCUSS EMS WITH THE PRIME MINISTER AND WE KNOW FROM MY TALK WITH HIM ON 19 SEPTEMBER THAT HE HAS STRONG VIEWS ABOUT IT. HMG HAVE SAID THAT THEY FOR THEIR PART WILL TAKE A DECISION ON WHETHER TO BECOME FULL MEMBERS THIS AUTUMN. A VIEW FROM BONN MAY THEREFORE BE HELPFULL AT THIS STAGE.

Phu
-9/14

2. SCHMIDT HAS ALWAYS SEEN AND STILL SEES THE EMS PRIMARILY AS A POLITICAL ACT OF WILL, THOUGH ONE WITH BENEFICIAL ECONOMIC CONSEQUENCES. AND HE SEES IT AS A JOINT POLITICAL ACT WITH HIS FRIEND GISCARD: TO RELAUNCH A EUROPEAN COMMUNITY IN THE DOLDRUMS AND TO ESTABLISH A DISTINCT EUROPEAN IDENTITY IN THE FINANCIAL FIELD. THE CREATION OF AN AREA OF EXCHANGE RATE STABILITY IN EUROPE AND TAKING OUT A FORM OF INSURANCE AGAINST THE INCOMPETENCE OF THE CARTER ADMINISTRATION AND THE RESULTANT YO-YO EFFECT OF THE DOLLAR ARE USEFUL FINANCIAL BONUSES. HERE IN BONN, SCHMIDT PUT IT THROUGH AGAINST THE COMBINED SCEPTICISM OF THE MINISTRY OF FINANCE, THE BUNDESBANK AND MOST OF THE GERMAN FINANCIAL ESTABLISHMENT. IT IS NOT FOR ME TO ASSESS GISCARD'S MOTIVES; BUT ONE CLEAR RESULT HERE HAS BEEN TO REINFORCE THE PRIVILEGED NATURE OF THE FRANCO-GERMAN RELATIONSHIP. SCHMIDT AND GISCARD NOW SEEM TO ENJOY THE SORT OF POLITICAL AND PERSONAL RELATIONSHIP WHICH COMES AFTER PEOPLE HAVE BEEN THROUGH FIRE TOGETHER AND COME OUT STRENGTHENED ON THE OTHER SIDE. LAST WEEK'S FRANCO-GERMAN SUMMIT IN BONN (MY TELNO 555 OF 3 OCTOBER) CONFIRMS THIS VIEW.

3. SCHMIDT HAS, IN THE EVENT, BEEN PROVED ON THE WHOLE RIGHT AND HIS FINANCIAL ESTABLISHMENT ON THE WHOLE WRONG. THE SYSTEM WORKS AND HAS CLEARLY COME TO STAY. THE DOUBTS OF THE FINANCIAL ESTABLISHMENT HAVE BEEN STILLED EVEN IF THEY ARE NOT WHOLLY PUT TO REST. FOR PRACTICAL EXPERIENCE OF THE WAY THE SYSTEM WORKS OVER THE LAST SIX MONTHS HAS, ON THE WHOLE, BEEN SATISFACTORY. IT HAS NOT, OF COURSE, DONE AWAY WITH THE PROBLEM OF THE STRONG D-MARK AND WEAK DOLLAR, BUT, THEN, NOBODY EXPECTED THAT IT WOULD. BUT THE SYSTEM HAS SURVIVED CONSIDERABLE

DOLLAR TURBULENCE FROM WITHOUT AND HAS DEMONSTRATED ITS CAPACITY TO MAKE THE NECESSARY INTERNAL ADJUSTMENTS. DESPITE MAJOR DIFFERENCES IN GROWTH RATES, INFLATION RATES AND BALANCE OF PAYMENTS OUT-TURNS, LIFE HAS BEEN EASIER BOTH FOR THOSE WITHIN THE SYSTEM AND FOR THOSE WITHOUT LIKE THE AUSTRIAN SCHILLING AND THE SWISS FRANC. NEITHER THE BELGIANS NOR THE DANES, THE WEAKEST PARTNERS OVER THE LAST SIX MONTHS, SEEM TO WANT OUT. MY VIEW IS THAT NOT ONLY SCHMIDT, BUT ANY FORESEEABLE ALTERNATIVE GOVERNMENT HERE, TOGETHER WITH THE GERMAN FINANCIAL ESTABLISHMENT NOW HAVE A VESTED INTEREST IN MAKING THIS QUOTE (NEXT TWO WORDS UNDERLINED) ACQUIS COMMUNAUTAIRE UNQUOTE WORK AND SURVIVE. IN OTHER WORDS, THE EMS IS DOING WHAT WAS EXPECTED OF IT - WITHOUT US. AS TO THE FUTURE, IS IS NOT CLEAR THAT THE EMS WILL LEAD AS QUICKLY AS PROCLAIMED TO AN EMF : BUT THAT IS FOR THE FUTURE AND WE SHOULD PRESUMABLY HAVE MORE INFLUENCE ON FUTURE DEVELOPMENTS FROM A POSITION FOUR-SQUARE WITHIN THE SYSTEM.

4. IT IS, I THINK, NO SECRET THAT THE REASON WHY BRITAIN DID NOT REPEAT NOT JOIN AT THE BEGINNING WAS ALSO PRIMARILY POLITICAL. THE FINANCIAL ARGUMENTS WERE ALWAYS, EVEN LAST WINTER EVENLY BALANCED. BUT THE THEN GOVERNMENT WITH THE WINTER OF DISCONTENT ON ITS HANDS AND AN ELECTION LOOMING, SIMPLY COULD NOT TAKE ON IN ADDITION THE TASK OF SELLING EMS TO ITS SUPPORTERS. WHEN THE POLITICAL DECISION NOT TO JOIN THE EXCHANGE RATE MECHANISM WAS TAKEN, THERE WERE NATURALLY PLENTY OF SOUND TECHNICAL ARGUMENTS TO BACK IT, JUST AS THERE WOULD HAVE BEEN PLENTY OF SOUND TECHNICAL ARGUMENTS TO BACK A DECISION TO JOIN HAD THAT BEEN THE DECISION. BUT THAT IS THE WAY OF POLITICAL DECISIONS WHEN THE TECHNICAL ARGUMENTS ARE EVENLY BALANCED. IT IS PERHAPS WORTH RECALLING THAT OUR MAIN FEAR AT THE TIME WAS THAT STERLING WOULD BE TOO WEAK TO STAY WITHIN THE SYSTEM WITHOUT INTERVENTION AND THAT WE MIGHT HAVE TO SQUANDER PRECIOUS RESERVES TO MAINTAIN THE RATE. THE FACT THAT PRECISELY THE OPPOSITE HAS HAPPENED PERHAPS DOES NO MORE THAN EMPHASISE THE DIFFICULTY OF DOUBLE-GUESSING THE MARKET.

5. THE ESSENTIAL POINT HOWEVER, AS SEEN FROM BONN, IS THAT IN CONCEIVING AND BRINGING THE EMS TO FULL TERM, SCHMIDT HAS COMMITTED AN ACT OF POLITICAL WILL, HAS BEEN JOINED IN THAT ACT OF WILL BY GISCARD AND TOGETHER THEY HAVE BEEN JOINED BY THE SIX AND THE COMMISSION. WE ARE ON THE SIDELINES, AS EVENTS OF THREE WEEKENDS AGO, WHEN WE WERE NOT EVEN INVITED TO THE REALIGNMENT

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MEETING, DEMONSTRATED. IT IS CLEAR FROM WHAT HE TOLD ME AT DINNER IN MY HOUSE ON 19 SEPTEMBER THAT SCHMIDT IS LOOKING FOR A SIMILAR ACT OF POLITICAL FAITH AND WILL FROM THE PRIME MINISTER. IT IS TRUE THAT GERMAN OFFICIALS AT ALL LEVELS DO NOT EXPECT US TO JOIN AND WILL BE RELAXED IF WE DO NOT. THAT MESSAGE WE ARE GETTING LOUD AND CLEAR. BUT IT IS NOT THE MESSAGE FROM SCHMIDT HIMSELF. SCHMIDT WILL NO DOUBT BE TOO POLITE TO SPEAK IN THE SAME TERMS TO THE PRIME MINISTER AS HE SPOKE TO ME: THE RELATIONSHIP IS NOT YET OF LONG ENOUGH STANDING AND IN ANY CASE AMBASSADORS EXIST (NEXT TWO WORDS UNDERLINED) INTER ALIA TO ACT AS SHOCK ABSORBERS. BUT WHILE HE ACCEPTS THAT, WITH THE ADVENT OF A CONSERVATIVE ADMINISTRATION TO POWER, MUCH HAS CHANGED FOR THE BETTER IN ATTITUDES TO EUROPE HE IS NOW, TO PUT IT VULGARLY, WAITING FOR US TO PUT OUR MONEY WHERE OUR MOUTH HAS BEEN SINCE MAY. FOR ONCE AGAIN, THE EUROPEAN TRAIN HAS MOVED ON WITHOUT US, AS IT DID AT THE FOUNDATION OF THE COMMUNITY. OR RATHER WITH US CLINGING TO THE OUTSIDE OF THIS PARTICULAR CARRIAGE.

6. IN BRIEF, IT SEEMS FROM HERE AS IF A DECISION TO JOIN THE FULL EMS SYSTEM IS A PREREQUISITE TO OUR COMING GOOD ON OUR FREQUENTLY PROFESSED AND AS FREQUENTLY WELCOMED DESIRE TO PLAY A FULL ROLE IN DETERMINING THE FUTURE OF EUROPE. WE CANNOT DO SO FROM THE SIDELINES. IT IS CERTAINLY A PREREQUISITE TO ESTABLISHING A STABLE EUROPE ON THE BASIS OF A BONN-PARIS-LONDON TRIPOD INSTEAD OF, AS AT PRESENT, A BONN-PARIS AXIS. IT IS ALSO CERTAINLY A PREREQUISITE FOR THE PRIME MINISTER'S ESTABLISHING WITH SCHMIDT THE SORT OF RELATIONSHIP OF CONFIDENCE THAT HE HAS WITH HIS FRIEND GISCARD. ALTHOUGH I COULD NOT CROSS MY HEART AND SAY THAT A DECISION TO JOIN THE FULL EMS SYSTEM WOULD MAKE IT EASIER TO GET WHAT WE WANT ON THE BUDGET OR THAT THERE IS ANY SUCH CONJUNCTION ON SCHMIDT'S MIND, IT IS AT LEAST CLEAR THAT IT WOULD TRANSFORM THE ATMOSPHERE.

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FM BONN 281123Z SEP 79

TO PRIORITY FCO

TELEGRAM NUMBER 544 OF 28 SEPTEMBER

INFO PRIORITY MODUK

ANGLO-GERMAN CONSULTATIONS: 31 OCTOBER

1. THE MINISTER OF DEFENCE, APEL, TOLD ME LAST NIGHT THAT HE WOULD BE PRESENT AT THE ANGLO-GERMAN CONSULTATIONS ON 31 OCTOBER.

WRIGHT

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MR BULLARD

MR FERGUSSON

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FM BONN 251000Z SEP 79

TO PRIORITY FCO

TELEGRAM NUMBER 537 OF 25 SEPTEMBER

ANGLO/GERMAN CONSULTATIONS

1. THE FEDERAL GOVERNMENT HELD AN INTERDEPARTMENTAL MEETING OF OFFICIALS ON 20 SEPTEMBER TO DISCUSS ARRANGEMENTS FOR THE SUMMIT. THE AUSWAERTIGES AMT HAVE TOLD US THAT THE MAIN CONCLUSIONS WERE AS FOLLOWS.

PARTICIPATION

2. CHANCELLOR SCHMIDT WOULD FAVOUR PARTICIPATION BY A FAIRLY BROAD SPECTRUM OF HIS MINISTERS. APART FROM HERR GENSCHER THE GERMANS ARE LIKELY TO PROPOSE THAT THE FOLLOWING MINISTERS SHOULD ATTEND: GRAF LAMSDORFF (ECONOMY), MATTHOEFER (FINANCE), ERTL (AGRICULTURE), OFFERGELD (OVERSEAS DEVELOPMENT). THE AUSWAERTIGES AMT HAVE TOLD US THAT NO DECISION HAS YET BEEN TAKEN ABOUT ATTENDANCE BY HERR APEL. HE HAS BEEN INFORMED OF THE PRIME MINISTER'S INTENTION THAT MR PYM SHOULD ATTEND (YOUR TELNO 276).

SUBJECTS FOR DISCUSSION

3. AS A RESULT OF THE INTERDEPARTMENTAL MEETING THE AUSWAERTIGES AMT HAVE PROPOSED THE FOLLOWING LIST. THEY DESCRIBED IT AS A CATCH-ALL LIST, COMPILED LARGELY FOR BRIEFING PURPOSES, RATHER THAN AN AGENDA. MINISTERS WOULD DECIDE LATER ON WHICH OF THE ITEMS THEY SHOULD CONCENTRATE. THOSE MARKED QUOTE FM UNQUOTE WERE ENVISAGED AS SUBJECTS FOR DISCUSSION BETWEEN YOURSELF AND HERR GENSCHER BUT THAT DID NOT, OF COURSE, RULE OUT DISCUSSION BY HEADS OF GOVERNMENT.

I COMMUNITY QUESTIONS

- A. PROSPECTS FOR DUBLIN EUROPEAN COUNCIL
- B. CAP
- C. CONVERGENCE
- D. FISHERIES
- E. EMS

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- F. EUROPEAN POLITICAL COOPERATION: PROSPECTS AND TASKS FM
- G. ENLARGEMENT FM
- H. EEC/ASEAN RELATIONS FM
- I. LOME II FM
- J. EURATOM CHAPTER VI FM

II SECURITY QUESTIONS

- A. TNF MODERNISATION
- B. SALT II/III
- C. MBFR

III EAST/WEST QUESTIONS

- A. PREPARATION FOR CSCE FOLLOW UP: MADRID (ALSO MILITARY ASPECTS OF SECURITY)
- B. POLITICAL AND ECONOMIC RELATIONS WITH CHINA: POSSIBLE EFFECTS ON RELATIONS WITH THE SOVIET UNION FM
- C. RUSSIAN POSITION ON THE NORTH/SOUTH DIALOGUE - BRITISH IMPRESSIONS OF THE LATEST NORTH/SOUTH CONSULTATIONS WITH THE SOVIET UNION FM
- D. CHANCELLOR SCHMIDT'S VISITS TO POLAND AND HUNGARY
- E. INNER-GERMAN AND BERLIN QUESTIONS

IV NORTH/SOUTH QUESTIONS (INCLUDING QUOTE THE NEW GLOBAL DIALOGUE UNQUOTE AND HAVANA)

V INTERNATIONAL ENERGY POLICY

- A. ENERGY SITUATION
- B. INTERNATIONAL ENERGY COOPERATION

VI REGIONAL QUESTIONS

- A. RHODESIA (LONDON CONSTITUTIONAL CONFERENCE)
- B. SOUTHERN AFRICA (NAMIBIA, ANGOLA, SOUTH AFRICA) FM
- C. DEVELOPMENTS IN NIGERIA AND GHANA FM
- D. SITUATION IN THE NEAR EAST FM
- E. SITUATION IN THE MIDDLE EAST FM
- F. SITUATION IN IRAN FM
- G. CHAIRMAN HUA'S VISIT TO EUROPE

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- H. INDO/CHINESE REFUGEES
- I. SITUATION IN CAMBODIA FM
- J. NICARAGUA AND CENTRAL AMERICA FM

VII INTERNATIONAL ECONOMIC SITUATION (INCLUDING THE ECONOMIC SITUATION IN THE FRG AND UK)

VIII GATT QUESTIONS

- A. NEW DEVELOPMENTS IN TRADE POLICY
- B. STEEL AND TEXTILES

PROGRAMME

4. THE AUSWAERTIGES AMT TOLD US THAT THE FEDERAL CHANCELLOR HAD AGREED THE FOLLOWING OUTLINE PROGRAMME, THOUGH TIMINGS WERE APPROXIMATE AND COULD BE ADJUSTED.

- 11.00 (LOCAL TIME IE 10AM LONDON TIME) INDIVIDUAL TALKS START IN RESTRICTED SESSION
- 13.00 WORKING LUNCHEES
- 14.30 CONTINUATION OF RESTRICTED SESSIONS (UNLESS IT IS DECIDED AD HOC OR EARLIER THAT AT THIS STAGE THERE SHOULD BE A WIDER GROUP)
- 16.00 PLENARY
- 17.30 PRESS CONFERENCE
- 18.00 - 19.30 LORD CARRINGTON ADDRESSES DGAP
- 20.00 DINNER

5. COMMENT. WE HAVE TOLD THE AUSWAERTIGES AMT THAT, GIVEN THE TIME DIFFERENCE, 1100 MAY BE TOO EARLY A START FOR THE TALKS: AND THAT THE PROPOSED TIMINGS FOR YOUR ADDRESS AND FOR THE DINNER LEAVE AN AWKWARD GAP.

WRIGHT

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EID SIR A. DUFF
FRD MR BULLARD
PCD MR FERGUSSON

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SIR J. HUNT) CABINET OFFICE
MR VILE)

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no 13
Germany

10 DOWNING STREET

From the Private Secretary

11 September 1979

Anglo/German Consultations: Prime Minister's
Visit to Bonn on 31 October 1979

Your letter to me of 10 September contained the Foreign and Commonwealth Secretary's advice about the composition of the party accompanying the Prime Minister to her meeting with Chancellor Schmidt in Bonn next month.

The Prime Minister has now agreed that the Secretary of State for Defence should accompany her to Bonn. She does not agree that either the Secretary of State for Trade or the Secretary of State for Energy should be added to the party. She agrees that a decision about the inclusion of the Minister of Agriculture should be held over until we know whether the Germans propose to include the CAP and/or the CFP on the agenda for the meeting.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

So

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER

ANGLO/GERMAN CONSULTATIONS: YOUR VISIT TO
BONN ON 31 OCTOBER

*Agree Mr. Pym
but they all incl-
one another so often
that I can't see
much point in
having more
Ministers
not*

You decided in August that you wished to limit the Ministerial party accompanying you to Bonn for the next round of the Anglo/German consultations to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

*Bonn 476
(29.8.79)*

On receiving his instructions incorporating your decision, HM Ambassador in Bonn, Sir O. Wright, sent to the Foreign and Commonwealth Secretary a telegram analysing the implications, as he saw them, of your wish to be accompanied by only two Ministers. He expressed some anxiety about the likely German reaction. I refrained from submitting Sir O. Wright's telegram to you until I was assured the Foreign and Commonwealth Secretary endorsed the case being made for some expansion of the party. I have now been told that Lord Carrington considers there is much force in the arguments in the Ambassador's telegram (copy attached) and that he hopes you will be prepared to look at the composition of the party again.

Would you be prepared to accept, in the light of the points made by Sir O. Wright, that -

- ✓ (a) the Secretary of State for Defence should be added to the party? (Mr. Pym has a meeting with his French and German colleagues a fortnight before your visit to Bonn but there will be bilateral topics that cannot be covered at this meeting);
- ✗ (b) the Secretary of State for Energy should be included? (I understand that the Foreign and Commonwealth Secretary thinks the case for Mr. Howell's inclusion is less strong than that for Mr. Pym.);
- (c) a decision about the inclusion of Mr. Walker should be held over until we see whether the Germans, as hosts, propose to include the CAP and/or the CFP on the agenda for the meeting? (The Federal Minister

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- 2 -

of Agriculture Mr. Ertl, is pressing for his inclusion on the German team.)

My own view is that in general the arguments for keeping participation in bilateral meetings to a minimum are very strong. But the case can be made for regarding consultations of the kind taking place in Bonn next month as a series of bilaterals under your aegis between members of your Government and their opposite numbers. Your own bilateral with Herr Schmidt need only be interrupted to the extent that you wish to receive reports from your Ministers about the progress they have made. If the meeting is viewed in this way, the arguments against expansion of the party become, perhaps, slightly less strong.

Handwritten signature

10 September 1979

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Foreign and Commonwealth Office

London SW1A 2AH

*Minute
P...
10/9*

10 September 1979

Dear Michael,

Anglo/German Consultations: 31 October

Thank you for your letter of 23 August about the composition of the Prime Minister's team for her visit to Bonn on 31 October for the next round of Anglo/German consultations.

In his telegram number 476 of 29 August, HM Ambassador in Bonn suggested that further consideration might be given to expanding the team somewhat in order to emphasise in German eyes the importance which the Government attaches to the Anglo/German consultations. In a further telegram (number 484), Sir Oliver Wright has underlined his earlier recommendation in favour of the Defence Secretary's presence at the talks in spite of the likelihood of a trilateral meeting of British, French and German Defence Ministers a fortnight before the summit. I enclose copies of both telegrams. The Foreign and Commonwealth Secretary considers that there is much force in the Ambassador's arguments, and thinks that the Prime Minister may wish to reconsider her earlier ruling.

Finally, I enclose a copy of Sir Oliver Wright's telegram No 495 about the possible attendance of Ministers of Agriculture and Fisheries. On this, Lord Carrington suggests that we could afford to wait and see whether the Germans, as hosts, do indeed propose that the CAP and/or the CFP be included in the agenda for the meeting, and to judge the situation in the circumstances as they stand.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

Yours

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

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GRS 100

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FM BONN 061115Z SEP 79

TO PRIORITY FCO

TELEGRAM NUMBER 495 OF 6 SEPTEMBER

MY TELNO 476: ANGLO-GERMAN CONSULTATIONS

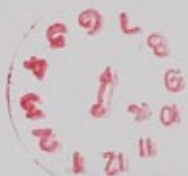
1. OUR CONTACTS IN THE FEDERAL MINISTRY OF AGRICULTURE HAVE INFORMED US THAT ERTL INTENDS TO PRESS FOR HIS INCLUSION ON THE GERMAN TEAM ON 31 OCTOBER AND THAT HE WILL WISH TO SEE BOTH CAP AND CFP ON THE AGENDA.
2. DECISIONS ON THE COMPOSITION OF THE GERMAN MINISTERIAL PARTY AND ON PROPOSALS FOR THE AGENDA WILL NOT BE TAKEN UNTIL 20 SEPTEMBER. MEANWHILE THE FEDERAL MINISTRY OF AGRICULTURE IS WORKING ON THE ASSUMPTION THAT ERTL AND CAP/CFP WILL BE INCLUDED.
3. IF THIS IS SO, IT WOULD SIMPLY NOT BE UNDERSTOOD HERE IF MR WALKER WERE NOT INCLUDED IN THE PRIME MINISTER'S PARTY.

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10 SEP 1979

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PS 1370

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FM BONN 291645Z AUGUST 79

TO PRIORITY FCO

TELEGRAM NO 476 OF 29 AUGUST

YOUR TELNO 260: ANGLO-GERMAN CONSULTATIONS

1. I SHALL OF COURSE ACT ON YOUR INSTRUCTIONS; BUT I WOULD NOT WISH TO DO SO BEFORE SATISFYING MYSELF THAT YOU AND THE PRIME MINISTER ARE FULLY SEIZED OF THE BASIC CONSIDERATIONS WHICH GOVERN THE NOW WELL-ESTABLISHED PATTERN OF BILATERAL CONSULTATIONS BETWEEN HER MAJESTY'S AND THE FEDERAL GERMAN GOVERNMENTS.
2. THE GERMANS AND SCHMIDT IN PARTICULAR WELCOME THE TOTAL COMMITMENT OF HER MAJESTY'S GOVERNMENT TO EUROPE AND THEY WISH TO SEE THE FUTURE OF EUROPE BASED ON AN ANGLO-GERMAN-FRENCH TRIPOD RATHER THAN ON A BONN-PARIS AXIS. THE BONN-PARIS AXIS HAS HOWEVER MORE THAN A HEAD START OVER THE BONN-LONDON RELATIONSHIP, LET ALONE THE PARIS-LONDON RELATIONSHIP. TO BEGIN WITH IT IS FRANCO-GERMAN RECONCILIATION WHICH LIES AT THE HEART OF THE EUROPEAN COMMUNITY AND THIS HAS BEEN INSTITUTIONALISED BY THE FRANCO-GERMAN TREATY OF FRIENDSHIP AND COLLABORATION, SIGNED BETWEEN DE GAULLE AND ADENAUER IN 1963. AMONGST THE PROVISIONS OF THIS TREATY, WHICH IS THE ONLY ONE OF ITS KIND WHICH THE FEDERAL GERMAN GOVERNMENT HAS ENTERED INTO, IS THE REQUIREMENT THAT BOTH THE FRENCH AND GERMAN CABINETS, REPEAT CABINETS, SHALL MEET TWICE YEARLY. THIS THEY DO WITH TOTAL REGULARITY AND COMMITMENT.
3. THE RESULT IS NOT ONLY THAT THE FRENCH HAVE AUTOMATICALLY A PRIVILEGED POSITION IN THE FEDERAL REPUBLIC, BUT THAT REGULAR MEETINGS OF WHOLE CABINETS MEAN THAT THERE HAS GROWN UP A MULTIPLICITY OF CONTACTS BETWEEN FRANCE AND GERMANY IN ALL FIELDS, FRESH AND HITHERTO UNKNOWN ASPECTS OF WHICH ARE REGULARLY COMING TO OUR ATTENTION. FOR EXAMPLE, ALTHOUGH GERMAN SCIENTIFIC RESEARCH IS NATURALLY ANGLOPHONE, THERE IS A MUCH GREATER FRANCO-GERMAN THAN ANGLO-GERMAN COLLABORATION IN PURE AND APPLIED RESEARCH BECAUSE OF THE PRESSURES RESULTING FROM RESEARCH MINISTERS MEETING UNDER THE FRANCO-GERMAN TREATY. WHEN MINISTERS HAVE TO MEET SO OFTEN, THEY NATURALLY WISH TO SEE RESULTS FROM THEIR LABOURS. THE OBLIGATION FOR THE CABINETS TO MEET THEREFORE RESULTS IN A DENSITY OF RELATIONSHIPS BETWEEN FRANCE AND GERMANY WHICH HAS AS YET NO PARALLEL IN THE RELATIONSHIP BETWEEN GERMANY AND THE UK.

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/L.

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4. WHILE THE GERMANS ARE CONTENT WITH THIS STATE OF AFFAIRS SO FAR AS FRANCE IS CONCERNED, THEY DO NOT WISH IT TO BE EXCLUSIVE. IT IS FOR THIS REASON THAT THEY HAVE ENCOURAGED THE PATTERN OF BRITISH-GERMAN CONSULTATION, ALSO ON A TWICE YEARLY BASIS ALTHOUGH NOT ON THE SAME SCALE. NORMALLY IT HAS BEEN THE CUSTOM FOR THE PRIME MINISTER TO BE ACCOMPANIED NOT ONLY BY THE FOREIGN SECRETARY AND THE CHANCELLOR OF THE EXCHEQUER BUT ALSO BY THE SECRETARY OF STATE FOR DEFENCE AND BY ONE OR MORE OF THE ECONOMIC MINISTERS. THIS IS OF VALUE FOR BOTH PRESENTATIONAL AND PRACTICAL REASONS. PRESENTATIONALLY IT EMPHASISES THAT THE GERMANS SEEK TO PLACE AS MUCH WEIGHT ON THEIR CONSULTATIONS WITH US AS THEY DO WITH THE FRENCH; IN PRACTICAL TERMS IT HELPS TO ENSURE THAT WE GET PRACTICAL RESULTS FROM THE BILATERAL CONSULTATIONS. IT IS THEREFORE, I SUBMIT, A VERY STRONG BRITISH INTEREST FOR HER MAJESTY'S GOVERNMENT TO TAKE THESE BILATERAL CONSULTATIONS AS SERIOUSLY AS THE GERMANS DO AND TO BE SEEN TO BE DOING SO. THE BEST WAY TO DO SO IS FOR THE PRIME MINISTER TO BE ACCOMPANIED BY A STRONG MINISTERIAL TEAM. THIS NEED NOT MEAN THAT SHE WOULD ALSO HAVE TO BE ACCOMPANIED BY A LARGE TEAM OF OFFICIALS.

5. AMONG THE MINISTERS WHOM I HOPE WOULD ALWAYS BE A MEMBER OF THE PRIME MINISTER'S TEAM AT THESE TWICE-YEARLY CONSULTATIONS IS THE SECRETARY OF STATE FOR DEFENCE. THE PRIME MINISTER HAS EMPHASISED THE PRIORITY WHICH SHE ACCORDS TO DEFENCE. THE MILITARY RELATIONSHIP BETWEEN BRITAIN AND THE FEDERAL REPUBLIC IS OF THE UTMOST IMPORTANCE. WE ARE ONE OF THE PROTECTING POWERS IN BERLIN AND HAVE A FIELD FORCE OF BRIGADE STRENGTH STATIONED THERE. WE ARE THE ONLY EUROPEAN ALLY TO CONTRIBUTE TO THE NATO TRIAD, THE STRATEGIC NUCLEAR, THEATRE NUCLEAR AND CONVENTIONAL FORCES. WE ARE GERMANY'S ONLY NATO ALLY WITH A TREATY OBLIGATION TO STATION A SPECIFIC NUMBER OF SOLDIERS AND AIRMEN ON THE GERMAN SOIL VIZ 55,000 SOLDIERS AND 10,000 AIRMEN. THE ROYAL NAVY REPRESENTS THE BIGGEST EUROPEAN MARITIME FORCE. MOREOVER WE SHARE WITH THE GERMANS THE DESIRE TO KEEP AN EFFECTIVE DEFENCE INDUSTRY ON THIS SIDE OF THE ATLANTIC AND WE ARE AT PRESENT ENGAGED WITH THEM IN THE SINGLE MOST IMPORTANT COLLABORATIVE PROJECT OF ALL, THE TORNADO AIRCRAFT. WE HOPE TO CONTINUE WITH THIS COLLABORATION, PERHAPS INCLUDING THE FRENCH AS WELL, IN THE FUTURE TACTICAL COMBAT AIRCRAFT (FTCA). WE ARE CLOSELY ENGAGED WITH THE GERMANS ON SUCH POLITICO-MILITARY PROBLEMS AS THE MODERNISATION OF THEATRE NUCLEAR FORCES AND THE RELATED ARMS

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CONTROL EXERCISES. IT IS DIFFICULT TO RECONCILE THE IMPORTANCE WHICH HMG ATTACHES TO DEFENCE AND THE IMPORTANCE OF THE ANGLO-GERMAN MILITARY RELATIONSHIP WITH THE ABSENCE OF THE DEFENCE SECRETARY FROM THE BILATERAL CONSULTATIONS.

6. WITH RESPECT, I DO NOT THINK IT IS THE CASE THAT THE BRITISH AND GERMAN MINISTERS OF DEFENCE SEE EACH OTHER ENOUGH ANYWAY. THERE IS NO SUBSTITUTE FOR A CLOSE BILATERAL RELATIONSHIP TO STRENGTHEN THE NORMAL MULTI-LATERAL NATO RELATIONSHIP. (THE SAME IS TRUE IN THE EUROPEAN COMMUNITY CONTEXT) BILATERAL ^{AND TRILATERAL} MEETINGS OF DEFENCE MINISTERS IN THE CONTEXT OF HEADS OF GOVERNMENT MEETINGS PRODUCE LESS DISCORD IN THE ALLIANCE THAN OTHER BILATERAL MEETINGS WHICH ANYWAY HAVE ONLY BEEN HELD TWICE, THE LAST BEING IN JULY 1978. BRITAIN'S CONTRIBUTION TO THE DEFENCE OF EUROPE NEEDS TO BE VISIBLY UNDERLINED, PARTICULARLY IN BONN, AND SO DOES THE DEPTH AND COMPLEXITY OF OUR WHOLE POLITICO-MILITARY RELATIONSHIP. THE PRESENCE OF THE TWO DEFENCE MINISTERS AT THE HEADS OF GOVERNMENT CONSULTATIONS SEEMS TO ME TO BE THE NECESSARY OUTWARD AND VISIBLE SIGN OF THE INWARD ESSENCE OF OUR MILITARY-POLITICAL RELATIONSHIP, MOREOVER THERE ARE MATTERS WHICH NEED TO BE BROUGHT TO THE ATTENTION OF HEADS OF GOVERNMENT FROM TIME TO TIME IN ORDER THAT THE NECESSARY IMPULSE MAY BE GIVEN TO THE SUBSEQUENT WORK. I PERSONALLY WOULD CERTAINLY HOPE THAT THE FUTURE TACTICAL COMBAT AIRCRAFT WOULD BE ON THE AGENDA AT THE NEXT BILATERAL CONSULTATIONS FOR DISCUSSION BETWEEN MR PYM AND HERR APEL AND FOR SUBSEQUENT REPORTING, HOWEVER BRIEFLY, TO THE PRIME MINISTER AND CHANCELLOR SCHMIDT.

7. THERE ARE ALSO STRONG ARGUMENTS FOR THE PRESENCE OF MINISTERS OF AGRICULTURE. THERE IS LITTLE LIKELIHOOD OF MULTI-LATERAL PROGRESS WITHOUT INTIMATE BILATERAL CONTACT UNDER THE AEGIS OF HEADS OF GOVERNMENT.

8. I CONSIDER MOREOVER THAT IT IS HIGHLY DESIRABLE TO INVOLVE GRAF LAMBSDORFF OUR BEST ALLY ON CAP REFORM ON THE GERMAN SIDE. HE AND MATTHOEFER ARE THE TWO MOST IMPORTANT GERMAN ECONOMIC MINISTERS. HERR MATTHOEFER IS THE NATURAL COUNTER PART OF THE CHANCELLOR OF THE EXCHEQUER BUT GRAF LAMBSDORFF'S RESPONSIBILITIES COVER A BROADER SPECTRUM THAN ANY INDIVIDUAL BRITISH MINISTER. IT IS DIFFICULT TO FIELD ONE EXACT COUNTER PART. WHEN GRAF LAMBSDORFF WAS UNABLE TO ATTEND THE LAST BILATERAL CONSULTATIONS IN LONDON BUT PAID A SUBSEQUENT VISIT, HE CALLED ON THE CHANCELLOR OF THE EXCHEQUER, THE TRADE SECRETARY, THE ENERGY SECRETARY AND

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THE INDUSTRY SECRETARY IN ORDER TO COVER HIS FIELD OF RESPONSIBILITY. IT IS OBVIOUSLY NOT PRACTICAL TO SUGGEST THAT THREE MINISTERS SHOULD COME TO TALK TO GRAF LAMBSDORFF. BUT I SHOULD HAVE THOUGHT THAT THERE WAS ENOUGH IMPORTANT BUSINESS TO MAKE IT WORTH WHILE FOR AT LEAST ONE OF THEM TO HAVE A SESSION WITH HIM. THE ENERGY FIELD PRESENTS ITSELF AS ONE, BUT THERE IS ALSO A GOOD DEAL IN THE TRADE FIELD TO COVER AS WELL, WHICH, GIVEN LAMBSDORFF'S EXISTING COMMITMENTS, IS OTHERWISE UNLIKELY TO BE COVERED BEFORE NOVEMBER.

9. IN SHORT, WHILE I UNDERSTAND AND NATURALLY ACCEPT THE PRIME MINISTER'S WISH TO KEEP HER PARTY AS SMALL AS POSSIBLE, I THINK, FOR THE REASONS THAT I HAVE GIVEN, THAT WE SHOULD BE INADEQUATELY TAKING ADVANTAGE OF THESE TWICE YEARLY CONSULTATIONS TO PROMOTE THE BRITISH INTEREST IF THE PRIME MINISTER'S PARTY ON THIS AND SUBSEQUENT OCCASIONS WAS AS RESTRICTED AS IS NOW PROPOSED. MY VERY STRONG RECOMMENDATION IS THAT AT LEAST THE SECRETARY OF STATE FOR DEFENCE SHOULD BE INVITED TO JOIN THE PRIME MINISTER'S PARTY AND PREFERABLY EITHER MR NOTT OR MR HOWELL AS WELL. IT MAY BE THAT CHANCELLOR SCHMIDT MAY NOT BE ABLE TO FIELD A COMPLETE TEAM ON HIS SIDE. UNLESS I MAKE ENQUIRIES I CANNOT BE CERTAIN. WHAT I AM CERTAIN ABOUT HOWEVER IS THAT IF WE PROPOSE SO RESTRICTED A MEETING, HOWEVER HIGH POWERED, WE SHALL RUN THE RISK, IN THE GERMAN EYES, OF NOT TAKING THESE CONSULTATIONS AS SERIOUSLY AS WE SHOULD, AND CERTAINLY NOT AS SERIOUSLY AS THE FRENCH DO.

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x The Foreign + Commonwealth Secretary is inclined to favour Mr Howell but does not, I think, feel strongly as between the two ministers.

Ambs

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FM BONN 311156Z AUG 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 484 OF 31 AUGUST

INFO PRIORITY PARIS

MY TELNO 476 (NOT TO PARIS)

ANGLO/GERMAN CONSULTATIONS

1. I HAVE TODAY HEARD THAT APEL HAS SUGGESTED 15-16 OCTOBER FOR A TRILATERAL MEETING OF DEFENCE MINISTERS. APEL'S OFFICE HAVE TOLD US THAT THE FRENCH CAN ALSO AGREE TO THESE DATES.
2. MY RECOMMENDATION THAT MR PYM SHOULD JOIN THE PRIME MINISTER'S TEAM FOR THE CONSULTATIONS ON 31 OCTOBER NONETHELESS STANDS. THE GENERAL GROUNDS I ADVANCED FOR HIS PRESENCE IN THE TEAM REMAIN VALID AND I HAVE NO DOUBT THAT THERE WILL BE IMPORTANT BILATERAL MATTERS TO DISCUSS AND PERHAPS BILATERAL ASPECTS OF THE RESULTS OF THE TRILATERAL MEETING .
3. IF MR PYM WERE HOWEVER TO FIND IT DIFFICULT TO MAKE TWO JOURNEYS TO GERMANY WITHIN THE SPACE OF A FORTNIGHT, THE ARGUMENTS FOR REINFORCING THE ECONOMIC REPRESENTATION IN THE PRIME MINISTER'S TEAM WOULD OF COURSE GAIN ADDED STRENGTH.

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Duty Clerk.

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FM F.C.O. 231725Z AUG 79
TO PRIORITY BONN
TELEGRAM NUMBER 260 OF 28 AUGUST.

FROM W.E.D.

F.C.O. TELNO 234: ANGLO/GERMAN CONSULTATIONS

1. THE PRIME MINISTER HAS DECIDED THAT SHE WOULD LIKE TO BE ACCOMPANIED ONLY BY THE SECRETARY OF STATE AND THE CHANCELLOR OF THE EXCHEQUER AT THE NEXT ROUND OF ANGLO/GERMAN CONSULTATIONS. SINCE TALKS BETWEEN N.A.T.O. DEFENCE MINISTERS ARE SO FREQUENT, SHE DOES NOT (NOT) CONSIDER IT NECESSARY FOR THE DEFENCE SECRETARY TO ACCOMPANY HER ON THIS OCCASION.
2. PLEASE SO INFORM THE AUCWAERTIGES AMT.
3. DECISIONS HAVE YET TO BE TAKEN ABOUT PARTICIPATION OF OFFICIALS AT THE SUMMIT, BUT IT IS TO BE KEPT TO THE ABSOLUTE ESSENTIAL MINIMUM.
4. THE PRIME MINISTER'S DECISION ALSO HAS A BEARING ON YOUR RECOMMENDATION FOR A MINISTERIAL VISIT TO BERLIN DURING THE AUTUMN. WE SHALL BE CONSIDERING SEPARATELY WHETHER TO RECOMMEND A VISIT AT ANOTHER TIME, FOR EXAMPLE BY THE DEFENCE SECRETARY.

CARRINGTON

DEPARTMENTAL DIST.
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Germany

MB



10 DOWNING STREET

From the Private Secretary

23 August 1979

Next Round of Anglo/German Consultations, 31 October

Thank you for your letter of 21 August about the composition of the Prime Minister's team for her visit to Bonn on 31 October for the next round of Anglo/German consultations.

Having seen your letter, the Prime Minister on reflection would like to be accompanied only by the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer. Since contacts between NATO Defence Ministers are so frequent she does not consider it necessary for Mr. Pym to accompany her to Bonn on this occasion. The Prime Minister agrees with Lord Carrington that the Minister of Agriculture should not come to Bonn on this occasion, in view of the timing of the Fisheries Council meeting.

The Prime Minister has reaffirmed her wish that the official composition of her party should be kept to the absolute essential minimum.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

B. G. CARTLEDGE

J.S. Wall, Esq.,
-Cabinet Office.
Foreign Office

← wake up! — [Signature]

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Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

21 August 1979

Dear Bryan,

You have already approved 'X'.

Do you also agree to 'Y'?

By
22/8

No - defence Ministers
we always meeting, one
another. The charges

Next Round of Anglo-German Consultations

delegation would be
MT
PC
G.H
and no-one
else.

As requested in your letter of 27 July we have consulted the Cabinet Office about Ministerial participation in the Anglo-German summit to be held in Bonn on 31 October.

The Foreign and Commonwealth Secretary thinks it important that a powerful team should accompany the Prime Minister. This has been customary on previous occasions. In May this year, in addition to Lord Carrington, the Chancellor of the Exchequer, the Defence Secretary and the Lord Privy Seal were present for the Anglo-German consultations and on the last occasion when they were held in Germany, in October 1978, four Cabinet Ministers accompanied the Prime Minister's predecessor (the time before that, in April 1978 in London, there were five). Community questions will figure high on the agenda, especially the Budget, CAP and fisheries. Defence is also central to our relations with the FRG, and important decisions will be approaching (eg on TNF modernisation and tactical combat aircraft). Accordingly, Lord Carrington considers that it would be appropriate for the Defence Secretary to accompany the Prime Minister, in addition to himself and the Chancellor of the Exchequer. In the wake of Tokyo follow-up meetings and the Council of 9-10 October, energy will be at the forefront of Ministers' minds on both sides. The Prime Minister may therefore think that it would also be useful to include the Secretary of State for Energy. !!!

The possibility of including the Minister of Agriculture and the Trade and Industry Secretaries has also been considered, but Lord Carrington does not propose their attendance. As to the former, although Mr Walker's inclusion would normally be useful in the general context of agriculture, the EEC Fish Council, planned for 29-30 October, may end in a row, and this could make his participation awkward. As for Trade and Industry, junior Ministers from both these departments are already planning to visit the FRG in the autumn.

The Foreign and Commonwealth Secretary considers that a Ministerial visit to Berlin would also be useful at this time. A Foreign Secretary has not visited Berlin, except during The Queen's visit, since 1976, and the last British Defence Minister to visit Berlin was Mr Mulley in August 1977. We do not recommend that the Prime Minister should visit the city on this occasion,

/ nor

B G Cartledge Esq



Y ||
 nor will it be possible for Lord Carrington to do so. But if Mr Pym attends the meeting in Bonn, we very much hope that he will be able to visit Berlin either immediately before or immediately afterwards; but we shall not take this further until the Prime Minister's team for Bonn has been decided.

why?
 As for official participation, we think that decisions on this can be left until September. Last year the normal practice was for those Ministers other than the Foreign and Commonwealth Secretary to be accompanied by a Private Secretary and a Deputy Secretary. This year the Prime Minister will no doubt expect every effort to be made to keep the numbers of accompanying officials to the absolute minimum. Yes.

I am sending a copy of this letter to Martin Vile.

Y
 Yours ever,
 Stephen

J S Wall

21 AUG 1979



Ref. A0109

MR. CARTLEDGE

B/S when
FCO advice rec'd.
GSM
13/8

Prime Minister ^{Germany}
Agree to 'X' and
Yes over 'Y'? GSM
13/8

Anglo-German Summit

In your letter to Mr. Lever of 27th July you asked the FCO, in consultation with the Cabinet Office, to make suggestions about the Ministerial and official composition of the team for the visit to Bonn on 31st October.

X | I discussed that with Sir Michael Palliser on the flight back from Lusaka and I think we were agreed that the Prime Minister ought to be accompanied by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence and the Secretary of State for Energy but that on balance the arguments were against the Minister of Agriculture being included. The FCO will be advising you accordingly.

Y | There is however one point about official representation which should come more appropriately from me. The Prime Minister likes to keep our official team as small as possible and for European consultations she is usually accompanied by either Mr. Franklin or me but not both of us. I am sure Mr. Franklin should be in the party for Bonn because he will have been handling a number of matters which will be high on the agenda. Sir Robert Armstrong is however due to take over from me at the start of the week beginning 29th October and this visit would provide him with a chance to talk to his opposite number in the German Chancellery, Dr. Schueller, with whom he will have dealings in the future on a number of subjects. I hope therefore that the Prime Minister will agree that on this occasion she should be accompanied by both Sir Robert Armstrong and Mr. Franklin.

JGH
(John Hunt)

9th August, 1979

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Official header text, possibly including a title or reference number, located at the top right.

Main body of the document containing several paragraphs of typed text. The text is extremely faint and largely illegible due to fading or low contrast.

- 9 AUG 1979



(11/11/79)

Official footer text or signature line at the bottom right of the page.

MR. CARTLEDGE (OR)

Anglo/German Consultations

Otto von der Gablentz telephoned on 31 July to say that he had consulted Chancellor Schmidt about the possibility of the next round of consultations being on 31 October. The Chancellor had agreed with pleasure. The proposed timetable begins at 1100 and ends after a dinner given by Chancellor Schmidt.

I have told the FCO about this and they are in touch with the Germans.

Ms

2 August 1979

Miss Williams
✓
D.A.
er.
SW
9/8

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Germany

28 July 1979

Anglo-German Consultations

Thank you for your letter of 26 July about the German Society for Foreign Policy (D.G.A.P.). You will now have seen from my letter of 27 July that the current proposal is that the next round of Anglo-German consultations should take place on one day only, 31 October.

The unavoidable abbreviation of the coming round of Anglo-German talks, due to pressures on both Chancellor Schmidt's and the Prime Minister's diaries, may make it impracticable for a speech to the D.G.A.P. to be fitted into the programme. If this should be feasible, however, the Prime Minister would be very content for Lord Carrington to address the Society. You may like to pursue this further, through our Embassy in Bonn, when we have the Chancellor's reaction to the proposed timing of the consultations.

B. G. CARTLEDGE

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

27 July 1979

B/F 10-8.79

Dear Paul,

Next Round of Anglo/German Consultations

I mentioned to you on the telephone that I had been in touch with Dr. Zeller and, more recently, with Herr Otto von der Gablentz in the Federal Chancellor's Office about the timing of the next round of Anglo/German consultations, which will be due to take place in Bonn. As usual, it has proved extremely difficult to find two consecutive days during the autumn on which both the Prime Minister and Chancellor Schmidt are uncommitted.

Herr von der Gablentz and I eventually concluded that there was no possibility of arranging a two day visit to Bonn before the Dublin European Council. The current proposal, therefore, to which the Prime Minister has agreed and to which we still await Chancellor Schmidt's reaction, is that the Prime Minister should visit Bonn for one day on Wednesday 31 October. The outline programme would allow for a tête à tête session of talks (and other Ministerial bilaterals) on arrival, followed by a working lunch: restricted sessions of talks could continue in the afternoon, followed by a plenary session and the usual Press Conference. The day would end with a dinner given by Chancellor Schmidt in the Prime Minister's honour.

As I shall be away in Lusaka until 9 August, you may wish to let our Embassy in Bonn know where matters stand so that they can enquire from time to time whether the suggestion of 31 October is agreeable to Chancellor Schmidt. In the meantime, I should be grateful if, in consultation with the Cabinet Office, you would let me have suggestions which I may put to the Prime Minister for the Ministerial and official composition of her team for the visit to Bonn. In this series of consultations it is traditionally for the visiting Head of Government to take the lead in suggesting which Ministers might take part in the talks and this, of course, has a bearing on the agenda.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

Yours ever,
Bryan Cartledge.

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

26 July 1979

*As this now seems
certain to be only a
one-day visit, it may not be
possible to fit his
speech in. But if it is, are you content
that Lord Carrington should deliver it?*

Dear Bryan,

Next Round of Anglo/German Consultations

*Yes
but
4/7*

I am sorry that the need to consult HM Embassy at Bonn has delayed a reply to your letter of 5 July.

It seems that the German Society for Foreign Policy (DGAP) has got its wires crossed. On 21 June the President of the Society wrote to Lord Carrington inviting him to make a speech to the Society, perhaps in early 1980.

The Foreign Secretary believes that there is a strong case for a major public statement of British policy at the time of the next Anglo/German Summit. The DGAP is a prestigious organisation (the German equivalent of Chatham House) which has attracted many distinguished speakers: a speech to it would be guaranteed extensive publicity. Sir O Wright has commented that if the Prime Minister wished to make the speech, this would be splendid; but in his judgement there is no need, nor would he wish to press, for her to do so. But he recommends that the opportunity be taken for a senior Minister to make a speech, and that Lord Carrington should do so. Lord Carrington is willing in principle to take this on.

Lord Carrington agrees with Sir O Wright's recommendation that the speech should range widely over current British foreign policy. Subject to developments nearer the time, particular emphasis could be given to Britain's policy towards Europe and, depending of course on events, towards Southern Africa.

Perhaps you could let me know if the Prime Minister is content that Lord Carrington should make such a speech while she herself is in Bonn. If so, I shall ask the Embassy to deal direct with the DGAP. And you may like to tell Jurgen Ruhfus that we are doing so.

Yours ever

Paul

P Lever
Private Secretary

B G Cartledge Esq
10 Downing Street

26 JUL 1979

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PRIME MINISTER

THE NEXT ANGLO/GERMAN BILATERAL MEETING

The next in the series of six-monthly Anglo/German consultations (Chancellor Schmidt's visit to London on 10 May was the last in this series) will be due to take place in October or November. It is Chancellor Schmidt's turn to be the host, in Bonn.

You had provisionally agreed to the dates 23/24 October, but I have now heard from Chancellor Schmidt's Office that these are impossible for the Germans. It has proved very difficult to find alternative dates which both you and Chancellor Schmidt might be able to manage: but, because the date of your dinner for Chairman Hua has now changed, it is possible to offer the Germans a one day visit on 31 October. From the political point of view, this timing would be excellent, since there would be advantage in your having had discussions with Chancellor Schmidt before you have a similar session with President Giscard in early November (we have proposed 5/6 November, but await the French response). Although the Anglo/German meetings are normally spread over two days, with an overnight stay, it is perfectly feasible to fit all the necessary business into one day - bilateral talks, working lunch, more restricted talks, plenary session, press conference and final dinner. The Germans are finding out whether Chancellor Schmidt would be happy with a programme on these lines: would you?

dm.

Yes out.

25 July 1979



Germany

HS

10 DOWNING STREET

From the Private Secretary

5 July 1979

BF ¹⁶ 12/7/79

Next round of Anglo/German consultations

As I told you on the telephone, Dr. Zeller of the Federal Chancellery tackled me in Tokyo about the dates for the next round of Anglo/German consultations. He said that the only dates which the Germans had been able to identify during the appropriate period were 30 October/1 November. I told him that these were unlikely to be possible for us since on 1 November, a Thursday, the Prime Minister will be committed to a Cabinet meeting and Questions. I shall be putting to him on the telephone shortly an alternative proposal for 23/24 October and shall let you know the outcome.

Dr. Zeller gave me, at the same time, the enclosed copy of a draft letter from Dr. Jurgen Ruhfus to Ken Stowe, which had not beendespatched because of Ken Stowe's departure from No. 10. Dr. Zeller asked me whether I would be willing, nevertheless, to look into the question which it raised. I should therefore be grateful for advice on whether it would be desirable for the Prime Minister or the Foreign and Commonwealth Secretary to give a talk to the German Society for Foreign Policy during the next round of bilateral consultations in Bonn. The timetable is, of course, likely to be very crowded as usual.

B. G. CARTLEDGE

Paul Lever, Esq.,
Foreign and Commonwealth Office.

9B

MR. CARTLEDGE

*P.A. MUM
9/7*

Bilateral Talks in Germany

The diary is already very bad for the period that you mentioned to me (end October, beginning November) but I can offer you 23/24 October. This would mean leaving London after Questions on the Tuesday, 23 October (that is assuming that the House is sitting at the time) and returning on the evening of 24 October (Wednesday). If you get confirmation of these dates could you kindly let me know as I have only pencilled this into the diary at present.

es.

3 July 1979

Bonn, den 11. Juni 1979

To Kenneth Stowe

The Chancellor has been asked by the German Society for Foreign Policy to find out with the British Government if a member of the British delegation for the next British-German consultations in autumn would be prepared to deliver a talk before the members of the society. Ofcourse the society would be most pleased if this could be Mrs. Thatcher herself or otherwise Lord Carrington. The matter could not be raised during the last consultations in May 1979. Would it be possible for you to look into the possibilities and let me have an answer in due time.

(Jürgen Ruhfus)

END

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February 2010