

PART

CLOSED

Germany

ANGLO/GERMAN CONSULTATIONS: 17 - 18 NOVEMBER 1981:
~~INSTRUMENTS OF ANGLO-GERMAN RELATIONS:~~

~~DRAFT~~ JOINT PRESS STATEMENT
ON BILATERAL RELATIONS.

1. On the occasion of the tenth in the series of regular Anglo-German Consultations held at Head of Government level, which have reaffirmed the broad agreement of the two governments on all important issues, the Chancellor of the Federal Republic of Germany and the Prime Minister of the United Kingdom paid tribute to the large number of links which have grown up between the German and British peoples and which support and complement the close co-operation of the two governments. They welcomed the multiplicity of contacts which have been further strengthened since Britain's accession to the European Community and which are also an expression of the will of the German and British peoples, together with their partners and allies, to defend their common external security and their common values.

2. The two Heads of Government noted that bilateral relations are interwoven in the closest and most varied fashion with those arising from the two countries' membership of the European Community and

their participation in European Political Co-operation. They welcomed the fact that the range and intensity of contacts is greater than at any other stage in the history of the two countries, partly as a result of activities within the European framework.

3. The Federal Chancellor and the Prime Minister recalled that their two countries make a significant contribution to common defence within the framework of the Atlantic Alliance. In this context, the Federal Chancellor paid tribute to the indispensable role of the British Forces in the Federal Republic of Germany. The two Heads of Government underlined the Alliance's ^(the) objective of a ~~stable~~ military balance ~~at the lowest possible level. (* demand for a military~~ ^{is to} ~~balance~~ which should be achieved and stabilised at the lowest possible level.)

4. The two Heads of Government stressed the particular importance for relations between the two countries of the contributions made by the following Anglo-German organisations:

- the regular meetings of groups of Parliamentarians from both countries;
- the Anglo-German Society with its annual Königs-winter Conferences;
- the Anglo-German Association.

They also commended the contribution made by the international conference centre Wilton Park, which began as an Anglo-German initiative and developed into an international meeting place.

5. The Federal Chancellor and the Prime Minister paid tribute to the bilateral partnerships and exchange programmes, in particular to:

- the more than 300 town twinning arrangements;
- scientific and academic exchanges;
- Anglo-German Youth Exchanges, and
- Anglo-German exchanges of public servants.

6. In the economic and social sectors they welcomed the work of the German Chamber of Commerce and Industry in London, the British-German Trade Council in Cologne and the Anglo-German Foundation for the study of Industrial Society, which was set up in 1973 on the initiative of the late Federal President Heinemann and is becoming an increasingly important forum for social and economic contacts.

7. The Heads of Government paid tribute to the work of the Goethe Institut in Great Britain and the British Council in the Federal Republic of Germany. They emphasised the need further to promote the learning of each country's language by the people of the other and welcomed all efforts to this end.

8. The two Heads of Government stressed the importance they attach to the role of the press, radio and television in conveying to the citizens of each country a comprehensive picture of the other. They paid tribute to the existing close cooperation between the media.

9. The Federal Chancellor and the Prime Minister drew attention to the following possibilities for improving and expanding bilateral relations:

- increased involvement of the younger generation in all Anglo-German meetings and an even broader spread of existing contacts and exchanges for Apprentices, Trainees, young Trade Unionists, Industrial and Professional Associations and similar groups;
- an increase in cooperation in the information sector, above all in the field of television;
- concentration of the work of the Anglo-German Foundation on activities designed to bring together opinion moulders on both sides and to increase the Foundation's impact on public opinion.

10. The two Heads of Government agreed that the further development of Anglo-German relations and the regular coordination of the European and International positions of their two countries would

serve not only the citizens of their two countries but also the cause of European unity and common security within the Alliance. They instructed their officials to keep the bilateral relationship under review with the aim of reinforcing the links that already exist and of developing others where necessary and to make a progress report to the Heads of Government at a future summit meeting.

Prime Minister

Seen

PRESS CONFERENCE

This note, written after my meeting with the British press this morning, may help you to prepare for your joint press conference with Chancellor Schmidt at 4.45 p m.

First: tone

I have sought to portray the bilateral as very important in terms of timing:

- immediately after the Foreign Affairs Council at which little progress was made on the Mandate (see Lord Carrington's press conference comments, Annex A);
- immediately after President Reagan's zero option initiative of which we were, of course, aware and which we welcome;
- immediately before President Brezhnev's visit to Germany; and
- little more than a week before the European Council in London at which we hope to make real progress on the Mandate.

In addition I have pointed to the opportunity which the 10th bilateral in the series gives to rehearse the extent of Anglo-German co-operation and to resolve to extend and deepen it. I have sought not to overplay the press release, since it does not add up to much in news terms; instead, to emphasise it as a token of our mutual desire to co-operate even more extensively.

Second: interest

There are two main topics of interest:

- The zero option and its link with President Brezhnev's visit; its potentially beneficial effect on trans-Atlantic relations after recent difficulties; and its impact on European opinion: I have reacted positively;

/The Mandate

- /
- The Mandate and the prospects for progress at the European Council; here I have reminded journalists of Lord Carrington's words yesterday (Annex A) and our determination to make progress in London next week; and the fundamental need, notwithstanding our likely contribution this year of only £55 million, for reform of the Community with parallel progress on the three chapters of the May 30 Mandate.

Third: mechanics

I shall be very surprised if the press conference strays far beyond the two main topics of interest set out above, though there is a possibility that you might be asked about Sinai and Northern Ireland. I shall keep in touch with London on the latter.

Gala lunch

I understand there will be no BBC or ITV cameras there but that the German Government will record and issue a transcript of Chancellor Schmidt's and your speeches. This will be done pretty quickly so you could get questions on your luncheon speech at the press conference.

Press Conference

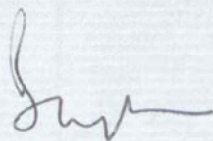
As you know, this is in the hands of our German hosts and they conduct it.

Radio and TV

I have asked Keith Graves (BBC TV), David Smeeton (Resident BBC radio correspondent in Bonn) and Michael Brunson (ITN) to set up in a room near the press conference so that you can do short news interviews as you have to get away quickly. As of now, we have had no approach from IRN. David Smeeton is, of

/course,

course, a former BBC Education Correspondent and you may have met him in that capacity.

A handwritten signature in dark ink, appearing to read 'B. Ingham', written in a cursive style.

18 November 1981

B Ingham

NR TEN LDN
CENTROFORM LDNk
NR TEN LDN

Answer A
BT (your own copy)

TO NUMBER TEN

RETRACT 11017 NOV

ITEM : LORD CARRINGTON WARNS EC MINISTERS

BY JOHN BARROWS, LPS CHIEF DIPLOMATIC CORRESPONDENT

BRUSSELS (LPS): BRITAIN'S FOREIGN SECRETARY LORD CARRINGTON WARNED TODAY 17 NOVEMBER THAT IT WOULD DO "GRAVE DISSERVICE" TO THE EUROPEAN COMMUNITY AS A WHOLE IF ITS FOREIGN MINISTERS CONTINUE TO FAIL TO REACH BROAD CONSENSUS ON MAJOR REFORMS OF INTERNAL EC POLICIES.

HIS REMARKS CAME AFTER TWO DAYS OF LARGELY FRUITLESS DEBATE BY THE EC FOREIGN AFFAIRS COUNCIL OF THE 30 MAY 1980 MANDATE WHICH CALLED FOR EC REFORMS UNDER THREE "CHAPTERS": DEVELOPMENT OF COMMUNITY POLICY IN AREAS OTHER THAN AGRICULTURE., REFORM OF THE COMMON AGRICULTURAL POLICY (CAP)., AND RESTRUCTURING OF THE COMMUNITY BUDGET.

SPEAKING AS CURRENT EC PRESIDENT, THE FOREIGN SECRETARY SAID THAT DURING THE LAST TWO DAYS ALL ASPECTS OF THE MANDATE, WHICH COVERED AN EXTREMELY WIDE RANGE OF COMMUNITY POLICIES, HAD BEEN DISCUSSED. IN ADDITION, HE AND EC COMMISSION PRESIDENT GASTON THORN HAD HAD A NUMBER OF BILATERAL MEETINGS WITH INDIVIDUAL DELEGATIONS.

"I WISH I COULD SAY THE DISCUSSION WAS AS FRUITFUL AS IT WAS WIDE-RANGING, BUT IT WAS NOT," LORD CARRINGTON DECLARED. POINTING OUT THAT EC HEADS OF GOVERNMENT WERE INTENDED AT THEIR LONDON SUMMIT NEXT WEEK TO DECIDE OPERATIONAL GUIDELINES ON ALL THREE CHAPTERS OF THE MANDATE, THE FOREIGN SECRETARY ADDED: "BUT THE NARROWING OF THE DIFFERENCES THAT IS NECESSARY IF THAT IS TO BE DONE HAS NOT YET TAKEN PLACE".

CLEAR CHOICE

LORD CARRINGTON SAID HE HAD ASKED FOREIGN MINISTERS TO REFLECT VERY CAREFULLY IN THEIR CAPITALS ABOUT THE STATE OF THEIR WORK ON THE MANDATE, AND THE FOREIGN AFFAIRS COUNCIL WOULD THEN MEET AGAIN ON 19 NOVEMBER TO COMPLETE ITS PREPARATIONS FOR THE EUROPEAN SUMMIT ON 26 AND 27 NOVEMBER.

HE CONTINUED: "I THINK THERE IS A CLEAR CHOICE BEFORE US. EITHER WE MAKE SOLID PROGRESS NEXT WEEK ACROSS THE WHOLE SPECTRUM OF THE NEGOTIATION, IN WHICH CASE I BELIEVE WE SHALL HAVE GENUINELY GIVEN THE COMMUNITY THAT NEW IMPETUS WE ALL WANT TO SEE IT RECEIVE.

"OR ALTERNATIVELY WE WILL FAIL TO MAKE THE NECESSARY EFFORT TO RECONCILE OUR DIFFERENCES AND WILL THEREBY DO A GRAVE DISSERVICE TO THE COMMUNITY AS A WHOLE."

THE PRESIDENCY, LORD CARRINGTON PLEDGED, WOULD CONTINUE IN CLOSE COOPERATION WITH THE EC COMMISSION TO MAINTAIN ITS EFFORTS TO ACHIEVE THE FIRST OUTCOME.

EUROPEAN UNION

FOREIGN MINISTERS THIS AFTERNOON MET AS THE COUNCIL FOR POLITICAL COOPERATION TO CONSIDER THE DRAFT EUROPEAN ACT TABLED BY GERMANY AND ITALY WHICH SEEKS A REAFFIRMATION OF THE POLITICAL WILL OF MEMBER STATES TO WORK TOWARDS EUROPEAN UNION.

LORD CARRINGTON SAID THE PRESIDENCY WELCOMED THIS VALUABLE CONTRIBUTION TO CURRENT DISCUSSIONS ON THE FUTURE OF THE COMMUNITY.

ON BEHALF OF THE UK, HE SAID BRITAIN WOULD STUDY THESE IDEAS "CAREFULLY AND IN A POSITIVE SPIRIT."

THE BONN-ROME DRAFT WILL BE PLACED BEFORE THE EUROPEAN SUMMIT NEXT WEEK SO THAT HEADS OF GOVERNMENT CAN DECIDE HOW IT SHOULD BE FOLLOWED UP.

MIDDLE EAST

THIS AFTERNOON'S POLITICAL COOPERATION MEETING ALSO DISCUSSED THE MIDDLE EAST AND THE SITUATION IN CHAD.

LORD CARRINGTON SAID CONSULTATIONS HAD CONTINUED WITH THE AIM OF ESTABLISHING A BASIS FOR THE PARTICIPATION OF FOUR EC COUNTRIES - THE UK, FRANCE, ITALY AND THE NETHERLANDS - IN A MULTINATIONAL FORCE AND OBSERVERS (MFO) FOR SINAI.

IT WAS NECESSARY TO AGREE ON ARRANGEMENTS WHICH WOULD MEET THE PRACTICAL REQUIREMENTS EXPLAINED TO THE FOUR GOVERNMENTS BY THE UNITED STATES AND WHICH AT THE SAME TIME WOULD BE IN CONFORMITY WITH THE WELL-KNOWN POSITION WHICH THE FOUR GOVERNMENTS HAD TAKEN UP ON THE MIDDLE EAST WITH THEIR PARTNERS IN THE TEN.

ANSWERING QUESTIONS, LORD CARRINGTON SAID THAT WHEN A DECISION ABOUT PARTICIPATION WAS ANNOUNCED THE STATEMENT MADE BY EC COUNTRIES MUST BE FRAMED "IN A MANNER LEAST PROVOCATIVE TO EVERYBODY" AND THIS WAS WHAT MINISTERS WERE SEEKING TO DO.

ASKED ABOUT REPORTS THAT EUROPEAN PARTICIPATION IN THE MFO WOULD BE LIMITED TO LOGISTICAL ASSISTANCE RATHER THAN TROOPS, LORD CARRINGTON REPLIED: "I DO NOT THINK THE AMERICANS ARE SO MUCH CONCERNED ABOUT WHAT THE PARTICIPATION IS BUT RATHER THE COUNTRIES THAT PARTICIPATE."

SITUATION IN CHAD

LORD CARRINGTON SAID MINISTERS HAD WELCOMED THE WITHDRAWAL OF LIBYAN FORCES FROM CHAD AND THE MOVES TO CREATE AN ORGANISATION OF AFRICAN UNITY PEACEKEEPING FORCE. "WE SHALL DO OUR BEST TO HELP WITH THE WORK OF RECONSTRUCTION," HE ADDED. (LPS)

ENDS

VCENTROFORM LDN

NNNN

Manuskript 10.11.1981
Es gilt das gesprochene Wort

Speech on the occasion of the 10th annual German-British
Consultations on 18 November 1981

Prime Minister,
Ladies and gentlemen,

Today we are meeting for the 10th regular round of German-British Consultations of Heads of Government. While this may not yet be a historic date, it does highlight the continuity of German-British co-operation and the agreement on important issues to which we have become accustomed. This has been evidenced anew by our talks today. We are in agreement on our analysis of the problems affecting us both, as well as in our determination to seek common solutions to these problems with

- 2 -

our partners in Europe and the Western Alliance.

Perhaps this is an appropriate occasion for looking back on the development of our good relations which should spur us on to cultivate them still further.

I often recall the assistance and cooperation with which Great Britain, among others, accompanied the recovery of our political, economic and cultural life, after a war in which you had suffered great damage at the hands of Germans - like ourselves at the hands of the Royal Air Force.

During that period, newspapers and periodicals came into existence with British help. I might mention, to name only a few examples, "Die Welt", at that time patterned after the "Times", "Die Zeit" and "Der Spiegel". The North-West German Broadcasting Company was established along the lines of the BBC.

I personally remember well how Sir Henry Vaughan Berry, who was British Regional Commissioner in Hamburg, invited some of us young men to his house for beer and sandwiches to discuss with us the reconstruction of a democratic State in Germany. This was an experience which I would not like to have missed.

I am told that BBC II referred to similar experiences during that period in one of its programmes last night.

At that time, which was even before the founding of the Federal Republic of Germany, a lively process of exchange involving people, ideas and opinions was begun between our countries, making it possible to correct prevailing clichés. Communication led to understanding. This was due in no small measure to the efforts of the Deutsch-Englische Gesellschaft here in the Federal Republic and the Anglo-German Association in the United Kingdom. The Deutsch-Englische Gesellschaft has provided

us with an exemplary forum for encounter, information and discussion, which is the envy of many. For more than 30 years the annual Königswinter conferences organized by the Gesellschaft have brought Germans and Britons together as members of the European family; they have fostered mutual understanding and generated friendship.

But I should also like to mention the suggestions and the support we received from representatives of British political parties, trade unions and local officials in founding our political parties, re-establishing municipal administrations and, to some extent, in setting up our present trade union system.

I should like to take this opportunity to express my special appreciation and gratitude to the Bonn correspondents of the British press. Their extremely thorough, well-researched and fair reporting has made a substantial contribution to imparting to the British public an accurate, human and above all understandable picture of this country's political, economic and social characteristics.

The work of cultural institutes and the exchange programmes for artists, scientists, students and civil servants help to increase knowledge and promote understanding. This is also

true of German-British youth exchange. I am especially pleased that much of this is carried out without Government assistance; I am thinking, for example, of the more than 300 partnerships between towns in our two countries.

Knowing the language is crucial for really getting to know people in the other country. I think that we might make further efforts in the field of language instruction, although more people speak English in this country than any other foreign language.


Looking back on the ten rounds of German-British consultations we have held, it is clear that economic topics have played an increasingly important role. This is only natural at a time when our two countries, and not only they, are confronted with new and serious economic problems. Moreover, the Federal Republic of Germany is now Great Britain's most important foreign trade partner; 10 % of British exports are sent to this country. It is reassuring for us that we receive the second largest share of our petroleum imports from Great Britain, a reliable friend and close economic partner.

Since Great Britain's entry into the European Community, which had our full support from the very beginning, the close political, economic and cultural ties between our two countries have been placed in a new, larger framework. The great burdens with which all of us will be faced in the coming months, and perhaps years - whether economic or political - cannot be dealt with by each country individually. Even working together, it will be more difficult than in the past, and will require a great deal of additional effort. But only together will we be able to master them. I am convinced that there is no alternative to working together.

At this point I should like to give special mention to our European Political Co-operation, which has proven itself in critical situations in the past and which is respected by our partners throughout the world for its contributions to dealing with the big international problems facing us. Your Government has always played a very prominent and active role in this co-operation, particularly during its presidency this half year. We owe much to Lord Carrington for his valuable proposals concerning the Middle East, Afghanistan, southern Africa and our relations with our largest partner in the Alliance, the United States. The "London Report" is another example of substantial progress that has been made by the Community.

With our proposal of an Act on the "European Union" we would like to give Europe new impulses. We would like to do this not least to make Europe's voice more clearly heard as a factor for peace and conciliation, for cooperation and partnership, for freedom and justice.

Today, ten years after the Quadripartite Agreement was signed, and only a few days before General-Secretary Brezhnev is to visit Bonn, it also seems appropriate to me to recall how Great Britain, together with our American and French friends, gives its staunch support to the freedom and security of Berlin. In troubled times, the people of Berlin have always been very



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grateful for the vital British contribution to the airlift and to the defence of their freedom and ours. Queen Elizabeth's visit to the divided city and the regular visits to Berlin by British politicians, most recently by Lord Carrington, have given an impressive demonstration of Great Britain's commitment to that city.

We appreciate the contribution to our common security made by Great Britain through its troops on German territory. I should particularly like to mention how well the British Army of the Rhine co-operates with the German population, as well as express our gratitude for the hospitality shown to our soldiers by

their British hosts while they are undergoing training or participating in military exercises in your country. Sixty German-British weddings near the tank division training area in Wales and the fact that about 7 % of British soldiers stationed in Germany marry German girls, as I am told, are an indication that contacts are good.

I should particularly like to mention our unity in working for our common defence within the Atlantic Alliance which is the basis of our security and the guarantee of our freedom. In close cooperation with our friends on both sides of the

Atlantic, we both actively support securing the peace through a balance of military forces between East and West. We agree that this equilibrium must be re-established wherever it has been disturbed.

This applies particularly to the field of nuclear medium-range missiles in Europe. We recognize how serious the present concern is about an arms race, and have therefore given our support to combining a response in terms of armaments, necessary for maintaining a balance of forces, with an offer to negotiate, as set down in the Alliance's two-track decision. It was with

great interest and assent that I read what Peter Carrington had to say in Luxembourg recently concerning these issues and a realistic policy of peace.

As I mentioned during our talks, Madam Prime Minister, I will be discussing these issues and others with General-Secretary Brezhnev during his visit next week. I have welcomed this opportunity to exchange views and expectations with you prior to that visit, as with other allies and friends previously. While I am not going to try to speak for our friends and allies

In my oncoming talks with Mr. Brezhnev, it is important that our positions be closely co-ordinated.

It goes without saying that I will not be negotiating with him on medium-range weapons and their limitation; this is not our task. However, it also goes without saying that we view the visit in the context of the forthcoming negotiations between Washington and Moscow. Furthermore, we regard it as illustrating the necessity of an East-West partnership for security, i.e. of acting as partners to maintain and consolidate our common

peace, a necessity which the Sovjet Union, too, has recognized and affirmed.

We will make it very clear during those talks that we and our Western friends want to continue a policy of co-operation. But we will make it equally clear that beginning at the end of 1983 American medium-range strategic weapons will be deployed in Western Europe in case that the negotiations do not result in mutually agreed reductions and ceilings. We will forcefully advocate a zero-level ceiling.

N/S

It is not only in East-West relations that we are concerned with safeguarding peace. In view of hunger and need in the Third World, the threat to peaceful relations between North and South is equally great. It is true that development is another word for peace, as Pope Paul VI once said. However, it is not enough to search for panaceas which simply do not exist. Here, too, neither side has a monopoly on the truth. And here, too, partnership means giving due regard to the interests of both sides, to those of both developing and industrial countries.

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It also means accepting responsibility for what is our common concern, an efficient world economy. In the Cancun meeting, I think the participants succeeded, through an objective exchange of views and by listening attentively to each other, in creating a basis of trust on which it was possible to give new impetus to the North-South dialogue. In Cancun, Madam Prime Minister, you said, and I quote, "We should help in ways which are mutually beneficial to both developing and developed countries. We all depend on one another for our prosperity." I can only concur with that statement. We in Europe must take up the impulses that were given in Cancun.

For a long time, on the basis of the Lomé Convention, EEC has pursued a policy of partnership; we can go on from there.

Ladies and gentlemen, the partnership between Germans and Britons has stood the test of time. Accordingly, I am confident that it will continue to succeed in coping with the great political and economic problems the coming years will bring. We shall respond together to challenges we face together.

Please join me as I raise my glass and drink to the health of Prime Minister Margaret Thatcher, her Government and to German-British friendship.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 4327 OF 18 NOVEMBER

AND TO BONN

INFO IMMEDIATE UKMIS GENEVA ROUTINE PARIS WASHINGTON

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN LUXEMBOURG

ATHENS

FOREIGN AFFAIRS COUNCIL: 17 NOVEMBER 1981
TEXTILES

SUMMARY

1. THE COUNCIL AGREED A FURTHER PARTIAL MANDATE TO ENABLE THE COMMUNITY TO PARTICIPATE IN NEGOTIATIONS IN GENEVA ON MFA RENEWAL, BUT WITHOUT ADOPTION OF A NEW GLOBAL CEILING. THIS AND OTHER ELEMENTS TO BE CONSIDERED AT THE DECEMBER FOREIGN AFFAIRS COUNCIL. THE UK WAS ISOLATED IN DISCUSSION OF THE ANTI-SURGE MECHANISM AND UNDERTOOK TO REVIEW ITS POSITION URGENTLY.

DETAIL

2. THE LORD PRIVY SEAL CHAIRED A LONG AND DIFFICULT SESSION OF THE COUNCIL ON TEXTILES. THE MINISTER FOR TRADE REPRESENTED THE UK.

3. THE CHAIRMAN OPENED DISCUSSION ON THE QUESTION OF THE OVERALL APPROACH, BUT IT WAS QUICKLY APPARENT THAT THE DIFFERENCES BETWEEN FRANCE, UK AND OTHERS (DEMANDING THAT THE COUNCIL SHOULD ADOPT OVERALL GLOBAL CEILINGS AS A PRE-CONDITION FOR AGREEING OTHER POINTS) AND THE COMMISSION, GERMANY AND OTHERS (INSISTING THAT THIS WAS NEITHER NECESSARY NOR POSSIBLE FOR THE PREFERENTIAL SUPPLIERS) WERE IRRECONCILABLE.

4. THE COUNCIL THEREFORE DECIDED, ON THE BASIS OF A COMMISSION SUGGESTION, TO SEEK THE GREATEST MEASURE OF AGREEMENT POSSIBLE ON MECHANISMS, INCLUDING ANTI-SURGE AND CUTBACKS, AND MFA GROWTH RATES, TO ENABLE THE COMMUNITY TO PARTICIPATE IN THE GENEVA NEGOTIATIONS RESUMING ON 18 NOVEMBER.

ANTI-SURGE MECHANISM

5. THE MINISTER FOR TRADE, WITH INITIAL FRENCH AND ITALIAN SUPPORT, ARGUED FORCEFULLY FOR A MORE PRECISE AND AUTOMATIC MECHANISM THAN THE COMMISSION PROPOSAL. THE UK MECHANISM WOULD SET LIMITATIONS IN ADVANCE ON POTENTIAL SURGES FOR 1983/86 AND WOULD ELIMINATE UNUSED ACCESS BELOW THESE LIMITATIONS. THE COMMISSION AND OTHER DELEGATIONS REJECTED THIS APPROACH AS UNNEGOTIABLE SINCE IT CONSTITUTED A GENERALIZED CUTBACK.

6. DAVIGNON (COMMISSION) OFFERED AMENDMENTS TO REINFORCE THE COMMISSION MECHANISM, NOTABLY REDUCING THE THRESHOLD OF INCREASED IMPORTS FROM 15 PER CENT OF THE CURRENT

THRESHOLD OF INCREASED IMPORTS FROM 15 PER CENT OF THE CURRENT YEAR'S QUOTA TO 10 PER CENT AND GUARANTEEING TO OPEN CONSULTATIONS WHEN THE SET CONDITIONS WERE REACHED. DAVIGNON UNDERTOOK TO EXAMINE HOW SURGE COULD BE LIMITED IN 1986 UNDER THE COMMISSION MECHANISM. IN ADDITION DAVIGNON AGREED TO THE FOLLOWING STATEMENT FOR THE MINUTES: "THE COUNCIL AND THE COMMISSION AGREE THAT A PROVISIONAL OR DEFINITIVE LIMIT (AS APPROPRIATE) WILL BE ESTABLISHED ON BEHALF OF A MEMBER STATE AT ITS REQUEST IF THE CONDITIONS FOR SUCH LIMITS ARE FULFILLED FOR THAT MEMBER STATE."

7. ITALY AND FRANCE ACCEPTED THE COMMISSION'S PROPOSAL ON THIS BASIS. THE UK NOW ISOLATED, THE MINISTER FOR TRADE SAID THAT HIS INSTRUCTIONS OBLIGED HIM TO PLACE A RESERVE ON THE REVISED PROPOSAL, BUT THE REVISIONS AND THE STATED VIEWS OF OTHER MEMBER STATES WOULD LEAD HIM TO RECOMMEND IT TO HIS COLLEAGUES. DAVIGNON PRESSED MR REES TO UNDERTAKE THAT THE UK RESERVE WOULD BE LIFTED SINCE THE COMMISSION COULD NOT OPEN NEGOTIATIONS WITH THE SUPPLIERS ON THE ANTI-SURGE MECHANISM UNLESS IT WAS ASSURED THAT IT WOULD NOT BE DISAVOWED BY THE COUNCIL.

TREATMENT OF DOMINANT SUPPLIERS

8. THE COMMISSION'S PROPOSAL TO IMPOSE CUTBACKS ON THE DOMINANT SUPPLIERS EVOKED DIVERGENT RESPONSES. FRANCE COULD NOT COMMIT THEMSELVES TO THE PROPOSED CUTBACK LEVEL OF 10 PER CENT IN ADVANCE OF ADOPTION OF THE GLOBAL CEILINGS. THE MINISTER FOR TRADE ACCEPTED THE PROPOSAL PROVIDED COMPENSATION IN THE FORM OF OUTWARD PROCESSING ACCESS WAS GIVEN: THE UK COULD NOT ACCEPT AN OVERT CUTBACK ON HONG KONG. GERMANY ACCEPTED THE PROPOSAL SINCE IT WAS A DISGUISED CUTBACK. NETHERLANDS REFUSED TO ENVISAGE ANY CUTBACK.

9. THE COUNCIL AGREED THE FOLLOWING FORMULA (WITH A NETHERLANDS WAITING RESERVE): THE COUNCIL GIVES THE COMMISSION A MANDATE TO NEGOTIATE ON THE BASIS OF SEEKING CUTBACKS, WITH THE POSSIBILITY OF COMPENSATION IN OPT: AND INVITES IT TO REPORT BACK TO THE COUNCIL WITH PRECISE QUANTITATIVE PROPOSALS".

FLEXIBILITY, RECESSION MECHANISM, BASKET EXTRACTOR MECHANISM
10. THE COUNCIL ADOPTED THE PROPOSALS AS SET OUT IN ANNEX I TO COUNCIL DOC NO 10543/81:

GROWTH RATES FOR MFA SUPPLIERS

11. THE COMMISSION TABLED A REVISED PROPOSAL FOR GROWTH RATES FOR CATEGORIES 1 TO 8 FOR MFA SUPPLIERS, REDUCING THE AVERAGE FROM 1.7 PER CENT BY WEIGHT TO 1.2 PER CENT. (IN DETAIL THESE ARE:

CAT 1 0.1 PER CENT, CAT 2 0.5 PER CENT, CAT 3 2 PER CENT, CAT 4 2.4 PER CENT, CAT 5 2.4 PER CENT, CAT 6 3.5 PER CENT, CAT 7 1.5 PER CENT, CAT 8 1.5 PER CENT).

12. THE MINISTER FOR TRADE SAID THAT THESE LARGELY SATISFIED THE REQUIREMENT THAT FUTURE GROWTH RATES SHOULD BE BELOW THOSE OF MFA2. BUT THE RATES FOR CATEGORY 6 WAS TOO HIGH. GREECE PLACED A RESERVE ON THE FIGURES FOR CATEGORIES 4 AND 6. FRANCE DID NOT ACCEPT THE PREMISS THAT GROUP I SHOULD CONSIST OF CATEGORIES 1-8.

13. THE COUNCIL AGREED THE COMMISSION'S REVISED PROPOSAL AS A STARTING HYPOTHESIS, TO BE REEXAMINED IN THE CONTEXT OF THE COUNCIL'S DECISION ON THE OVERALL GLOBAL CEILING. AT DAVIGNON'S SUGGESTION THE COUNCIL ALSO AGREED THAT SPECIAL ARRANGEMENTS MIGHT BE ENVISAGED IN GROUP II FOR SOME CATEGORIES OTHER THAN CATEGORIES 1 TO 8.

PREFERENTIAL REGIME

14. THE COUNCIL NOTED A COMMISSION UNDERTAKING TO PROPOSE A NEW REGIME FOR PREFERENTIAL SUPPLIERS FOR 1982 IN

SUFFICIENT TIME TO PERMIT A DECISION AT THE DECEMBER COUNCIL. THE COMMISSION UNDERTOOK TO USE ITS BEST ENDEAVOURS TO MAINTAIN THE 1981 ACCESS LEVELS WITH THE PREFERENTIAL SUPPLIERS UNTIL A NEW REGIME WAS AGREED.

OUTWARD PROCESSING (OP)

15. THE COUNCIL INSTRUCTED COREPER TO SUBMIT THE OP MANAGEMENT REGULATION TO THE DECEMBER COUNCIL. DENMARK REFUSED TO ACCEPT IN ADVANCE THAT THE COUNCIL MIGHT ADOPT THE REGULATION AS AN A POINT.

GLOBAL CEILINGS

16. AT FRENCH INSISTENCE, WITH ITALIAN AND UK SUPPORT, THE COUNCIL ADOPTED THE FOLLOWING STATEMENT FOR THE MINUTES: "THE COUNCIL STATES THAT ITS FINAL DECISION ON THE PARTICIPATION OF THE COMMUNITY IN THE NEW MFA DEPENDS IN PARTICULAR ON THE DEFINITION OF INTERNAL GLOBAL CEILINGS FOR ALL LOW-COST SUPPLIERS AND ALL SENSITIVE PRODUCTS. THE COUNCIL WISHES TO TAKE A DECISION ON THIS SUBJECT AT ITS MEETING ON 7/8 DECEMBER.

THE COUNCIL STATES THAT THE INTERNAL GLOBAL CEILINGS, AS THEY WILL BE DECIDED, WILL REPRESENT A COMMITMENT BY THE COMMISSION AND THE MEMBER STATES TO REGULATE IMPORTS."

FCO ADVANCE TO:-

FCO - KINCHEN, FITZHERBERT ECD(E), HANNAY, PS/LPS, PS/PUS, PS/SOFS
CAB - JOHNSTON, ELLIOTT, FRANKLIN
DOI - HARDING, LOWNE, BRYANT (CT DIV)
DOT - WOODMAN, NEAL (CREI), GRAY, PS/MFT, PS/SOFS

FCO PASS SAVING COPENHAGEN THE HAGUE ROME DUBLIN LUXEMBOURG ATHENS
BUTLER

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OO BONN

GRS 901

CONFIDENTIAL

FM FCO 181215Z NOVEMBER

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 1743 OF 18 NOVEMBER

INFO IMMEDIATE UKDEL NATO, MOSCOW, PARIS, BONN, ROME

INFO PRIORITY COPENHAGEN, OSLO, ANKARA, THE HAGUE, BRUSSELS,

REYKJAVIK, ATHENS, LUXEMBOURG, LISBON, MADRID, DUBLIN,

UKDEL MBER, UKMIS NEW YORK

REAGAN LETTER TO BREZHNEV

1. US EMBASSY BRIEFED FERGUSSON THIS MORNING ON THE REPLY REAGAN HAS SENT TO BREZHNEV'S LETTER OF 15 OCTOBER. THE EMBASSY SAID THAT THE THEMES IN THE LETTER WILL BE ECHOED IN THE SPEECH REAGAN WILL MAKE ON US TELEVISION LATER TODAY.

2. THE FOLLOWING IS THE TEXT OF THE POINTS WHICH THE US EMBASSY WERE INSTRUCTED TO DRAW UPON WHEN BRIEFING FERGUSSON. QUOTE PRESIDENT REAGAN'S LETTER IS HIS REPLY TO BREZHNEV'S LETTER OF OCTOBER 15.

- AFTER REFERRING TO PROFOUND DIFFERENCE IN US AND SOVIET ASSESSMENTS OF THE CAUSES OF INTERNATIONAL TENSION LETTER MAKES FOLLOWING POINTS ON SPECIFIC ISSUES:

A. US-SOVIET RELATIONS:

- WE CANNOT ACCEPT THE SOVIET ASSERTION THAT THEIR ACTIONS IN OTHER PARTS OF THE WORLD HAVE NO BEARING ON OUR RELATIONS. SOVIET RESORT TO DIRECT AND INDIRECT USE OF FORCE IN REGIONAL CONFLICTS AND THE CONTINUING BUILD-UP OF SOVIET MILITARY FORCES ARE MATTERS OF DEEP CONCERN TO US.

- DESPITE OUR DIFFERENCES ON THESE ISSUES, OUR TWO COUNTRIES SHOULD STRIVE TO FIND COMMON GROUND FOR AGREEMENT ON MATTERS OF VITAL INTEREST TO THE US, THE USSR, AND THE WORLD. THE CAUSE OF PEACE AND THE THREAT OF NUCLEAR DESTRUCTION HANGING OVER MANKIND REQUIRE THAT OUR TWO COUNTRIES, TOGETHER WITH OUR PARTNERS, MAKE A CONCERTED EFFORT TO RESOLVE OUR DIFFERENCES PEACEFULLY. THE US IS COMMITTED TO SUCH A PROCESS AND WE WELCOME THE EXPRESSED SOVIET DESIRE FOR BUSINESSLIKE CO-OPERATION IN ADDRESSING WORLD PROBLEMS.

- THE HAIG/GROMYKO MEETINGS IN NEW YORK HAVE LAID THE ESSENTIAL GROUNDWORK FOR A CONSTRUCTIVE US-SOVIET RELATIONSHIP. BUT THE KEY QUESTION IS HOW TO TRANSLATE THESE BEGINNINGS INTO CONCRETE RESULTS. WE ARE READY TO ADVANCE SPECIFIC SOLUTIONS AND TO LISTEN TO SOVIET PROPOSALS AIMED AT ADDRESSING THE PROBLEMS WHICH FACE US.

B. AFGHANISTAN:

- WE REMAIN DEDICATED TO THE SEARCH FOR A SOLUTION TO THE AFGHANISTAN PROBLEM WHICH WOULD ACHIEVE THE OBJECTIVES OF A NON-ALIGNED, INDEPENDENT AFGHANISTAN, FREE OF FOREIGN MILITARY PRESENCE AND GUARANTEED AGAINST OUTSIDE INTERFERENCE.

- THIS CALLS FOR A COMPLETE WITHDRAWAL OF SOVIET FORCES FROM AFGHANISTAN AT THE EARLIEST POSSIBLE DATE.

C. CUBA:

- WE ARE NOT ATTEMPTING TO OVERTURN CUBA'S POLITICAL OR ECONOMIC SYSTEM, NOR ARE WE INTERFERING IN CUBA'S INTERNAL AFFAIRS.

- HOWEVER, WE FIND UNACCEPTABLE CUBAN EFFORTS TO EXPORT THAT SYSTEM TO OTHER COUNTRIES IN LATIN AMERICA BY PROVIDING ARMS AND OTHER SUPPORT TO VIOLENT INSURGENCIES AND TERRORISM AGAINST LEGITIMATE GOVERNMENTS.

D. SECURITY AND ARMS CONTROL:

P.O. 1 PM
Ambassador 1. Ps/pm
SOS - 1
Ps/SOS - 1 SOS/Bagin
Sir R. Armstrong - 1
Mr Ballard - 1
P.U.S.

AND TERRORISM AGAINST LEGITIMATE GOVERNMENTS.

D. SECURITY AND ARMS CONTROL:

- ARMS CONTROL IS A VITAL AREA WHERE PROGRESS CAN BE MADE TOWARD WORLD PEACE. WE ARE PREPARED TO ACCEPT EQUALITY IN CONVENTIONAL, INTERMEDIATE-RANGE NUCLEAR, AND STRATEGIC FORCES AT THE LOWEST POSSIBLE LEVEL OF SUCH FORCES. WE ARE ALSO PREPARED TO TAKE OTHER STEPS TO ENHANCE GENERAL PEACE AND SECURITY.
- WE WILL BE PREPARED TO OPEN NEGOTIATIONS ON STRATEGIC ARMS REDUCTION AS SOON AS POSSIBLE IN THE NEW YEAR. THE NEGOTIATIONS WILL REQUIRE THAT WE LEARN FROM PREVIOUS EXPERIENCE, BUT THEY WILL ALSO REQUIRE FRESH IDEAS IN ORDER TO ACHIEVE GENUINE REDUCTIONS IN STRATEGIC FORCES. THIS WILL DEMAND POLITICAL WILL AND A READINESS ON BOTH SIDES TO ACCEPT A HIGHER DEGREE OF OPENNESS IN ORDER TO ENHANCE MUTUAL CONFIDENCE. THEREFORE, WE WELCOME PRESIDENT BREZHNEV'S RECENT PUBLIC STATEMENT THAT THE SOVIET UNION WOULD BE WILLING TO CONSIDER MEANS OF VERIFICATION GOING BEYOND NATIONAL TECHNICAL MEANS.
- CONCERNING INTERMEDIATE-RANGE NUCLEAR FORCES, OUR APPROACH TO THE NEGOTIATIONS BEGINNING IN GENEVA NOVEMBER 30 MARKS AN IMPORTANT BEGINNING IN DEALING WITH THE DIFFICULT ISSUE OF THE MILITARY IMBALANCE IN THESE FORCES. WE ARE PREPARED TO CANCEL OUR PLAN TO DEPLOY PERSHING II AND GROUND-LAUNCHED CRUISE MISSILES IF THE SOVIET UNION IN TURN DISMANTLES ALL OF ITS SS-20 MISSILES, RETIRES AND DISMANTLES ITS SS-4 AND SS-5 MISSILES, AND DESISTS FROM FURTHER DEPLOYMENTS OF THESE OR COMPARABLE SYSTEMS.
- OPPORTUNITIES ALSO EXIST FOR REDUCTION OF CONVENTIONAL FORCES IN EUROPE. THE SOVIET UNION COULD MAKE NO MORE CONVINCING CONTRIBUTION TO PEACE IN EUROPE THAN SUBSTANTIAL REDUCTIONS IN ITS CONVENTIONAL FORCES. NOW IS THE TIME TO TAKE ACTIONS TO ACHIEVE EQUALITY AT A LOWER LEVEL OF CONVENTIONAL FORCES IN EUROPE.
- WITH REGARD TO THE CSCE PROGRESS AND THE MADRID MEETING, THERE IS AGAIN A PRACTICAL POSSIBILITY FOR INCREASING CONFIDENCE AND REDUCING THE RISK OF WAR. AT MADRID THE WESTERN SIDE HAS ADVANCED PROPOSALS FOR A CONFERENCE ON DISARMAMENT IN EUROPE THAT COULD NEGOTIATE MEASURES AIMED AT REDUCING SECURITY CONCERNS.
- AT THE SAME TIME, WE WOULD HOPE TO MOVE THE HELSINKI PROCESS FORWARD IN A BALANCED WAY IN ALL AREAS, INCLUDING HUMANITARIAN CONCERNS.
- IF THE SOVIET UNION IS PREPARED TO MOVE FORWARD IN THESE AREAS OF GENUINE CONCERN TO THE UNITED STATES AND ITS ALLIES, IT WILL FIND THE US A READY PARTNER.

CARRINGTON
NNNN

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TO BONN IMMEDIATE VIA FCO FOR THE PRIME MINISTER AND FOREIGN SECRETARY.

ONPASS TO NO 10 DOWNING STREET FOR PRIVATE OFFICE AND FCO FOR NEWS DEPARTMENT AND S OF S'S PRIVATE OFFICE.

FOLLOWING IS LPS SUMMARY OF FIRST EDITIONS OF NEWSPAPERS DATED WEDNESDAY 18 NOVEMBER 1981

EVENTS IN NORTHERN IRELAND AGAIN COMMAND THE HEADLINES WITH MOST PAPERS LEADING ON MR JAMES PRIOR'S HOSTILE RECEPTION AT THE FUNERAL OF MURDERED MP ROBERT BRADFORD. "ANGRY LOYALISTS MOB PRIOR AT FUNERAL OF MURDERED MP" IS THE HEADLINE TO THE FINANCIAL TIMES FRONT PAGE LEAD STORY WHILE THE TIMES HAS "MOB ATTACKS PRIOR AT ULSTER MP'S FUNERAL." ACCORDING TO THE FINANCIAL TIMES HUNDREDS AMONG A CROWD OF THOUSANDS STAMPEDED, KICKING AND PUNCHING, TOWARDS MR PRIOR AS HE ARRIVED FOR THE FUNERAL SERVICE AT DUNDONALD NEAR BELFAST. HE WAS STUCK IN THE CROWD FOR THREE MINUTES AS LOYALISTS SCREAMING "MURDERER" AND "TRAITOR" FOUGHT WITH POLICE TO GET AT HIM. HE CAME UNDER RENEWED ATTACK AS HE LEFT WITH ANGRY LOYALISTS MOBBING HIS CAR, KICKING AND HAMMERING IT BEFORE HE WAS DRIVEN AWAY. THE TIMES REPORTS THE INCIDENT IN BROADLY SIMILAR TERMS. IT REFERS TO "SCENES THAT EXEMPLIFIED THE WRATH OF ULSTER PROTESTANTS OVER SECURITY AND BRITAIN'S BARELY-CONCEALED EXASPERATION WITH THE IRISH CRISIS." BOTH PAPERS QUOTE MR IAN PAISLEY'S COMMENT THAT MR PRIOR HAD BEEN TAUGHT "A VERY SALUTARY LESSON". AND THE TIMES ALSO HAS HIM SAYING THAT MR PRIOR SHOULD NOT HAVE BEEN AT THE FUNERAL AND THAT HE WAS NOT WANTED. ACCORDING TO THE TIMES REPORT PAISLEY ALSO SAID MR PRIOR "DID NOT EVEN HAVE THE DECENCY TO INFORM THE POLICE HE WAS COMING AND I KNOW WHY: THE POLICE WOULD HAVE INFORMED HIM THAT IT WOULD NOT BE SAFE TO GO TO DUNDONALD." PAISLEY IS ALSO REPORTED TO HAVE REITERATED THREATS OF HAVING MEN ON THE STREETS AND A "THIRD FORCE," AND THAT MR PRIOR'S HOSTILE RECEPTION WAS ONLY A "STORM WARNING." FINANCIAL TIMES POINTS OUT THAT THE DEPTH OF UNIONIST FEELING ABOUT THE KILLING OF MR BRADFORD AND OF PART-TIME MEMBERS OF THE SECURITY FORCES WAS SHOWN BY THE NUMBERS ATTENDING THE FUNERAL AND MEMORIAL SERVICES HELD IN TOWNS AND VILLAGES ACROSS THE PROVINCE. FOUR THOUSAND TOOK PART IN A MEMORIAL SERVICE IN BELFAST, BLOCKING THE CITY CENTRE TRAFFIC FOR MORE THAN AN HOUR. IN LARNE ABOUT 800 WORKERS MARCHED THROUGH THE TOWN AND WORKERS AT THE BALLYLUMFORD POWER STATION LEFT ONLY A SKELETON STAFF DURING THE HOUR'S STOPPAGE. THEIR SUPPORT, SAYS THE FINANCIAL TIMES, COULD BE CRUCIAL IF LOYALISTS CARRY OUT THEIR THREAT TO MAKE THE PROVINCE UNGOVERNABLE. TIMES QUOTES MRS THATCHER TELLING MPS YESTERDAY THAT PAISLEY'S THREAT THAT HE WOULD MAKE THE PROVINCE UNGOVERNABLE COULD PUT THE LIVES OF MANY INNOCENT PEOPLE AT RISK AND MAKE THE TASK OF THE SECURITY FORCES MUCH MORE DIFFICULT. THE DAILY TELEGRAPH DEVOTES A THIRD OF ITS FRONT PAGE TO THE AFFAIR. ALONGSIDE A PICTURE OF THE INCIDENT IT RUNS THE HEADLINE "PRIOR MOBBED BY LOYALISTS" AND THE SUBHEAD "PAISLEY PREPARES TO PARALYSE PROVINCE." AFTER REPORTING MR PRIOR'S RECEPTION AT THE FUNERAL SERVICE IN MUCH THE SAME TERMS AS THE TIMES AND FINANCIAL TIMES THE TELEGRAPH REPORTS THAT DURING THE FUNERAL SERVICE MR PAISLEY LEFT THE CHURCH TO TRY TO PACIFY THE MOB OUTSIDE. ACCORDING TO THE TELEGRAPH HE TOLD THEM: "I AM QUITE AWARE OF HOW YOU FEEL AND UNDERSTAND YOUR BITTER RESENTMENT BECAUSE MRS THATCHER'S MINISTER IS HERE TODAY. BUT THIS IS A FUNERAL SERVICE. WHEN IT IS OVER I WOULD ASK YOU TO ALLOW HIM TO LEAVE THE CHURCH WITHOUT INCIDENT." ALONGSIDE THIS MAIN REPORT THE TELEGRAPH RUNS TWO ASSOCIATED ITEMS. ONE, HEADLINED "ULSTER TAX STRIKE THREATENED"

ACCOUNTS. ONE, THE OTHERS, BESTER TAX STRIKE THREATENED
SAYS MR PAISLEY WAS LAST NIGHT THREATENING RENT STRIKES AND VAT
STRIKES IN HIS CAMPAIGN TO MAKE ULSTER UNGOVERNABLE. THE OTHER ITEM
HEADLINED "THATCHER STICKS TO POLICY" REFERS TO MRS THATCHER'S
REMARKS IN THE COMMONS AT QUESTION TIME YESTERDAY. AND IT IS NOT
THE SERIOUS NEWSPAPERS THAT SEE NORTHERN IRELAND AS THE MAIN STORY
OF THE DAY. THE TABLOIDS TOO ARE UNANIMOUS IN GIVING IT FRONT PAGE
TREATMENT. HERE ARE THE HEADLINES. "PRIOR BRAVES MOB FURY." (DAILY MAIL).
"PRIOR TUNS A GAUNTLET OF HATE." (DAILY EXPRESS
-). "THE GOSPEL OF HATE" (THE SUN) AND "PRIOR FACES THE FURY
-;" (DAILY MIRROR).

ON THE OVERSEAS NEWS FRONT THE SERIOUS PAPERS REPORT THAT PRES-
IDENT REAGAN PLANS TO DELIVER A MAJOR FOREIGN POLICY SPEECH TODAY IN
WHICH, ACCORDING TO THE DAILY TELEGRAPH HE WILL TRY TO OVERCOME
EUROPEAN DOUBTS AS TO HIS SINCERITY AS A PEACEMAKER BY PROPOSING
THAT BOTH RUSSIAN AND NATO SCRAP MEDIUM RANGE MISSILES IN EUROPE -
THE SO-CALLED ZERO OPTION. THE SPEECH WILL OUTLINE THE AMERICAN
STARTING POSITION AT THE GENEVA TALKS OPENING ON NOVEMBER 30 WITH
RUSSIA ON MISSILE LIMITATIONS. ACCORDING TO THE FINANCIAL TIMES THE
SPEECH IS DESIGNED NOT ONLY TO REASSURE EUROPE THAT HIS IS GENUINELY
A MAN OF PEACE BUT ALSO TO DRAW ATTENTION AWAY FROM THE IRKSOME
PERSONAL INCIDENTS THAT HAVE RECENTLY EMBARRASSED HIS
ADMINISTRATION. THE SPEECH WILL ALSO ANTICIPATE ANY ANNOUNCEMENT
PRESIDENT BREZHNEV MAY MAKE DURING HIS VISIT TO BONN NEXT WEEK. THE
TIMES TOO SAYS THE SPEECH IS INTENDED TO OFFSET THE PROPAGANDA
ADVANTAGE WHICH THE SOVIET UNION HOPES TO GAIN FROM BRESHNEV'S
VISIT TO GERMANY. TIMES ADDS THAT HERR SCHMIDT DISCLOSED DETAILS OF
THE SPEECH TO A MEETING OF THE SOCIAL DEMOCRATIC PARLIAMENTARY
PARTY YESTERDAY. HE HAD BEEN BRIEFED ON THE SPEECH IN ADVANCE AND
DESCRIBED IT AS AN IMPORTANT DECISION AND A GOOD BASIS FOR HIS
TALKS WITH BREZHNEV. THE TIMES AND THE FINANCIAL TIMES GIVE THE STORY
FRONT PAGE TREATMENT FINANCIAL TIMES HEADLINE IS "REAGAN PLANS
DISARMING FOREIGN POLICY SPEECH." THE TIMES HAS "REAGAN'S MOVE TO
CALM EUROPE'S MISSILE FEARS. THE TELEGRAPH RUNS ITS REPORT AT THE
HEAD OF PAGE FOUR THE FIRST OF ITS FOREIGN NEWS PAGES.

ELSEWHERE ON THE OVERSEAS NEWS FRONT THE TELEGRAPH LEADS ITS
BACK PAGE WITH THE HEADLINE "TWO STATEMENTS PLAN TO BYPASS SINAI
DILEMMA." FROM BRUSSELS ALAN OSBORN WRITES THAT EC MINISTERS HAVE
FOUND IT IMPOSSIBLE TO AGREE ON A STATEMENT APPROVING A FOUR-COUNTRY
FORCE TO HELP POLICE SINAI AFTER THE ISRAELI WITHDRAWAL. THE PROB-
LEM YESTERDAY CAME FROM GREECE WHICH WANTS THE PARTICIPATION OF THE
EC LINKED FORMALLY TO THE VENICE DECLARATION. BUT ANY MENTION OF
VENICE WITH ITS IMPLICIT RECOGNITION OF THE PLO RUNS THE RISK
THAT ISRAEL WILL VETO A EUROPEAN FORCE. THERE IS A SUGGESTION THAT
THE TEN MIGHT AGREE TO ISSUE TWO STATEMENTS. THEY WOULD SAY YES TO
THE US WITHOUT MENTIONING VENICE AND SEPARATELY ISSUE A BROAD
EXPOSITION OF THEIR MIDDLE EAST POLICY IN WHICH THEY COULD RECALL
THE DECLARATION AND EVEN ENLARGE ON IT. HOWEVER, SAYS THE TELEGRAPH
NOTHING WAS DECIDED YESTERDAY. LORD CARRINGTON IS QUOTED AS SAYING
"WE HAVE GOT TO SPEAK IN A MANNER THAT IS LEAST PROVOCATIVE TO
EVERYBODY." TELEGRAPH ADDS THAT OFFICIALS REFUSED TO
SPECULATE ON WHEN A STATEMENT WOULD BE ISSUED BUT THERE WAS A GROWING
FEELING THAT IT MIGHT HAVE TO AWAIT THE ARAB SUMMIT IN FEZ NEXT
WEEK. IT IS ACCEPTED HOWEVER THAT THE COMMUNITY COULD NOT HOLD ITS
OWN SUMMIT IN LONDON NEXT WEEK WITHOUT SAYING SOMETHING ON THE SUB-
JECT. THE TIMES ON PAGE SEVEN HAS THE HEADLINE "CARRINGTON WARNS
EEC AFTER FRUSTRATING TALKS." STORY SAYS FOREIGN MINISTERS ENDED
THEIR BRUSSELS TALKS WITH LITTLE TO SHOW FOR THEIR WORK. INTERNALLY
PROGRESS ON RESHAPING THE COMMUNITY WAS SO LIMITED THAT LORD CARRING-
TON FELT OBLIGED TO ISSUE A STERN WARNING ABOUT THE CONSEQ-
UENCES TO EUROPE IF ATTITUDES DID NOT CHANGE. EXTERNALLY IT CONTIN-
UED IMPOSSIBLE TO DRAW UP TERMS FOR SENDING A PEACEKEEPING FORCE
TO SINAI IN THE FACE OF COMPREHENSIVE GREEK REFUSAL TO ACCEPT SUCH
AN IDEA AT THIS STAGE. LORD CARRINGTON IS QUOTED AS SAYING: "EITHER
WE MAKE SOLID PROGRESS ACROSS THE WHOLE SPECTRUM NEXT WEEK OR WE
FAIL TO RECONCILE OUR DIFFERENCES AND WILL HAVE DONE THE COMMUNITY
A GRAVE DISSERVICE." IT WAS ESSENTIAL THAT THESSUMMIT SUCCEEDED IN

DATE TO RESOLVE OUR DIFFERENCES AND WILL HAVE DONE THE COMMUNITY
A GRAVE DISSERVICE." IT WAS ESSENTIAL THAT THESSUMMIT SUCCEEDED IN
REACHING BROAD AGREEMENT ON OPERATIONAL GUIDELINES SO THAT WORK
COULD GO AHEAD TO NARROW THE DIFFERENCES. HE ASKED MINISTERS TO
REFLECT CAREFULLY WITH THEIR GOVERNMENTS BETWEEN NOW AND THURSDAY.
ON PAGE TWO OF THE FINANCIAL TIMES JOHN WYLES MAJORS ON THE
"POLITE WELCOME" GIVEN BY MINISTERS TO THE GERMAN/ITALIAN
PROPOSALS AIMED AT EUROPEAN UNION. WYLES COMMENTS THAT WHETHER
THE PROPOSALS WILL EVER BE INSTRUMENTAL IN LAUNCHING THE COMMUNITY
TOWARDS EUROPEAN UNION COULD DEPEND HEAVILY ON THE OUTCOME OF THE
CURRENTLY DEADLOCKED NEGOTIATIONS ON REFORMING THE CAP AND RESTRUC-
TURING THE BUDGET. ON THE SINAI FORCE WYLES REPORTS THE BELIEF
AMONG OFFICIALS THAT THE PERSONAL INVOLVEMENT OF GREEK PRIME
MINISTER ANDREAS PAPANDEOU WILL NOW BE NECESSARY FOR AGREEMENT
TO BE REACHED. THE REPORT IS HEADLINED "TEN YIELD TO LURE OF
EUROPEAN UNION." ABOVE IT IS THE STRAPLINE "EEC PROBLEMS PUSHED
ASIDE -BRIEFLY- BY DISTANT VISIONS."

ON PAGE 2 THE FINANCIAL TIMES PREVEIWS MRS THATCHER'S
TALKS WITH HERR SCHMIDT TODAY. HEADLINE IS "EEC BUDGET HIGH ON
THE AGENDA FOR SCHMIDT TALKS WITH THATCHER." ACCORDING TO JONATHAN
CARR REPORTING FROM BONN WEST GERMANY'S DEMAND FOR A LIMIT ON ITS
NET CONTRIBUTION TO THE COMMUNITY BUDGET WILL BE A KEY ISSUE IN THE
TALKS. PROGRESS ON THIS IS ESSENTIAL IF THERE IS TO BE A CHANCE OF
SUCCESS AT NEXT WEEK'S LONDON SUMMIT. WHILE BONN IS READY TO
REMAIN THE BIGGEST NET CONTRIBUTOR IT INSISTS ON SOME ARRANGEMENT TO
PUT A CEILING ON ITS FUTURE CONTRIBUTION OF THE KIND BRITAIN GAINED
LAST YEAR. ONE QUESTION IS WHETHER BRITAIN SHOULD BE RECEIVING AS
MUCH CASH BACK THROUGH LAST YEAR'S SETTLEMENT AS ORIGINALLY FORESEEN.
A SECOND IS TO WHAT EXTENT THE SETTLEMENT SHOULD BE EXTENDED BEYOND
THE END OF THIS YEAR AND A THIRD IS HOW THE WEST GERMANS CAN BENEFIT
FROM A SIMILAR DEAL. THERE ARE CLEAR POSSIBILITIES FOR A TRADE OFF
INVOLVING THESE THREE ELEMENTS BUT IT REMAINS UNCLEAR IN BONN
WHETHER MRS THATCHER IS READY TO SHOW FLEXIBILITY.

THE GUARDIAN WAS NOT AVAILABLE FOR THIS SUMMARY.

ENDS SUMMARY. L.P.S.

CENTROFORM LONDON

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Foreign and Commonwealth Office

London SW1A 2AH

17 November 1981

Dear Michael,

Anglo/German Summit: 18 November

/ You may like to have, before this afternoon's briefing meeting, a copy of the check-list of the points which the Prime Minister may wish to raise during her tete-à-tete meeting with Chancellor Schmidt.

I am sending copies of this letter to the Private Secretaries to the Secretary of the Cabinet, the Chancellor of the Exchequer, the Minister of Agriculture, Fisheries and Food and the Secretaries of State for Defence, Industry and Trade.

*Yours sincerely,
Mashe Farnich*

(F N Richards)
Private Secretary

P.P.

M O'D B Alexander Esq
10 Downing St

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CHECK LIST OF POINTS FOR THE PRIME MINISTER TO RAISE DURING
TETE-A-TETE WITH CHANCELLOR SCHMIDT

1. COMMUNITY ISSUES

a) European Council

Essential for something positive to come out of November Council. At very least a set of agreed guide-lines

b) Budget

UK and FRG have common interests. Want to reach agreement on common position. No justification for UK being substantial net contributor. German intentions?

c) CAP Reform

Common interest in reform. Essential element in budget restructuring under 30 May Mandate. European Council must endorse clear guide-lines.

2. EAST/WEST RELATIONS

Welcome US/Soviet talks. Important not to leave propaganda field free for Soviet exploitation. Assessment of Brezhnev's visit to Bonn? German views on Poland?

All have difficulties in dealing with US system and its divided voices, but in practice close consultation is being maintained - particularly on arms control.

Essential there should be no misunderstanding on US side of what European opinion really is (US fears of neutralism).

3. ECONOMIC ISSUES

a) North/South

Useful discussion at Cancun. Valued Herr Genscher's role. Glad that Community has been able to evolve a balanced position on Global Negotiations. Do not want to lose momentum.

b) International Economic and Monetary Questions

No sign yet of a strong recovery in major economies. But glad to see most countries persevering with firm policies. Wage moderation vital. Important that US should curb budget deficit. Prospect of some easing of US interest rates should increase European room for manoeuvre. Welcome Hungarian and Polish approaches to IMF and World Bank.

c) Management of UK Economy

Reduction of inflation requires strict adherence to firm monetary and fiscal policies. Success takes time to achieve, but there are now first signs of improvement. Equally concerned with reducing both inflation and unemployment.

4. BILATERAL RELATIONS

Continue to attach importance to collaboration within the European Space Agency. Hope FRG will give support soon to operational meteorological programme there. Regret FRG not participating in ESA's advanced telecommunications project L-SAT.

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TO IMMEDIATE FCO
TELEGRAM NUMBER 4324 OF 17 NOVEMBER 1981
INFO IMMEDIATE BONN
INFO ROUTINE BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
LUXEMBOURG ATHENS

ECOFIN COUNCIL 17 NOVEMBER 1981
INSURANCE SERVICES DIRECTIVE

SUMMARY

1. MODEST PROGRESS IN CLARIFYING SCOPE FOR COMPROMISE ON ARTICLES U O AND 10. BROAD AGREEMENT ON APPROACH SUGGESTED IN PRESIDENCY COMPROMISE PROPOSALS ON BRANCHES AND AGENCIES AND CUMUL. COREPER TO CONTINUE WORK ON THESE PROBLEMS IN LIGHT OF COUNCIL'S DISCUSSION. FOR REPORT ON TAXATION PLEASE SEE MIFT.

DETAIL

2. MEETING OPENED WITH FOUR DELEGATIONS REPRESENTED BY MINISTERS AND REMAINDER BY DEPUTY PERMANENT REPRESENTATIVES: DELORS (FRANCE) ARRIVED AT LUNCHTIME. ALTHOUGH NO SPECTACULAR PROGRESS WAS MADE, DELEGATIONS WERE CLEARLY BETTER BRIEFED THAN ON PREVIOUS OCCASIONS AND THERE WAS EVIDENCE OF WILLINGNESS TO RECONCILE DIFFERING VIEWS.

3. INTRODUCING THE PRESIDENCY PAPER (10742/81) THE CHANCELLOR SAID THAT IT HAD BECOME APPARENT THAT PROGRESS COULD ONLY BE MADE BY DISCUSSING TEXTS RATHER THAN PRINCIPLES. HE PROPOSED THAT ATTENTION SHOULD FIRST BE DIRECTED TO ARTICLE 7.

4. COMMISSIONER TUGENDHAT SAID THAT PROGRESS AT THIS COUNCIL WAS VITAL. THERE HAD BEEN MODESTLY ENCOURAGING DEVELOPMENTS SINCE THE LAST COUNCIL, OF WHICH THE GERMAN PROPOSAL WAS A HELPFUL EXAMPLE. THE COMMISSION FELT BOUND BY JUDICIAL RESTRAINTS IMPOSED BY THE TREATY, BUT WAS PREPARED TO TAKE PRAGMATIC RATHER THAN DOCTRINAIRE LINE, AND HOPED MEMBER STATES WOULD BE ABLE TO SHOW SIMILAR FLEXIBILITY.

5. FIRST ROUNT OF DISCUSSION ON ARTICLE 7 PRODUCED SOME REPETITION OF FAMILIAR POSITIONS. SUPPORT FOR GERMAN TEXT CAME FROM FRANCE, ITALY, IRELAND AND GREECE. UK, NETHERLANDS AND DENMARK FAVOURED PRESIDENCY VERSION.

6. LE POIVRE (BELGIUM) SAID THAT BELGIUM HAD FAVOURED COMPLETE LIBERALISATION FOR ICP BUSINESS BUT NOW ACCEPTED THAT PROHIBITION OF NOTIFICATION COULD NOT BE AGREED. THEY COULD ACCEPT PRESIDENCY TEXT ON CONDITION THAT PROVISION FOR APPLICATION OF PRICE CONTROLS WAS INCLUDED AND THAT CLASSES 8, 9, 13 AND 16 WERE EITHER DELETED OR SUBJECT TO THRESHOLDS.

7. MUHLEN (LUXEMBOURG) TOOK SIMILAR POSITION AND PROPOSED THAT NEW PARAGRAPH SHOULD BE ADDED AFTER ARTICLE 7(1) INTRODUCING THRESHOLD OF 10M ECU PER CONTRACT FOR CLASSES 8, 9 AND 16 AND THRESHOLD OF 5M ECU TURNOVER FOR CLASS 13. THUS AMENDED, PRESIDENCY TEXT WOULD BE PREFERABLE TO GERMAN PROPOSAL WHICH HAD DRAWBACKS FOR CONSUMER PROTECTION. TUGENDHAT SUGGESTED THAT THIS AMENDMENT MIGHT ENABLE OTHER DELEGATIONS TO RALLY TO PRESIDENCY TEXT.

8. FOR THE UK THE FINANCIAL SECRETARY WAS ENCOURAGED BY SUCH SUGGESTIONS FOR MAKING PRESIDENCY TEXT MORE GENERALLY ACCEPTABLE. THE GERMAN VERSION OF ARTICLE 7(2) WAS QUITE UNACCEPTABLE TO UK SINCE IT IMPLIED DUPLICATION OF SUPERVISORY PROCEDURES.

9. SCHULMAN (GERMANY) ARGUED THAT SIMILAR TYPE-APPROVAL

9. SCHULMAN (GERMANY) ARGUED THAT SIMILAR TYPE-APPROVAL PROCEDURES SHOULD BE APPLICABLE TO INSURANCE AS TO OTHER PRODUCTS SUCH AS CARS: THERE WAS NO FUNDAMENTAL REASON TO DIFFERENTIATE BETWEEN MASS RISKS AND ICP RISKS IN THIS CONTEXT. PERHAPS 10 PER CENT OF ALL POLICYHOLDERS DID NOT NEED CONSUMER PROTECTION, WHICH WAS ARGUMENT FOR THRESHOLDS, BUT COMPLETE TRANSPARENCY WAS NECESSARY FOR PROTECTION OF SMALL AND MEDIUM SIZED POLICYHOLDERS. IT WAS MOREOVER ESSENTIAL TO AVOID DISCRIMINATION AGAINST ESTABLISHED INSURERS, IN INTERESTS OF FAIR AND EFFECTIVE COMPETITION.

10. MARCORA (ITALY), EXARCHOS (GREECE) AND SWIFT (IRELAND) WERE ALL PREPARED TO ACCEPT PRESIDENCY TEXT SUBJECT TO FAMILIAR CONDITIONS, BUT NONE FAVOURED INTRODUCTION OF THRESHOLDS. MARCORA CLAIMED THAT PRESIDENCY TEXT WOULD DISCRIMINATE AGAINST ESTABLISHMENT BUSINESS: THIS WAS REJECTED BY NICOLL (CHAIRMAN OF COREPER DEPUTIES) ON GROUNDS THAT ARTICLE 7 COVERED ESTABLISHMENT AND SERVICES BUSINESS ALIKE.

11. VIDAL (FRANCE) THOUGHT THAT GERMAN TEXT OFFERED MORE FLEXIBILITY THAN PRESIDENCY VERSION: MEMBER STATES WOULD HAVE OPTION TO REQUIRE NOTIFICATION OR NOT, AND NOTIFICATION COULD BE SIMULTANEOUS. NOTIFICATION COULD EVEN BE HELPFUL TO AN INSURER IN DRAWING HIS ATTENTION TO LOCAL REQUIREMENTS OF WHICH HE WAS UNAWARE.

12. THE CHANCELLOR COMMENTED THAT OBJECTIONS TO PRIOR NOTIFICATION SEEMED TO ARISE FROM ITS RESEMBLANCE TO AN APPROVAL PROCEDURE. SIMULTANEOUS NOTIFICATION SEEMED LESS OBJECTIONABLE, AND HE INVITED DELEGATIONS' REACTION.

13. THE FST SAID THAT THE VERY EXISTENCE OF CHECKING PROCEDURES, SUCH AS WERE APPLIED AT PRESENT, WERE IMPEDIMENT TO FREEDOM OF SERVICES. THE UK WAS PREPARED TO STUDY POSSIBILITY OF SIMULTANEOUS NOTIFICATION, BUT IT WOULD BE NECESSARY TO CONSIDER VERY CAREFULLY WHAT WAS TO BE NOTIFIED, AND TO ENSURE THAT ANY FOLLOW-UP WAS IN ACCORDANCE WITH ARTICLE 10.

14. VAN SWINDEREN (NETHERLANDS) SUPPORTED UK'S VIEW THAT THERE SHOULD BE REAL LIBERALISATION. THOUGH PREPARED TO ACCEPT SOME RESTRICTION, HE WAS SCEPTICAL BOTH ABOUT THRESHOLDS AND ABOUT SIMULTANEOUS NOTIFICATION.

15. TUGENDHAT THOUGHT THAT SIMULTANEOUS NOTIFICATION SHOULD BE EASIER TO ACCEPT. HE SUGGESTED IT COULD BE LIMITED TO GENERAL CONDITIONS ONLY.

16. SCHULMAN COULD ENVISAGE POSSIBILITY OF SIMULTANEOUS NOTIFICATION FOR RISKS DEFINED IN ARTICLE 7(1). THIS SHOULD INCLUDE GENERAL AND SPECIAL CONDITIONS AND FORMS, BUT NOTIFICATION OF RATES MIGHT NOT BE NECESSARY.

17. VIDAL INSISTED THAT THERE SHOULD BE PRIOR NOTIFICATION OF CONDITIONS AND RATES AT THE OUTSET, BUT SIMULTANEOUS NOTIFICATION MIGHT BE POSSIBLE THEREAFTER. MARCOR SIMILARLY ARGUED FOR ONCE-AND-FOR-ALL PRIOR NOTIFICATION.

18. THE CHANCELLOR CONCLUDED THAT THREE POSSIBLE APPROACHES HAD BEEN IDENTIFIED - EXCLUSION OF CERTAIN RISKS, THRESHOLDS FOR CERTAIN RISKS, AND SIMULTANEOUS NOTIFICATION - WHICH NEEDED FURTHER EXAMINATION.

19. ON INCLUSION OF LIBERAL PROFESSIONS IN ARTICLE 7(1) MUHLEN SAID THAT AGREEMENT ON THIS WAS LINKED WITH QUESTION OF THRESHOLDS. FRENCH AND IRISH POSITION WAS SIMILAR. SCHULMAN COULD ACCEPT INCLUSION IN CONTEXT OF COMPROMISE. THE FINANCIAL SECRETARY POINTED OUT THAT LIBERAL PROFESSIONS MIGHT INVOLVE VERY LARGE RISKS, BUT WAS PREPARED TO CONSIDER THRESHOLDS.

RISKS, BUT WAS PREPARED TO CONSIDER THRESHOLDS.

20. POSITIONS ON OTHER DISPUTED POINTS IN ARTICLE 7 9 AND 11 WERE AS FOLLOWS:

- ARTICLE 7(3) - ACCEPTABLE TO ALL BUT NETHERLANDS
- ARTICLE 7(4) - UK ACCEPTED PRINCIPLE BUT WAS CONCERNED THAT OTHER LEGAL RULES SHOULD BE SPECIFIED, AND CONSISTENT WITH TREATY. COMMISSION SAID SUCH RULES MUST BE JUSTIFIABLE IN TERMS OF VAN WESEMAEL JUDGEMENT. BELGIANS WANTED PRICE CONTROL PROVISION BUT UNDERSTOOD UK'S CONCERN.
- ARTICLE 9(2) - DANES ATTACHED GREAT IMPORTANCE TO (D). UK AND NETHERLANDS MAINTAINED RESERVES.
- ARTICLE 9(3) - ALL DELEGATIONS COULD ACCEPT INCLUSION OF BOTH SECOND AND FOURTH SUB-PARAGRAPHS, EXCEPT ITALIANS WHO WANTED SECOND ONLY
- ARTICLE 10(2) - ITALIANS LIFTED RESERVE ON REFERENCE TO SPECIFIC BUSINESS. RESERVE MAINTAINED BY GREEKS, BELGIANS PROPOSED ALTERNATIVELY 'SPECIFIC BRANCH'.
- ARTICLE 10(3) - BROAD ENDORSEMENT GIVEN TO IRISH PROPOSAL TO REPLACE LAST 2 LINES BY "... MEASURES AS ARE STRICTLY NECESSARY TO PREVENT THE FURTHER CONCLUSION OF INSURANCE CONTRACTS BY THAT UNDERTAKING BY WAY OF PROVISION OF SERVICES WITHIN ITS TERRITORY."
- ARTICLE 10(5) - UK AND NETHERLANDS OBJECTED STRONGLY TO INCLUSION OF FINAL SENTENCE. ITALIANS, WITH GREEK SUPPORT, INSISTED ON RETENTION BUT HINTED AT FLEXIBILITY. CHANCELLOR SUGGESTED ANSWER MIGHT BE IN COOPERATION BETWEEN SUPERVISORY AUTHORITIES.

21. ON BRANCHES AND AGENCIES, PRESIDENCY PROPOSAL FOR TRANSITIONAL PERIOD SET OUT IN ARTICLE 19 WAS ACCEPTABLE TO GREECE AND IRELAND, IN BOTH CASES SUBJECT OBTAINING 5-YEAR OVERALL DEROGATION FROM TITLE III OF THE DIRECTIVE. ITALY AND FRANCE COULD ALSO ACCEPT PROPOSAL, BUT BOTH WANTED LONGER TRANSITIONAL PERIOD.

22. MUHLEN MAINTAINED LUXEMBOURG'S RESERVATION, CERTAINLY WITHOUT EXTENSION OF PERIODS PROPOSED. INTRODUCTION OF AN ANTI-ABUSE CLAUSE MIGHT MAKE POSITION MORE FLEXIBLE.

23. LE POIVRE COULD ACCEPT PRESIDENCY'S PROPOSAL, BUT COULD NOT AGREE TO ANY EXTENSION OF PERIOD. TUGENDHAT AGREED: LONGER PERIOD WOULD CALL INTO QUESTION BASIC PRINCIPLE OF FREEDOM OF SERVICES FOR BRANCHES. HE EXPRESSED INTEREST IN IDEA OF ANTI-ABUSE CLAUSE.

24. GERMANS' PROPOSED ADDITION TO ARTICLE 10(2) WAS ACCEPTABLE TO ITALY AND NETHERLANDS: SUBJECT TO MODIFICATIONS, THE UK MIGHT ALSO AGREE.

25. THE CHANCELLOR CONCLUDED THAT ARTICLE 19 APPEARED GENERALLY ACCEPTABLE, SUBJECT TO AGREEMENT ON DATES, AND THAT THE GERMAN PROPOSALS RELATING TO ARTICLE 10(2) AND ARTICLE (8) NEEDED MORE DETAILED STUDY.

26. ON CUMUL, GERMANS ITALIANS AND BELGIANS FAVOURED INCLUSION OF ALL THREE FUNCTIONS REFERRED TO IN ARTICLE 3(B). LUXEMBOURG AGREED AND THOUGHT AN ANTI-ABUSE CLAUSE WOULD BE RELEVANT HERE ALSO. IRELAND COULD ACCEPT DELETION OF 'PRESENT'. NETHERLANDS WANTED 'CONCLUDE' ALONE: COMMISSION AGREED BUT THOUGHT AN ANTI-ABUSE CLAUSE MIGHT HELP. UK AGREED WITH 'CONCLUDE' BUT WAS LESS CERTAIN ABOUT 'EXECUTE': 'PRESENT' WAS UNREALISTIC.

27. THE CHANCELLOR CONCLUDED THAT ARTICLE 3(B) REPRESENTED THE BASIS OF A SOLUTION, SUBJECT TO GREATER PRECISION IN DEFINITIONS. THIS SHOULD BE CONSIDERED FURTHER TOGETHER WITH AN ANTI-ABUSE CLAUSE, FOR WHICH HE INVITED THE COMMISSION TO PUT FORWARD A DRAFT.

29. FOR BCNN ONLY
SUPPLEMENTARY BRIEFING FOR ANGLO-GERMAN SUMMIT
BEGINS

THE FINANCE COUNCIL TODAY MADE MODEST PROGRESS IN CLARIFYING THE SCOPE FOR COMPROMISE ON THE CENTRAL ISSUE OF HOW MUCH FREEDOM SHOULD BE GIVEN TO INSURANCE OF INDUSTRIAL, COMMERCIAL AND PROFESSIONAL (IC) RISKS. THE GERMANS SHOWED A FAIR MEASURE OF FLEXIBILITY, THOUGH THEY HAVE NOT GIVEN UP THEIR BASIC REQUIREMENT - DIFFICULT FOR US - OF MAINTAINING GOVERNMENT CONTROL OVER THE POLICY CONDITIONS AND RATES ON WHICH ICP BUSINESS IS DONE. OUR VIEW THAT ICP INSURANCE DOES NOT NEED SUCH GOVERNMENT CONTROL REMAINS, AND OUR ARGUMENTS AS REFLECTED IN THE BRIEF ARE WORTH PUTTING OVER. BUT THERE ARE NO GROUNDS FOR TAKING A STRONGLY CRITICAL LINE ON THE GERMAN NEGOTIATING POSITION.
ENDS.

FCO ADVANCE TO:

FCO - PS/SOFS, PS/LPS, PS/PUS, HANNAY, SPRECKLEY, DE CHSSIRON
PIRNIE

CAB - ELLIOTT, BROWN

DOT - REID, HENES, BIRCH

TSY - PS/CHANCELLOR, PS/FST, HANCOCK, PERETZ, PERFECT, SCHOLLES

BUTLER

NNNN

CONFIDENTIAL
FRAME GENERAL
DESKBY 180900Z
FM UKREP BRUSSELS 171859Z NOV 81
TO IMMEDIATE FCO .
TELNO 4321 OF 17 NOVEMBER
INFO EC POSTS AND STRASBOURG

FOREIGN AFFAIRS COUNCIL 16/17 NOVEMBER

SUMMARY REPORT

1. THIS MEETING WAS DEVOTED EXCLUSIVELY TO PREPARATION OF THE 26/17 NOVEMBER EUROPEAN COUNCIL WITH THE BULK OF THE DISCUSSION BEING TAKEN UP AS PLANNED BY THE 30 MAY MANDATE. ON THE FIRST DAY YOU TOOK THE COUNCIL THROUGH THE WHOLE OF THE DRAFT CONCLUSIONS ON THE 30 MAY MANDATE FOR THE EUROPEAN COUNCIL, AND ON THE SECOND MORNING YOU SAW EACH FOREIGN MINISTER INDIVIDUALLY ABOUT IT. THEN IN A JOINT COUNCIL-POLITICAL COOPERATION SESSION GENSCHER AND COLOMBO PRESENTED THEIR PROPOSALS ON EUROPEAN UNION. THE COUNCIL CONTINUED IN THE AFTERNOON AND EVENING OF 17 NOVEMBER ON TEXTILES UNDER MR ATKINS' CHAIRMANSHIP (AND WITH A RATHER DIFFERENT CAST) WHILE YOU PRESIDED OVER A POLITICAL COOPERATION MEETING.

2. YOU WERE IN THE CHAIR (EXCEPT FOR THE TEXTILES DISCUSSION) AND MR ATKINS IN THE UK SEAT. THE MINISTER FOR TRADE, MR REES, ATTENDED FOR THE TEXTILES DISCUSSION.

3. AN ADDITIONAL COUNCIL MEETING WILL BE HELD AT 10 AM ON THURSDAY 19 NOVEMBER TO CARRY FORWARD DISCUSSION OF THE MAIN OUTSTANDING ISSUES ON THE 30 MAY MANDATE PRIOR TO THE EUROPEAN COUNCIL.

4. THE FOLLOWING PARAGRAPHS SUMMARISE THE ITEMS DISCUSSED.

'A' POINTS

5. 'A' POINTS LISTED IN DOCUMENT 10690/81 WERE ADOPTED.

EP RESOLUTIONS (X)

6. PRESIDENCY DREW ATTENTION TO RESOLUTIONS 9, 10 AND 11 ON THE INTERNAL MARKET, COMPETITION POLICY, NATIONAL AIDS AND NON-TARIFF BARRIERS; 15 ON THE FINANCIAL REGULATION APPLICABLE TO THE FIFTH EDF; AND TO MME VEIL'S LETTER OF 9 OCTOBER COVERING A MOTION FOR A RESOLUTION ON HUNGER IN THE WORLD TABLED BY PANNELLA. THERE WERE NO COMMENTS.

PREPARATION FOR EUROPEAN COUNCIL

(A) 30 MAY MANDATE

7. STERILE DISCUSSION OF ALL THREE CHAPTERS COMPLETED ON FIRST DAY. BILATERALS ON SECOND DAY. SUPER RESTRICTED COUNCIL ON 19 NOVEMBER FOR "POLITICAL" DISCUSSION. PRESIDENCY UNDERTOOK TO CIRCULATE REVISED DRAFT CONCLUSIONS ON 20 OR 23 NOVEMBER.

(B) ENLARGEMENT

8. DRAFT DECLARATION WILL BE SUBMITTED TO EUROPEAN COUNCIL. FRENCH INSISTED THAT DECISION WHETHER OR NOT TO ISSUE IT WOULD DEPEND ON DECISION ON MEDITERRANEAN AGRICULTURE IN THE CONTEXT OF THE 30 MAY MANDATE BEING TAKEN BY THE EUROPEAN COUNCIL. PRESIDENCY WILL TAKE THE VIEWS OF THE SPANISH AND PORTUGUESE GOVERNMENTS ON USEFULNESS OF THE DECLARATION, IN SPITE OF FRENCH OBJECTIONS TO THEIR BEING SHOWN THE TEXT BEFOREHAND.

(C) EUROPEAN UNION

9. COUNCIL APPROVED DRAFT REPORT TO EUROPEAN COUNCIL AND HEARD PRESENTATIONS BY GENSCHER AND COLOMBO OF THEIR NEW IDEAS, WHICH WERE GENERALLY WELCOMED, THOUGH THE DANES, IRISH AND FRENCH PUT DOWN A NUMBER OF MARKERS. AGREED THAT PROCEDURE FOR FOLLOW-UP SHOULD BE DECIDED AT THE EUROPEAN COUNCIL.

DOWN A NUMBER OF MARKERS. AGREED THAT PROCEDURE FOR FOLLOW-UP
SHOULD BE DECIDED AT THE EUROPEAN COUNCIL.

TEXTILES

10. (OUTCOME OF DISCUSSION IN PROLONGED RESTRICTED SESSION WILL
BE REPORTED SEPARATELY.)

FCO ADVANCE TO:

FCO - PS, PS/LPS, PS/MR HURD, PS/PUS, BRIDGES, HANNAY, SPRECKLEY
FITZHERBERT, PIRNIE (ECD(1))
CAB - FRANKLIN, ELLIOTT, GOODENOUGH

BUTLER

NNNN

CONFIDENTIAL
FRAME ECONOMIC
FROM UKREP BRUSSELS 171635Z NOV 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 4307 OF 17 NOVEMBER 1981
INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS
BONN LUXEMBOURG ATHENS
ROUTINE STRASBOURG

FOREIGN AFFAIRS COUNCIL 16/17 NOVEMBER: 30 MAY MANDATE

SUMMARY

STERILE DISCUSSION OF ALL THREE CHAPTERS COMPLETE ON FIRST DAY. BILATERALS ON SECOND DAY. SUPER RESTRICTED COUNCIL ON 19 NOVEMBER FOR "POLITICAL" DISCUSSION. PRESIDENCY UNDERTOOK TO CIRCULATE REVISED DRAFT CONCLUSIONS ON 20 OR 23 NOVEMBER.

DETAIL

1. THE COUNCIL STARTED ALMOST IMMEDIATELY INTO THE MANDATE. WARNED BY THE FRENCH IN ADVANCE THAT THEY NEEDED TO DISCUSS CHAPTER II (AGRICULTURE) BEFORE CHAPTER III, YOU TOOK THE THREE CHAPTERS IN NUMERICAL ORDER. THIS TURNED OUT QUITE NEATLY, SINCE THE DISCUSSION ON CHAPTER I ENDED AT LUNCH-TIME, ON CHAPTER II BY EARLY EVENING, LEAVING ENOUGH TIME FOR A SHORT DISCUSSION ON CHAPTER III, THUS COMPLETING A COMPLETE RUN-THROUGH IN ONE DAY. THE AGRICULTURE COUNCIL HAD THEIR DISCUSSION OF THE MANDATE DURING THE MORNING. DUKES (IRELAND) AND BARTOLOMEI (ITALY) JOINED THE FOREIGN AFFAIRS COUNCIL FOR THE DISCUSSION ON AGRICULTURE.

2. THE DISCUSSION WAS NO MORE FRUITFUL THAN THE EARLIER DISCUSSION IN THE MANDATE GROUP. NOBODY SHOWED ANY WILLINGNESS TO NEGOTIATE ON ANYTHING, AND NATIONAL POSITIONS WERE RE-AFFIRMED, SOMETIMES IN HARDER TERMS, WITH THE RESULT THAT THE DRAFT CONCLUSIONS LOOKED LIKE EMERGING WITH MORE SQUARE BRACKETS AS MORE CONTROVERSIAL AMENDMENTS WERE PUSHED FORWARD. CHAPTER I WAS NOT TOO BAD, BUT CHAPTER II PROVED VERY DIFFICULT AND ON CHAPTER III THERE WAS TOTAL IMMOBILITY (WITH THE FRENCH MAKING A STRONG STATEMENT OF POSITION AND THE BELGIANS BACKSLIDING). YOU REPROACHED YOUR COLLEAGUES A NUMBER OF TIMES DURING THE DAY, POINTING OUT - TO NO EVIDENT EFFECT - THE DIFFICULT SITUATION INTO WHICH THEY WERE DRIVING THEIR HEADS OF GOVERNMENT AT THE EUROPEAN COUNCIL, WHICH COULD NOT REALISTICALLY BE EXPECTED TO DISCUSS THE KIND OF TEXT WHICH WOULD BE THE RESULT OF THE DISCUSSION SO FAR. AT THE END OF THE AGRICULTURE DISCUSSION THIS THEME WAS ECHOED IN STRONG TERMS BY CHEYSSON, WHO HAD UNTIL THEN KEPT SILENT ALONGSIDE A VOLUBLE AND TIRESOME CHANDERNAGOR. HE EXPRESSED DISMAY THAT THE FOREIGN MINISTERS WERE IGNORING REALITY AND PRESSING ONLY THEIR OWN INTERESTS IN A JUXTAPOSITION OF APPROACHES WHICH COULD HAVE BEEN LEFT TO TECHNICIANS IN A MANAGEMENT COMMITTEE. THE SCLEROSIS OF THE COMMUNITY'S AGRICULTURAL POLICY WAS BEING CONFIRMED IN A WAY WHICH WOULD BLOCK ENLARGEMENT, COMPROMISE US IN THE THIRD WORLD AND ENDANGER THE COMMUNITY. CONTINUATION ON THESE LINES WOULD GET NOWHERE. HE SUPPORTED COLOMBO'S CALL OVER LUNCH FOR A VERY RESTRICTED COUNCIL ON 19 NOVEMBER WHICH WOULD DISCUSS THE POLITICS OF THE RELANCE, AGRICULTURE AND THE BUDGET.

3. YOU SUMMED UP THE DAY'S DISCUSSION BY POINTING OUT THAT THERE WERE ONLY TEN DAYS TO GO TO THE EUROPEAN COUNCIL, EMPHASISING THAT CHAPTER III MUST BE DEALT WITH ALONGSIDE CHAPTERS I AND II AND CONCLUDING THAT WE HAD GOT NOWHERE. YOU INVITED YOUR COLLEAGUES IN TURN TO BILATERAL MEETINGS WITH YOU (AND THE PRESIDENT OF THE COMMISSION)

NOT NOWHERE. YOU INVITED YOUR COLLEAGUES IN TURN TO BILATERAL MEETINGS WITH YOU (AND THE PRESIDENT OF THE COMMISSION) THE NEXT MORNING: ALL SHOULD THEN CONSIDER THEIR POSITIONS WITH THEIR GOVERNMENTS ON 18 NOVEMBER WITH A VIEW TO A POLITICAL DISCUSSION IN A VERY RESTRICTED SESSION ON 19 NOVEMBER.

4. ON 17 NOVEMBER WHEN THE COUNCIL RECONVENED BRIEFLY BEFORE LUNCH, YOU SUMMED UP THE RESULTS OF THE BILATERALS. YOU SAID THAT ON CHAPTER I MINISTERS HAD INSISTED ON A NUMBER OF POINTS WHICH MUST REMAIN IN THE DRAFT CONCLUSIONS. THESE WERE GENERALLY RESOLVABLE. ON CHAPTER II, THERE HAD BEEN MAJOR DIFFERENCES OF OPINION PARTICULARLY ON THE QUESTION OF LIMITING AGRICULTURAL EXPENDITURE, ON MILK AND ON MEDITERRANEAN PRODUCTS. ON CHAPTER III THERE WAS A PROBLEM, BUT THERE HAD BEEN NO CLEAR IDEA ON HOW IT SHOULD BE SOLVED, BY WHOM AND IN WHAT TIMESCALE. THE RESTRICTED SESSION (MINISTERS, PERMANENT REPRESENTATIVES AND - AT DUTCH AND ITALIAN REQUEST - ONE OTHER OFFICIAL PLUS THE COMMISSION) SHOULD CONCENTRATE ON THE PARTICULAR POINTS OF DIFFICULTY REVEALED BY THE BILATERALS, THUS ENABLING THE PRESIDENCY TO PRODUCE AS CLEAN A TEXT AS POSSIBLE FOR THE EUROPEAN COUNCIL. YOU PRESSED YOUR COLLEAGUES TO BE THERE: COLOMBO SAID THAT HE WOULD BE UNABLE TO ATTEND SINCE HE WOULD HAVE TO BE IN PARIS FOR BILATERALS.

5. I SHALL DISCUSS A NEW VERSION OF THE DRAFT CONCLUSIONS AND A DRAFT PRESIDENCY REPORT IDENTIFYING POINTS FOR DECISION BY THE EUROPEAN COUNCIL WITH NOEL TOMORROW.

6. MY FOUR IFTS CONTAIN ACCOUNTS OF DISCUSSION ON EACH CHAPTER AND IN THE BILATERALS.

FCO ADVANCE TO:-

FCO - HANNAY SPRECKLEY
CAB - FRANKLIN ELLIOTT WENTWORTH GOODENOUGH
MAFF - ANDREWS
TSY - HANCOCK EDWARDS

BUTLER

NNNN

IMMEDIATE

FOBO 009/18

OO BONN

GR 300

CONFIDENTIAL

FM WASHINGTON 172350Z NOV 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 3462 OF 17 NOVEMBER

INFO IMMEDIATE BONN (FOR PRIVATE SECRETARY) OTHER EC POSTS, CAIRO,
TEL AVIV.

UKREP BRUSSELS TELNO 4314: SINAI FORCE

1. WE TOOK VELIOTES THROUGH THE POINTS IN TELEGRAM UNDER REFERENCE
THIS EVENING (HE HAD NOT YET SEEN A FULL REPORT OF EAGLEBURGER'S
CONVERSATION WITH YOU).

2. VELIOTES SUGGESTED, SPEAKING PERSONALLY, THAT IF IT WERE
IMPOSSIBLE TO INCLUDE IN THE STATEMENT OF THE FOUR THE REFERENCE TO
THEY EGYPT/ISRAEL PEQCE TREATY, IT WOULD BE HELPFUL IF SUCH A
REFERENCE COULD BE MADE IN MESSAGES FROM THE FOUR GOVERNMENTS
CONCERNED TO ISRAEL AND EGYPT.

3. VELIOTES EXPLAINED THAT HAIG'S SUGGESTION OF AN INTERVAL BETWEEN
THE STATEMENTS BY THE FOUR AND THAT BY THE TEN WAS MADE IN THE
HOPE THAT THE ISRAELIS AND EGYPTIANS WOULD WELCOME THE FOUR'S
PARTICIPATION IN THE FORCE ON THE BASIS OF THEIR INITIAL STATEMENT.
THE AMERICANS WERE REASONABLY CONFIDENT THAT THEY COULD HOLD THE
ISRAELIS TO SUCH A DECISION EVEN IF THE ISRAELIS DISLIKED A
SUBSEQUENT STATEMENT BY THE TEN.

HENDERSON

NNNN

FOBO 010/18

OO BONN

GR 550

CONFIDENTIAL

DESKBY 180830Z

FM WASHINGTON 172345Z NOV 61

TO IMMEDIATE F C O

TELEGRAM NUMBER 3460 OF 17 NOVEMBER

INFO IMMEDIATE BONN (FOR PS/S OF S), PRIORITY MEXICO CITY.

MR HURD'S VISIT TO WASHINGTON.

1. HAIG'S OFFICE HAVE NOW TOLD US THAT, TO THEIR REGRET, IT DOES NOT LOOK AS THOUGH IT WILL BE FEASIBLE TO SCHEDULE A CALL FOR MR HURD ON FRIDAY. IF, HOWEVER, MR HURD'S VISIT DOES NOT TAKE PLACE UNTIL NEXT WEEK, THEY WILL ENDEAR TO FIX A CALL FOR WEDNESDAY 25 NOVEMBER (THE TUESDAY IS OUT, SINCE HAIG WILL BE TRAVELLING BACK FROM MEXICO THAT DAY).

2. SHALL WE GO AHEAD AND TRY TO FIX UP A PROGRAMME FOR MR HURD FOR THE TUESDAY AND WEDNESDAY, 24 AND 25 NOVEMBER? IT HAS TO BE ACCEPTED, I AM AFRAID, THAT IT IS NOT GOING TO BE POSSIBLE TO REINSTATE THE COMPREHENSIVE PROGRAMME WE FIXED UP ON THE PREVIOUS TWO OCCASIONS. THIS IS PARTLY BECAUSE OF THE DIFFICULTY OF GETTING PEOPLE TO COMMIT THEMSELVES AFTER TWO MISFIRES (THE AMERICAN ENTERPRISE INSTITUTE, FOR INSTANCE, WILL NOT ARRANGE A MEETING AGAIN) AND PARTLY BECAUSE THE WEEK OF THANKSGIVING IS BAD, WITH ALL HOUSE OF REPRESENTATIVES PEOPLE AWAY AND PROBABLY MOST SENATORS UNAVAILABLE.

3. IT SHOULD BE POSSIBLE TO FIX UP A CALL ON VELIOTES: AND WE WOULD TRY FOR MACFARLANE AND BURT. AS REGARDS DEPUTY SECRETARY CLARK I SUGGEST THAT WE OMIT HIM IF HAIG CAN SEE MR HURD. WE ARE ANYWAY ASKING HIM TO SEE MR LUCE ON THE MONDAY. WE WILL SEE WHAT WE CAN DO ABOUT THE TV INTERVIEW FOR THE MCNEIL/LEHRER PROGRAMME. AS REGARDS THE NBC TODAY PROGRAMME WE WILL ALSO MAKE ENQUIRIES BUT A LOT WILL DEPEND UPON THE INTERNATIONAL SITUATION AT THE TIME. WE WILL ASK THOSE OF THE BRITISH PRESS WHO ARE AVAILABLE TO MEET MR HURD.

4. GIVEN THE SOMEWHAT SHORTENED PROGRAMME MR HURD MIGHT PREFER TO COME ON THE 10.30 CONCORDE VIA NEW YORK ON TUESDAY, REACHING WASHINGTON VIA THE SHUTTLE BY ABOUT NOON. THIS WOULD GIVE THE WHOLE OF THE AFTERNOON FOR MEETINGS AND I WOULD GIVE A DINNER IN THE EVENING. THIS SEEMS BETTER THAN THE IDEA OF MR HURD SPENDING ALL MONDAY TRAVELLING HERE SUBSONIC. AS REGARDS DEPARTURE THE NIGHT FLIGHT BACK ON WEDNESDAY LEAVES HERE AT 18.25.

5. AS I MENTIONED TO MR HURD, AMERICANS TEND TO PACK UP FOR THANKSGIVING DAY BY WEDNESDAY MID-DAY AT THE LATEST.

F C O PLEASE ADVANCE TO PS/MR HURD.

HENDERSON

NNNN

FOBO 015/13

OO BONN

GRS 430

CONFIDENTIAL

DESKBY 180900Z

FROM UKMIS NEW YORK 180131Z NOV 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 1268 DATED 17 NOVEMBER 81

INFO IMMEDIATE BONN, PARIS, ATHENS, DUBLIN, COPENHAGEN, THE HAGUE,
INFO PRIORITY BRUSSELS, ROME, LUXEMBOURG, WASHINGTON, OTTAWA,
CAPE TOWN, PRETORIA.

YOUR TELNOS 743 AND 744: NAMIBIA: UNGA STATEMENT BY THE TEN

1. THE NEWS THAT HM REPRESENTATIVES IN THE CAPITALS OF THE TEN HAD MADE REPRESENTATIONS IN FAVOUR OF A LOW-KEY STATEMENT ON NAMIBIA REACHED MISSIONS OF THE TEN HERE (OR AT LEAST THE IRISH MISSION) IN A DISTORTED FASHION. OUR FRENCH COLLEAGUE TOLD US THAT THE IRISH WERE INCENSED ABOUT THESE REPRESENTATIONS: THIS WAS NOT THE WAY THAT THE TEN CONDUCTED POLITICAL COOPERATION IN NEW YORK. THE PRESIDENCY SHOULD HAVE SHOWN THE DRAFT STATEMENT FIRST TO MISSIONS IN NEW YORK.
2. ACTING ON THE FRENCH TIP, WE THEREFORE OPENED TODAY'S MEETING (17 NOVEMBER) OF AFRICAN EXPERTS OF THE TEN BY SAYING THAT YOU AND THE OTHER MEMBERS OF THE FIVE WERE VERY CONCERNED ABOUT THE EFFECTS OF THE DEBATE AND THE RESOLUTIONS ON THE NAMIBIA NEGOTIATIONS, PARTICULARLY AT THIS DELICATE STAGE. WE MADE ALL THE POINTS IN YOUR TELNO 256 TO ATHENS. WE ADDED THAT YOU HAD THEREFORE DECIDED TO TAKE THE UNUSUAL STEP OF DISCUSSING THE NAMIBIA STATEMENT OF THE TEN IN CAPITALS BEFORE A FIRST DISCUSSION OF THE TEXT HERE. THIS WAS BOTH BECAUSE OF THE SERIOUSNESS WITH WHICH WE JUDGE THE PRESENT SITUATION AND BECAUSE WE DID NOT WISH TO EMBARRASS REPRESENTATIVES OF THE TEN HERE BY PRESENTING THEM WITH A DRAFT WHICH WOULD APPEAR AT FIRST SIGHT TO BE AT VARIANCE WITH RECENT STATEMENTS OF THE TEN BUT WHICH CAPITALS MIGHT BE DISPOSED TO LOOK ON FAVOURABLY IN THE LIGHT OF OUR REPRESENTATIONS.
3. THIS CAREFUL EXPLANATION MOLLIFIED THE REPRESENTATIVES OF THE TEN WHO AGREED TO SEND THE DRAFT IN YOUR TELNO 744 BACK TO CAPITALS FOR INSTRUCTIONS. THEY THEREFORE MADE NO COMMENTS ON THE SUBSTANCE BUT AGREED TO HOLD ANOTHER MEETING TOMORROW (18 NOVEMBER).
4. THE TEN'S STATEMENT IS SCHEDULED FOR DELIVERY ON 20 NOVEMBER, THOUGH DEPENDING ON THE SPEAKERS' LIST THIS MAY SLIP TO 23 NOVEMBER.

PARSONS

NNNN

CONFIDENTIAL
DESKBY 180900Z
FM UKMIS NEW YORK 180130Z NOV 18
TO IMMEDIATE FCO
TELEGRAM NUMBER 1267 OF 17 NOVEMBER 1981
INFO IMMEDIATE WASHINGTON BONN, PARIS, OTTAWA, PRIORITY CAPE TOWN
PRETORIA.

MIPT: NAMIBIA UNGA DEBATE: ACTION BY THE FIVE

1. FOLLOWING IS TEXT OF DRAFT STATEMENT BY THE FIVE:

1. MR. PRESIDENT, I HAVE THE HONOUR TODAY TO SPEAK ON BEHALF OF THE FIVE MEMBER GOVERNMENTS OF THE CONTACT GROUP - CANADA, FRANCE, THE FEDERAL REPUBLIC OF GERMANY, THE UNITED KINGDOM, AND THE UNITED STATES OF AMERICA - WHICH HAVE BEEN WORKING TOGETHER DURING THE PAST FOUR YEARS IN AN ATTEMPT TO NEGOTIATE AN INTERNATIONALLY RECOGNISED SETTLEMENT TO THE NAMIBIAN PROBLEM.

2. MR. PRESIDENT, THE INDEPENDENCE OF NAMIBIA IS ONE OF THE OBJECTIVES THAT EVERY GOVERNMENT REPRESENTED IN THIS ASSEMBLY SUPPORTS. NOT ONE OF OUR NUMBER WOULD ATTEMPT TO DEFEND THE LEGITIMACY OF SOUTH AFRICA'S OCCUPATION OF NAMIBIA, AND ALL OF US SUBSCRIBE TO THE PROPOSITION THAT NAMIBIA SHOULD, AT THE EARLIEST POSSIBLE MOMENT, JOIN THE RANKS OF THE INDEPENDENT NATIONS OF THE WORLD. THERE ARE, HOWEVER, DIFFERENCES OF OPINION AS TO HOW THIS GOAL SHOULD BE REACHED. THE FIVE GOVERNMENTS OF THE CONTACT GROUP ARE CONVINCED THAT ONLY THROUGH A NEGOTIATED SETTLEMENT ACCEPTED BY THE PEOPLE OF NAMIBIA, THE GOVERNMENT OF SOUTH AFRICA, THE GOVERNMENTS OF THE FRONT LINE STATES THE ORGANIZATION OF AFRICAN UNITY, AND, ULTIMATELY, THE UNITED NATIONS CAN BRING THE INDEPENDENCE FOR NAMIBIA THAT WE ALL SO ARDENTLY DESIRE. AS AN ALTERNATIVE TO A NEGOTIATED SETTLEMENT, THE FIVE SEE ONLY AN OPEN-ENDED CONTINUATION OF A WAR WITH ALL THE SUFFERING THIS WOULD ENTAIL.

3. MR. PRESIDENT, AS I AM SURE YOU AND THE REPRESENTATIVES HERE ASSEMBLED KNOW, THE FOREIGN MINISTERS OF THE FIVE MET IN NEW YORK ON THE 24TH OF SEPTEMBER THIS YEAR AND DECIDED TO RELAUNCH THE NEGOTIATIONS ON NAMIBIA, WHICH HAD BEEN IN SUSPENSE SINCE THE BREAK-UP OF THE GENEVA CONFERENCE LAST JANUARY. OUR MINISTERS MADE THIS DECISION ON THE BASIS OF EXTENSIVE DISCUSSIONS THAT HAD BEEN UNDERWAY FOR SIX MONTHS BETWEEN THE FIVE AND, ON THE ONE HAND, THE FRONT LINE STATES AND SWAPO AND, ON THE OTHER, SOUTH AFRICA. THE PRESENT PROPOSAL OF THE CONTACT GROUP CALLS FOR THE COMPLETION OF THREE PHASES OF NEGOTIATION, WHICH WE HOPE WILL LEAD TO THE BEGINNING OF THE IMPLEMENTATION OF SECURITY COUNCIL RESOLUTION 435 IN 1982.

4. THE FIRST PHASE OF THIS EFFORT WILL BE FOR THE PARTIES CONCERNED TO COMMIT THEMSELVES TO A SET OF CONSTITUTIONAL PRINCIPLES DESIGNED TO BUILD THE CONFIDENCE OF THE PARTIES CONCERNED IN THE ELECTION PROCESS AND IN THE FUTURE OF AN INDEPENDENT NAMIBIA. REPRESENTATIVES OF THE CONTACT GROUP HAVE JUST COMPLETED A MISSION FOR THE PURPOSE OF PRESENTING THESE CONSTITUTIONAL PRINCIPLES AND DISCUSSING THEM WITH THE PARTIES CONCERNED. THE GROUP VISITED NIGERIA, ANGOLA, WHERE THEY MET WITH BOTH THE ANGOLAN GOVERNMENT AND SWAPO, SOUTH AFRICA WINDHOEK, WHERE THEY MET WITH THE INTERNAL NAMIBIAN PARTIES, AND HENCE TO THE CAPITALS OF BOTSWANA, ZIMBABWE, MOZAMBIQUE, ZAMBIA AND TANZANIA. A DELEGATION OF THE FIVE THEN TRAVELLED TO KENYA TO BRIEF PRESIDENT MOI, THE CURRENT CHAIRMAN OF THE OAU, ON THE MISSION. I WOULD STRESS, MR. PRESIDENT, THAT IN PRESENTING THESE CONSTITUTIONAL PRINCIPLES, THE CONTACT GROUP HAS NOT ATTEMPTED TO WRITE A CONSTITUTION FOR NAMIBIA. THAT IS THE TASK OF THE NAMIBIAN CONSTITUENT ASSEMBLY, WHICH, UNDER THE TERMS OF SECURITY COUNCIL RESOLUTION 435, WILL BE ELECTED FOR THAT PURPOSE. THE DOCUMENT THAT THE FIVE PRESENTED IN AFRICA SUGGESTS GUIDELINES FOR THE CONSTITUENT ASSEMBLY AND SETS FORTH CERTAIN BROAD PRINCIPLES TO BE EMBODIED IN THE CONSTITUTION.

5. IN THE SECOND PHASE, THE SPECIFIC ARRANGEMENTS FOR THE COMPOSITION AND OPERATION OF THE UNITED NATIONS TRANSITIONAL ASSISTANCE GROUP WILL HAVE TO BE AGREED UPON. WE INTEND ALSO TO MAKE SUGGEST

GROUP WILL HAVE TO BE AGREED UPON. WE INTEND ALSO TO MAKE SUGGESTIONS TO HELP ENSURE THAT THE TRANSITION WOULD BE CONDUCTED IN A MANNER IMPARTIAL AND FAIR TOWARDS ALL PARTIES.

6. THE THIRD PHASE OF THE PROCESS, MR. PRESIDENT, WOULD BEGIN WITH A PUBLIC COMMITMENT BY ALL OF THE PARTIES CONCERNED TO THE ESTABLISHMENT OF A DATE FOR THE BEGINNING OF THE IMPLEMENTATION OF 435.

7. WE ARE NOT YET ABLE, MR. PRESIDENT, TO REPORT ON THE REACTIONS OF THE PARTIES TO THE PROPOSALS OF THE CONTACT GROUP. WE CAN SAY, HOWEVER, THAT THE INITIAL RESPONSE WAS ENCOURAGING. THE FIVE ARE WELL AWARE THAT THERE ARE STILL DIFFICULT ISSUES LEFT TO RESOLVE, BUT WE ARE CONVINCED THAT WITH GOOD WILL ON ALL SIDES, WITH PATIENCE, FORBEARANCE, AND A SPIRIT OF CONSTRUCTIVE COMMITMENT, THERE IS EVERY REASON TO HOPE THAT THE NEGOTIATIONS CAN BE CARRIED THROUGH TO A SUCCESSFUL CONCLUSION.

8. ANOTHER APPROACH, AND ONE WHICH WE BELIEVE OFFERS NO CONTRIBUTION IN MOVING NAMIBIA CLOSER TO INDEPENDENCE, IS EMBODIED IN THE SIX PART RESOLUTION THAT HAS BEEN TABLED BY THE COUNCIL FOR NAMIBIA. THIS DOCUMENT IS VITUPERATIVE IN TONE, UNFAIR AND INACCURATE IN ITS ACCUSATIONS, WHOLLY UNREALISTIC IN ITS DEMANDS, AND UNHELPFUL IN THE SEARCH FOR A NEGOTIATED SETTLEMENT. FAR FROM SUPPORTING OR EVEN RECOGNIZING THE EFFORTS OF THE CONTACT GROUP TO ESTABLISH CONDITIONS WHICH WILL MAKE POSSIBLE THE IMPLEMENTATION OF RESOLUTION 435 IN 1982, THE COUNCIL DRAFT ONLY TAKES NOTICE OF THE PRESENT NEGOTIATIONS IN PARAGRAPH (A)(31) IN WHICH IT REJECTS WHAT IT CALLS THE "LATEST MANOEUVERS BY CERTAIN MEMBERS OF THE CONTACT GROUP" TO UNDERMINE 435. WE CAN ONLY VIEW THIS MISINTERPRETATION OF OUR EFFORTS AS ILL-INFORMED.

9. THIS DRAFT RESOLUTION WOULD HAVE THE GENERAL ASSEMBLY CONDEMN TWO OF THE CONTACT GROUP STATES FOR "COLLUSION" "WITH THE RACIST REGIME OF SOUTH AFRICA IN THE NUCLEAR FIELD" PARAGRAPH (A) (17) IN APPARENT IGNORANCE OF THE TRUE STATE OF AFFAIRS AS SET FORTH IN UN DOCUMENT A/35/402 OF THIS YEAR, ENTITLED "SOUTH AFRICA'S PLAN AND CAPABILITY IN THE NUCLEAR FIELD". I WOULD COMMEND TO THE AUTHORS OF THE DRAFT A CAREFUL STUDY OF THIS DOCUMENT.

10. IN ITS PARAGRAPHS CALLING FOR INCREASED FINANCIAL SUPPORT FOR SWAPO, THE COUNCIL'S RESOLUTION CAN ONLY RAISE FURTHER ACCUSATIONS AS TO THE ABILITY OF THE UNITED NATIONS TO ADMINISTER THE TRANSITION PROCESS IN AN IMPARTIAL MANNER.

11. THE DRAFT RESOLUTION CALLS FOR THE BREAKING OFF OF ALL CONTACT WITH SOUTH AFRICA, THE CONSEQUENCE OF WHICH WOULD BE THE END OF NEGOTIATIONS FOR THE IMPLEMENTATION OF SCR 435. HAVING THUS REJECTED THE PATH OF PEACEFUL NEGOTIATIONS THE RESOLUTION WOULD HAVE THE GENERAL ASSEMBLY SUPPORT "THE ARMED STRUGGLE OF THE NAMIBIAN PEOPLE" (A7) WHICH WE CONSIDER TO BE THE LEAST LIKELY AVENUE TOWARD NAMIBIAN INDEPENDENCE.

12. I WILL CONCLUDE BY SUMMING UP THE CONTACT GROUP'S CONSIDERED JUDGMENT THAT THIS RESOLUTION DOES NOT CONTRIBUTE TO THE NEGOTIATIONS NOW UNDER WAY AND MAY BE A HINDRANCE TO THE ACHIEVEMENT OF THE OBJECTIVE OF THOSE NEGOTIATIONS: THE INDEPENDENCE OF NAMIBIA. IN ORDER OURSELVES NOT TO COMPROMISE OUR ROLE AS NEGOTIATORS WE SHALL, AS IN THE PAST, ABSTAIN WHEN THIS RESOLUTION COMES TO A VOTE. WE SHOULD EMPHASISE THAT THIS ABSTENTION IS PURELY PROCEDURAL AND DOES NOT IMPLY ANY POSITION ON THE MERITS OF THE RESOLUTION.

13. IN ORDER TO HELP MAINTAIN THE ATMOSPHERE OF MUTUAL RESPECT NECESSARY TO THE CONDUCT OF THE CONTACT GROUP NEGOTIATIONS THE FIVE APPEAL TO ALL PARTIES, MR. PRESIDENT, TO REFRAIN FROM ALL ACTIONS WHICH COULD MAKE THE IMPLEMENTATION OF SCR 435 MORE DIFFICULT TO ACHIEVE.

PARSONS

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CONFIDENTIAL
DESKBY 180900Z
FM UKMIS NEW YORK 180120Z NOV 81
TO IMMEDIATE F C O
TELEGRAM NUMBER 1266 OF 17 NOVEMBER 1981
INFO IMMEDIATE WASHINGTON, BONN, PARIS, OTTAWA,
INFO PRIORITY CAPETOWN, PRETORIA.

YOUR TELNO 740: NAMIBIA UNGA DEBATE: ACTION BY THE FIVE.

1. AT A MEETING OF THE CONTACT GROUP TODAY (17 NOVEMBER), WE HAD ANOTHER ROUND ON THE DEMARCHE TO FRONT LINE STATES PROPOSED BY THE AMERICANS.
2. THE FRENCH SAID THAT PARIS (AUSSEUIL AND GUEGUINOU) CONSIDERED THAT IT WOULD BE "DANGEROUS" TO HAVE A DEMARCHE NOW: THE FRONT LINE STATES WERE AT PRESENT MEETING TO DISCUSS THEIR REPLY ON THE CONSTITUTIONAL PRINCIPLES. SUCH A DEMARCHE WOULD INTERFERE WITH THAT MEETING AND COULD CAUSE A DETERIORATION IN THE CONSTRUCTIVE ATMOSPHERE IN WHICH WE HOPED THE FLS WERE APPROACHING THE FIVE'S PROPOSALS. THE FLS HAD LITTLE POWER TO ALTER THE TEXT OF THE COUNCIL FOR NAMIBIA RESOLUTION, AND THE AFRICANS WOULD BE EMBARRASSED BY BEING ASKED, IF ONLY INDIRECTLY, TO DO SOMETHING OUTSIDE THEIR CAPACITY. THEY WOULD REGARD OUR DEMARCH AS OMINOUS. IF WE WERE TO MAKE A DEMARCHE TO THE FRONT LINE WE SHOULD ALSO MAKE ONE TO SOUTH AFRICA ASKING THEM TO REFRAIN FROM MILITARY ACTION IN ANGOLA AND FROM ANTI-UN PROPAGANDA. WE HAD TO APPROACH THE NEGOTIATIONS IN A BALANCED WAY AS WE NEEDED THE COOPERATION OF THE FRONT LINE STATES OR WE WOULD NOT HAVE INTERNATIONAL RECOGNITION OF THE SETTLEMENT. BUT, IF WASHINGTON COULD AGREE TO A JOINT ABSTENTION, PARIS WOULD RECONSIDER ITS POSITION ON THE DEMARCHE.
3. THE GERMANS ARGUED IN FAVOUR OF THE DEMARCHE: THE FRONT LINE SHOULD BE TOLD THAT THEY WERE MAKING IT HARD FOR THE FIVE, IN TERMS OF THE FIVE'S OWN PUBLIC AND PARLIAMENTARY OPINION, TO CARRY ON WITH THE NEGOTIATIONS. THE RESOLUTION WAS IN SUBSTANCE THE SAME AS IN PREVIOUS YEARS BUT THE RHETORIC WAS INFLATED. THE FRONT LINE SHOULD BE WARNED THAT AT SOME POINT RHETORIC DID HAVE AN EFFECT, AT LEAST IN THE FRG. THE GERMAN GOVERNMENT DID NOT HAVE UNLIMITED SUPPORT FOR CARRYING ON NEGOTIATION, PARTICULARLY IN THE FACE OF OFFENSIVE LANGUAGE FROM THE UN. THE US SUPPORTED THE FRG: THE FRONT LINE SHOULD REALISE THAT 16 YEARS OF RESOLUTIONS HAD NOT GOT ONE SOUTH AFRICAN OUT OF NAMIBIA. SOUTH AFRICA HAD THE BIGGEST CONCESSION OF ALL TO MAKE. THE USE OF VITUPERATIVE LANGUAGE BY OUR PARTNERS IN THE NEGOTIATIONS WAS DAMAGING NOT ONLY WITH CONGRESSIONAL OPINION BUT WITH SOUTH AFRICA. THE FLS RISKED THE DEFEAT OF THEIR OWN OBJECTIVE. THE UNITED STATES WAS READY TO TELL THEM SO UNILATERALLY.
4. AFTER THIS HEADY EXCHANGE OF "RHETORIC" BY THE FIVE, WE MADE THE POINTS IN YOUR TELEGRAM UNDER REFERENCE AND IN YOUR TELNO 1724 TO WASHINGTON. WE ADDED THAT IN OUR VIEW THE MOST IMPORTANT THING AT PRESENT WAS TO MAINTAIN THE SOLIDARITY OF THE FIVE: THIS APPLIED WITH EQUAL FORCE BOTH TO THE JOINT DEMARCHE AND TO OUR PUBLIC POSITION IN THE GENERAL ASSEMBLY. WE UNDERSTOOD THAT ONE OF THE ITEMS ON THE AGENDA OF THE FRONT LINE STATES MEETING WAS POSSIBLE DEFERRAL OF THE NAMIBIA DEBATE AND RESOLUTIONS. WE WERE IMPRESSED BY THE ARGUMENTS FROM PARIS THAT IT WOULD BE UNWISE TO INTERVENE IN THE COURSE OF THE FRONT LINE STATES MEETING ON THE CONSTITUTIONAL PRINCIPLES. WE SHOULD THEREFORE AIM TO MAKE THESE REPRESENTATIONS AFTER THE FRONT LINE STATES MEETING HAD ENDED, PERHAPS ON ABOUT 23 NOVEMBER. COINCIDENTALLY, THAT WOULD ALSO PROBABLY BE AFTER THE MAIN DEBATE HAD FINISHED BUT POSSIBLY BEFORE THE RESOLUTIONS WERE TABLED. THE FRENCH AGREED TO PUT THIS PROPOSAL TO PARIS.
5. IT WOULD BE HELPFUL IF YOU AND THE OTHER CAPITALS COULD DECIDE

5. IT WOULD BE HELPFUL IF YOU AND THE OTHER CAPITALS COULD DECIDE HOW WE WOULD VOTE ON THE RESOLUTIONS EVEN BEFORE THEY WERE TABLED. ALTHOUGH THERE IS A SLIGHT CHANCE, AND WE RATE IT NOT HIGHER THAN THAT (MY TELNO 1241), THAT THE RESOLUTIONS MAY NOT (NOT) BE TABLED AT ALL, THERE ARE RUMOURS THAT THE SECRETARIAT IS MAKING PROVISION FOR THEIR CONSIDERATION IN THE ACABQ AND THE FIFTH COMMITTEE BY THE END OF THIS WEEK. THEY COULD THUS BE INTRODUCED ON 23 NOVEMBER. ALL THE PARTNERS AGREED TO RECOMMEND AN EARLY DECISION FOR A JOINT ABSTENTION. (THIS AFFECTS NOT ONLY THE DEAL OVER THE DEMARCHE BUT ALSO THE TONE AND WORDING OF THE STATEMENT - SEE BELOW).

6. MIFT CONTAINS THE TEXT OF A DRAFT STATEMENT BY THE FIVE IN THE DEBATE. THIS WAS AGREED AD REFERENDUM TO CAPITALS TODAY. ALL (ALL) OUR PARTNERS WERE INSISTENT THAT IT SHOULD CONTAIN A TOUGH PASSAGE ON THE ACTIVITIES OF THE COUNCIL FOR NAMIBIA AND THE RESOLUTION. WE PUT FORWARD THE ARGUMENTS IN PARAGRAPH 3 OF YOUR TELEGRAM UNDER REFERENCE. THE PARTNERS HOWEVER ARGUED THAT THE QUESTION OF TABLING WAS IRRELEVANT. IF THE AFRICANS, FOLLOWING THE FRONT LINE STATE'S DECISION, DECIDED NOT TO INTRODUCE THE RESOLUTION, WE SHOULD KNOW IN TIME TO BE ABLE TO TAKE THIS PASSAGE OUT. IF THEY DID NOT, THEIR OWN PUBLIC AND PARLIAMENTARY OPINION (SEE ABOVE) WOULD REQUIRE THAT WE SHOULD NOT TAKE OFFENSIVE AND HOSTILE CRITICISM OF THE FIVE LYING DOWN.

PARSONS

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FOBO 023/18

RR BONN

GRS 320

CONFIDENTIAL

TO IMMEDIATE UKREP BRUSSELS

TELEGRAM NUMBER 927 OF 17 NOVEMBER.

INFO BONN, PARIS, THE HAGUE, UKMIS NEW YORK

INFO SAVING OTHER EC POSTS

YOUR TELNO 4281: NORTH/SOUTH AT THE EUROPEAN COUNCIL

1. WE SUGGEST A DRAFT TEXT FOR INCLUSION IN THE EUROPEAN COUNCIL CONCLUSIONS AS FOLLOWS:-

'THE EUROPEAN COUNCIL REAFFIRMED THEIR COMMITMENT TO PROMOTING CO-OPERATION WITH DEVELOPING COUNTRIES, TO THEIR MUTUAL BENEFIT, AND WITH THE AIM OF HELPING THESE COUNTRIES TO REALISE THEIR FULL POTENTIAL. THEY WELCOMED THE OUTCOME OF THE SUMMIT MEETING AT CANCUN IN THEIR OPINION, THIS HAS CONTRIBUTED TO A BETTER CLIMATE OF RELATIONS AND TO MORE OPEN AND CONSTRUCTIVE APPROACHES TO THE VERY SERIOUS PROBLEMS FACING DEVELOPING COUNTRIES. THEY UNDERTOOK THAT THE COMMUNITY WOULD WORK AT THE UNITED NATIONS FOR THE EARLY ACHIEVEMENT OF A CONSENSUS TO LAUNCH GLOBAL NEGOTIATIONS, ON A BASIS ACCEPTABLE TO ALL AND PROMISING GENUINE PROGRESS. THEY ENDORSED THE COMMUNITY'S DECISION TO GIVE ADDITIONAL FOOD AID THIS YEAR TO DEVELOPING COUNTRIES AND TO HELP THESE COUNTRIES WITH THE INTRODUCTION AND IMPLEMENTATION OF FOOD STRATEGIES'.

2. THIS IS A SHORTENED VERSION OF THE TEXT ATTACHED TO BAYNE'S MINUTE TO BRIDGES OF 6 NOVEMBER, COPIED TO POWELL. WE WOULD NOT OBJECT TO PUTTING BACK REFERENCES TO OTHER INTERNATIONAL MEETINGS AND TO THE REPORT ON NORTH/SOUTH MATTERS IN PREPARATION FOR THE DECEMBER COUNCIL, IF OTHERS WANT THIS. THE LAST SENTENCE IS INCLUDED TO MEET ANTICIPATED DEMANDS FROM THE ITALIANS.

3. WE WOULD PREFER NOT TO GO AS FAR AS THE LAST TWO SENTENCES OF THE DUTCH TEXT IN SETTING TIMETABLE OR PROCEDURES FOR THE GLOBAL NEGOTIATIONS. THIS SEEMS UNWISE WHEN THE PRESENT POSITION IS SO FLUID. OUR TEXT IS BASED ON THE CANCUN SUMMARY.

4. THE PROPOSED TEXT WOULD FORM PART OF THE CONCLUSIONS ONLY IF THE EUROPEAN COUNCIL ACTUALLY FOUND TIME TO DISCUSS NORTH/SOUTH MATTERS.

CARRINGTON

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GRS 200

UNCLASSIFIED

FM WARSAW 171230Z NOV

TO IMMEDIATE FCO

TELNO 795 OF 17TH NOVEMBER 1981

INFO PRIORITY PARIS: ROUTINE: UKREP BRUSSELS, BONN, WASHINGTON
AND ROME.

FCO TELNO 593:

POLISH FOREIGN MINISTER'S VISIT TO LONDON AND PARIS.

1. WE HAVE JUST LEARNED FROM THE MFA THAT MR CZYREK, ACCOMPANIED BY JEDYNAK AND HIS PRIVATE SECRETARY ANDRZEJ PIEGAT WILL BE LEAVING WARSAW FOR PARIS AT 18.00 HOURS ON THURSDAY 19 NOVEMBER AND TRAVELLING ON TO LONDON ON FRIDAY 20 NOVEMBER ON FLIGHT AF 808 ARRIVING AT 08.30 HOURS. THEY WILL STAY OVERNIGHT WITH THE POLISH AMBASSADOR AND RETURN TO WARSAW ON FLIGHT BA 690 AT 10.30 HOURS ON SATURDAY 21 NOVEMBER.

2. THE FRENCH AMBASSADOR TOLD ME THAT HE THOUGHT ONE PROPOSAL WHICH CZYREK MIGHT WISH TO MAKE IN LONDON WAS THAT FUTURE EC FOOD EXPORTS TO POLAND, WHICH THE POLES WISHED TO CONTINUE RECEIVING THROUGHOUT 1982, SHOULD BE PAID FOR IN ZLOTIES. THE US ADMINISTRATION HAVE ALREADY AGREED ON THESE TERMS FOR SUPPLIES OF US DAIRY PRODUCTS AND WE KNOW THAT THE POLES HAVE ALSO MADE A SIMILAR REQUEST TO THE CANADIANS.

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FOBO 021/18

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GRS 470

CONFIDENTIAL

FM FCO 171420Z NOVEMBER 81

TO PRIORITY NEW DELHI

TELEGRAM NUMBER 771 OF 17 NOV

INFO ATHENS, BONN, BRUSSELS, COPENHAGEN, DUBLIN,
THE HAGUE, LUXEMBOURG, PARIS, ROME, UKREP BRUSSELS
VISIT OF INDIAN MINISTER OF EXTERNAL AFFAIRS
FROM SAD

1. COLES GAVE A COMMUNITY BRIEFING ON 16 NOVEMBER. HE SAID THAT MR NARASIMHA RAO HAD PAID HIS FIRST OFFICIAL VISIT TO THE UK FROM 8-12 NOVEMBER, IN RESPONSE TO AN INVITATION FIRST ISSUED EARLY IN 1980. HE HAD HAD TWO SESSIONS OF TALKS WITH THE SECRETARY OF STATE, HAD CALLED ON THE PRIME MINISTER AND HOME SECRETARY, AND HAD MET THE CHAIRMAN OF THE FESTIVAL OF INDIA TRUST. RAO SEEMED FULLY RECOVERED FROM HIS RECENT ILLNESS. THE ATMOSPHERE HAD BEEN RELAXED AND FRIENDLY.
2. IT HAD BEEN AGREED THAT THERE WERE NO IMPORTANT BILATERAL PROBLEMS. THERE HAD BEEN A HELPFUL DISCUSSION OF IMMIGRATION AND RACE RELATIONS QUESTIONS WITH THE HOME SECRETARY. WE HAD EXPRESSED PLEASURE AT THE AWARD OF THE CONTRACT FOR THE COASTAL STEEL PLANT, AND THERE HAD BEEN DISCUSSION OF THE PLANNING FOR THE 1982 FESTIVAL OF INDIA.
3. ON REGIONAL QUESTIONS, RAO HAD SAID THAT THE SALE OF F16 AIRCRAFT TO PAKISTAN INTRODUCED AN UNNECESSARY LEVEL OF ARMS SOPHISTICATION INTO THE SUB-CONTINENT. THERE HAD BEEN A CONSIDERABLE DETERIORATION IN RELATIONS WITH PAKISTAN SINCE HIS VISIT TO ISLAMABAD IN JUNE, AND IT WAS UNLIKELY THAT THERE WOULD BE A RETURN VISIT IN PRESENT CIRCUMSTANCES. RAO HAD ACCURATELY PREDICTED THAT SATTAR WOULD WIN THE BANGLADESH PRESIDENTIAL ELECTION. HE HAD SAID THAT IT WAS DESIRABLE THAT THE AWAMI LEAGUE SHOULD PUT UP A REASONABLE PERFORMANCE, AND THAT THE ARMY WOULD BE IMPORTANT SUBSEQUENTLY IN ENSURING A STABLE REGIME.
4. ON INTERNATIONAL QUESTIONS, THE SECRETARY OF STATE HAD GIVEN, AT RAO'S REQUEST, AN ACCOUNT OF OUR MIDDLE EAST POLICIES, AND HAD EXPLAINED IN GENERAL TERMS THE POSITION ON THE SINAI FORCE. RAO HAD STRESSED THAT HE WANTED TO KEEP IN TOUCH WITH US ABOUT THE MIDDLE EAST SINCE EVENTS THERE HAD AN EFFECT ON THE SUB-CONTINENT. HE HAD IMPLIED THAT INDIAN INFLUENCE COULD BE USEFUL TO THE TEN IN THE FUTURE. THE PRESIDENCY WOULD BE LOOKING FOR OPPORTUNITIES TO KEEP THE INDIANS INFORMED ON IMPORTANT DEVELOPMENTS.
5. THERE HAD ALSO BEEN DISCUSSION OF NAMIBIA, POLAND AND CANCUN.
6. ON AFGHANISTAN, IT WAS AGREED THAT THERE WAS LITTLE PROSPECT OF EARLY CHANGE IN THE SITUATION. LORD CARRINGTON HAD SAID THAT WHILE THE MATTER WAS UNRESOLVED, IT WAS DIFFICULT TO BUILD UP SUFFICIENT TRUST FOR ANY MAJOR IMPROVEMENT IN EAST/WEST RELATIONS. RAO HAD SAID THAT THE SOVIET UNION HAD PAID A HEAVY PRICE FOR INTERVENTION IN TERMS OF INTERNATIONAL OPINION. HE BELIEVED THAT THE RUSSIANS, WHATEVER THEY MAY HAVE SAID, HAD NOT ENTIRELY REJECTED THE PROPOSAL OF THE TEN. IT SHOULD REMAIN ON THE TABLE AND MIGHT EVOKE A MORE POSITIVE SOVIET RESPONSE IF IT WERE REVIVED AT A LATER STAGE.

CARRINGTON

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FOBO 020/18

RR BONN
RR BMG BERLIN
GRS 210
CONFIDENTIAL

FM FCO 171530Z NOV 81

TO ROUTINE BONN

TELEGRAM NUMBER 501 OF 17 NOV

INFO BMG BERLIN, WASHINGTON, PARIS, MOSCOW

OUR TELNO 424: LOT HIJACKING

1. SOVIET MINISTER CALLED ON FERGUSSON ON 16 NOVEMBER AND GAVE AN ORAL REPLY ON PREDICTABLE LINES TO THE ALLIED PROTEST. IT WAS DIRECTED MAINLY AGAINST THE US, THE CHIEF POINT BEING THAT THE US WERE ENCOURAGING HIJACKING TO WEST BERLIN BY NOT UNDERTAKING EFFECTIVE PREVENTIVE MEASURES, MORE SPECIFICALLY BY NOT EXTRADITING HIJACKERS/ KELINE ALSO REFERRED TO THE 'ILLEGAL' HANDING OVER OF THE HIJACKERS TO THE WEST BERLIN AUTHORITIES. HE CONCLUDED BY EXPRESSING THE SOVIET INTENTION TO AVOID FRICTION AND THEIR EXPECTATION THAT THE THREE WESTERN GOVERNMENTS WOULD ACT SIMILARLY. HE DID NOT ATTEMPT TO JUSTIFY THE SOVIET AIR ACTIVITY OF 18 SEPTEMBER.

2. FERGUSSON MADE IT CLEAR THAT WE COULD NOT AGREE THAT THE LEGAL PROCEDURE FOLLOWED WAS INCORRECT, AND EMPHASISED THAT THE ESSENCE OF THE MATTER WAS THAT SOVIET AIR ACTIVITY HAD ENDANGERED SECURITY AND BEEN UNACCEPTABLE: A REPETITION COULD NOT ONLY LEAD TO HUMAN TRAGEDY BUT ALSO HAVE WIDER CONSEQUENCES. HE ADDED THAT ALTHOUGH IT WAS FOR THE US TO REPLY TO THOSE POINTS SPECIFICALLY DIRECTED AT THEM, THE POSITION OF THE THREE WESTERN ALLIES WAS IDENTICAL.

CARRINGTON

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FOBO 025/18

RR BONN

GRS 290

CONFIDENTIAL

DESKBY 171800Z (UKMIS NEW YORK ONLY)

FM PRETORIA 170745Z NOV 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 345 OF 17 NOVEMBER 1981.

INFO IMMEDIATE UKMIS NEW YORK.

INFO PRIORITY ATHENS, COPENHAGEN, DUBLIN AND THE HAGUE.

INFO ROUTINE WASHINGTON, PARIS, BONN, OTTAWA AND CAPE TOWN EMBASSY.

MY TELEGRAM NO 344 (NOT TO ALL): CALL ON PIK BOTHA.

NAMIBIA

1. I TOOK THE OPPORTUNITY TO SAY A FEW WORDS TO PIK BOTHA ABOUT THE GENERAL ASSEMBLY DEBATE ON 19/20 NOVEMBER. I SAID THAT WE DID NOT KNOW WHETHER DRAFT RESOLUTIONS WOULD BE VOTED ON OR EVEN PUT FORWARD AT ALL, BUT IT WAS QUITE LIKELY THAT THEY WOULD NOT BE. WE HAD ALREADY BEEN IN CONSULTATION WITH THE AMERICANS AND THE OTHERS OF THE FIVE ON HOW BEST TO PLAY DOWN THE IMPORTANCE OF ANY RESOLUTIONS THAT MIGHT BE PUT FORWARD. WE ALL FELT THAT THE DEBATE WAS COMING AT AN INOPPORTUNE TIME AND WANTED TO ACT TOGETHER TO DEMONSTRATE OUR UNITY OF PURPOSE. I COULD ALSO TELL HIM THAT IN OUR E.C. PRESIDENCY CAPACITY WE WERE KEEN TO KEEP THE RHETORIC TO A MINIMUM.
2. ALTHOUGH THE WORD ABSTENTION HAD NOT PASSED MY LIPS, PIK ACCEPTED WHAT I SAID WITH NOT VERY GOOD GRACE. "I SHOULD HOPE SO TOO" BEST SUMS UP HIS ATTITUDE. INDEED HE WENT SO FAR AS TO SAY THAT IF EVEN NOW THE U.N. COULD NOT BEHAVE PROPERLY, WE HAD BETTER ALL GIVE UP THE IDEA OF TRYING TO NEGOTIATE AN AGREEMENT AND "LET MATTERS TAKE THEIR COURSE". I COULD SEE THE SIGNS AND CHANGED THE SUBJECT. BUT HIS REACTION INDICATES WHAT WE SHALL BE UP AGAINST HERE, PARTICULARLY IF THE AMERICANS LEAVE US IN THE LURCH.
3. I SHALL TELEGRAPH MY REACTIONS TO THE TEXT OF UKMIS NEW YORK TELEGRAM NO 1251 SEPARATELY.
4. I SHOULD ALSO RECORD THAT WHEN I SAW PIK BOTHA I DREW HIS ATTENTION TO YOUR REMARKS ON NAMIBIA IN THE HOUSE OF LORDS ON 10 NOVEMBER. HE READ THE TEXT ATTENTIVELY, BUT DID NOT COMMENT.

LEAHY

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FOBO 024/18

RR BONN

GR 120

UNCLASSIFIED

FM ADDIS ABABA 171330Z NOV 81

TO ROUTINE FCO

TELEGRAM NUMBER 188 O 17 NOV 1981

INFO ROUTINE TRIPOLI UKDEL NATO CAIRO KHARTOUM MOGADISHU WASHINGTON
BONN PARIS

MY TEL NOS 186 AND 187:

BRIGHT STAR:

1. TODAY'S ETHIOPIAN HERALD RESUMES THE CAMPAIGN, LEADING WITH A REPORT OF THE MEETING OF THE THREE FOREIGN MINISTERS AND OF A DIPLOMATIC NOTE TO MR HAIG REFERRING TO US PROVOCATION AND AGGRESSIVE POLICIES AND UNFRIENDLY AND HOSTILE ACTS AND WARNING THAT "ETHIOPIA WILL BE LEFT WITH NO OTHER ALTERNATIVE BUT TO RE-EXAMINE THE PREMISES OF ITS ENTIRE POLICY TOWARDS THE USA". THE LEADER (AGAIN LINKING THE US AND NATO) INTER ALIA REPEATS THE ACCUSATION OF "SUPPLYING ARMS TO A NUMBER OF COUNTRIES IN NORTH AFRICA" WHICH IS PRESUMABLY ALSO A MAINLY LIBYAN CONTRIBUTION
2. TEXT OF NOTE TO THE SUDANESE CHARGE FOLLOWS BY TODAY'S BAG, COPY TO KHARTOUM, CAIRO AND TRIPOLI.

TESH

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FOBO 013/18

RR BONN

UGRS 99

CONFIDENTIAL

FM FCO 171515Z NOV 81

TO PRIORITY ADDIS ABABA

TELEGRAM NUMBER 161 OF 17 NOV

AND TO PRIORITY UKDEL NATO

INFO ROUTINE TRIPOLI, CAIRO, KHARTOUM, MOGADISHU, WASHINGTON,
BONN, PARIS

YOUR TEL NO 185: EXERCISE BRIGHT STAR

1. SUBJECT TO UKDEL NATO'S VIEWS, WE AGREE THAT YOU SHOULD NOT
MAKE FORMAL REPRESENTATIONS TO THE ETHIOPIANS ABOUT ALLEGATIONS
THAT EXERCISE BRIGHT STAR IS QUOTE NATO SPONSORED UNQUOTE.

2. YOU SHOULD HOWEVER ACT AS YOU SUGGEST IN PARA 3 OF YOUR TUR
AND MAKE THE POINT INFORMALLY TO THE ETHIOPIANS, STRESSING THAT
THE EXERCISE IS TAKING PLACE OUTSIDE THE NATO AREA.

CARRINGTON

NNNN

CONFIDENTIAL
DESKBY 180800Z
FM UKDEL STRASBOURG 172110Z NOV 81

TO IMMEDIATE FCO
TELEGRAM NUMBER 91 OF 17 NOVEMBER
RFI ROUTINE ATHENS BONN UKREP BRUSSELS COPENHAGEN DUBLIN
LUXEMBOURG PARIS ROME THE HAGUE WASHINGTON UKMIS NEW YORK
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FOLLOWING FROM UKREP BRUSSELS
FOREIGN AFFAIRS COUNCIL, BRUSSELS 17 NOVEMBER

TURKEY: FOURTH FINANCIAL PROTOCOL

SUMMARY

1. MINISTERS AGREED AT LUNCH THAT FOR THE TIME BEING THE COMMISSION SHOULD TAKE NO ACTION ON THE FOURTH FINANCIAL PROTOCOL. THE AIM WOULD BE TO PUT GENTLE PRESSURE ON THE TURKS TO SPEED UP THE ANNOUNCEMENT OF THE DATE FOR ELECTION. PUBLIC STATEMENTS SHOULD HOWEVER SAY NO MORE THAN THAT THE COMMISSION WOULD OBSERVE ITS DEVELOPMENTS AND CHOOSE AN APPROPRIATE MOMENT TO PUT FORWARD THE PROPOSAL. THERE WAS THEREFORE NO NEED TO CONSIDER ACTION ON THE EUROPEAN PARLIAMENT BUDGET COMMITTEE'S DECISION ON THE FUNDS FOR THE PROTOCOL.

DETAIL

2. GENSCHER (FRG) SAID THAT EVREN HAD MADE AN EXCELLENT IMPRESSION AND CLEARLY INTENDED A RETURN TO DEMOCRACY. HE THOUGHT THAT HIS (GENSCHER'S) PLEAS HAD BEEN INFLUENTIAL IN THE FACT THAT ECEVIT HAD NOT BEEN PUT IN PRISON. IN THE FRG DECISIONS ON FUNDS FOR TURKEY IN 1982 HAD BEEN POSTPONED UNTIL FEBRUARY 1982. HE HAD TOLD THE TURKS THAT HE HOPED THEY WOULD BE ABLE TO ANNOUNCE A DATE FOR ELECTIONS BEFORE HE SPOKE TO THE BUNDESTAG ON THIS QUESTION IN FEBRUARY. IT WOULD BE USEFUL IF COMMUNITY ACTION COULD BE PARALLEL TO THAT OF THE FRG GOVERNMENT. PRESSURE SHOULD HOWEVER REMAIN GENTLE AND NOT IN PUBLIC. IT WAS IMPORTANT NOT TO ISOLATE THE TURKS AND HE ENCOURAGED COLLEAGUES TO VISIT ANKARA.

3. HAFERKAMP EXPLAINED THE CURRENT POSITION ON THE FINANCIAL PROTOCOL AND SAID THAT A DELAY IN A DECISION BY THE COUNCIL WOULD HAVE PSYCHOLOGICAL OR POLITICAL BUT NOT (REPEAT NOT) PRACTICAL EFFECTS SINCE THERE WERE STILL MANY PROJECTS CONTINUING UNDER THE THIRD PROTOCOL. THE COMMISSION ALSO WANTED TO SEE WHAT WOULD HAPPEN IN THE DISCUSSIONS ON THE CONSTITUTION AND WITH RESPECT TO MR ECEVIT. YOU QUESTIONED WHETHER SUCH PRESSURE ON THE TURKS MIGHT BE COUNTER-PRODUCTIVE. GENSCHER, CHEYSSON AND OTHERS HOWEVER THOUGHT THAT PROVIDED PUBLIC STATEMENTS WERE CAREFULLY WORDED IT WOULD DO NO HARM FOR THE TURKS TO KNOW THAT THEIR ACTIONS WERE CAREFULLY OBSERVED IN EUROPE.

4. HARALAMBOPOLOUS ASKED WHAT KIND OF ELECTIONS THE TURKS WOULD HOLD EVENTUALLY AND WHEN THEY WOULD BE. GENSCHER SAID HE WAS CONVINCED BOTH FROM HIS TALKS IN TURKEY AND FROM THE RECORD OF THE MILITARY THERE THAT THEY WERE AIMING FOR A PLURALISTIC PARTY SYSTEM. SOME IN TURKEY HAD SUGGESTED THAT ELECTIONS WOULD BE IN TWO YEARS' TIME BUT THIS WAS UNACCEPTABLE. THEY SHOULD BE HELD IN 1982.

FCO PSE PASS ALL

CAPE

NNNN

CCN PARA TWO LINK BETWEEN LAST TWO LINES SHOULD READ QUOTE
...NOT TO ISOLATE THE TURKS.....

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ANGLO-GERMAN SUMMIT
18 NOVEMBER 1981

—
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PMVR(81) 1-13: this
set destroyed.
Master set held in
CAB 133/498
K Ponman
22/2/11

1. STEERING BRIEF
Brief by Foreign and Commonwealth Office
2. EUROPEAN COMMUNITY QUESTIONS
 - a. Steering Brief on the European Community
Brief by Foreign and Commonwealth Office
 - b. 30th May Mandate - other than CAP
Brief by Foreign and Commonwealth Office
 - c. 30th May Mandate - CAP
Brief by Ministry of Agriculture, Fisheries and Food
 - d. Common Fisheries Policy
Brief by Ministry of Agriculture, Fisheries and Food
 - e. Enlargement of the Community
Brief by Foreign and Commonwealth Office
 - f. EMS
Brief by HM Treasury
 - g. Internal Market of the Community
Brief by Department of Trade
 - h. Community Steel Policy
Brief by Department of Industry
 - i. European Union
Brief by Foreign and Commonwealth Office
 - j. French Policy in Europe
Brief by Foreign and Commonwealth Office
 - k. Greece after the 18th October Election
Brief by the Foreign and Commonwealth Office
 - l. External Trade Issues
Brief by Department of Trade
 - m. EC/Turkey
Brief by Department of Employment

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3. EAST-WEST RELATIONS
Brief by Foreign and Commonwealth Office

4. THE EUROPEAN/UNITED STATES RELATIONSHIP
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5. DEFENCE MATTERS
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 - * d. Iran/Iraq
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 - * k. UNLOSC
Brief by Foreign and Commonwealth Office
 - * l. Follow up to Ottawa Declaration on Hi-jacking
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8. RELATIONS WITH DEVELOPING COUNTRIES
Brief by Foreign and Commonwealth Office
9. INTERNATIONAL ECONOMIC AND MONETARY QUESTIONS
Brief by HM Treasury
10. OECD - SECRETARY GENERAL
Brief by Foreign and Commonwealth Office
11. UNITED KINGDOM/FRG BILATERAL RELATIONS
Brief by Foreign and Commonwealth Office
- *12. FRG SCENE
 - a. Political
Brief by Foreign and Commonwealth Office
 - b. Economic
Brief by HM Treasury
13. NATIONAL ECONOMIC MANAGEMENT IN THE UNITED KINGDOM
Brief by HM Treasury

* Background briefs

Cabinet Office

12 November 1981



✓ CC
✓ HOOBA
CAW
B.I.
D.C.
✓ p.a.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 17 November 1981

Michael Scholar Esq
Private Secretary
No.10 Downing Street
LONDON SW1

Dear Michael,

... En route to Brussels this morning the Chancellor saw the attached Treasury brief prepared for his use at his meeting with Herr Matthofer tomorrow morning.

He found it rather helpful and it occurred to him that the Prime Minister too might like to see it as a Supplement to PMVQ(81)2(b).

I am copying this letter to Francis Richards at the Foreign and Commonwealth Office and David Wright in the Cabinet Office.

Yours,

Jill

JILL RUTTER
Private Secretary

COMMUNITY BUDGET PROBLEM

BRIEF FOR CHANCELLOR AT TALKS IN BONN ON 18 NOVEMBER

1. This brief supplements the brief already circulated in the Cabinet Office series (PMVQ(81)2(b)).

Background

2. We have given the Germans a paper outlining a new scheme for correcting net contributions (copy attached). German reactions thus far have been characteristically schizophrenic. The Finance Ministry and others in Bonn seem to like the principles of our scheme, though the Foreign Ministry would prefer to acquiesce in the Commission scheme and are pressing the Commission to make a small gesture in their direction. No-one in Bonn professes to be able to swallow the idea of a zero net contribution by the UK (even though we know that Schmidt pointed out recently at a private meeting that there was no reason why the UK should be a net contributor at all). The government in Bonn are concerned that Germany should not be the only net contributor.

Objectives

3. Against this background, our objectives should be:
- (i) to convey to the Germans a suitably robust signal as to our requirements from the negotiation (as suggested in your recent minute to the Prime Minister);
 - (ii) to seek their considered reactions to the corrective scheme which we sent them; and
 - (iii) to find out how the Germans would react publicly to the scheme if we put it forward for consideration by the Community (e.g. at Thursday's Foreign Affairs Council).

As noted in the main brief, it will also be necessary to sound out the Germans about the shape of possible conclusions from the European Council. The Foreign Ministers will doubtless be concentrating on this issue.

Speaking notes

4. You may like to question Herr Matthöfer along the following lines:

- (1) We have sent the German Government a paper explaining our latest ideas for solving the Community Budget problem. These ideas are very similar to those which representatives of the German Government have expressed on numerous occasions. What do the German Government think about them?
- (2) [If Matthöfer expresses reservations about the principles]

Surely our ideas are very close indeed to what Herr Schmidt and others have been saying for months? (See quote in Annex).
- (3) We are thinking of putting forward our latest ideas for consideration in Brussels in the near future. What would the German Government's reactions be? Would they support /support in part/express close interest/express interest?
- (4) [If Matthöfer says that the scheme gives too much to the UK]

We understand the German Government's desire not to be the sole net contributor and their belief that other more prosperous member states should be expected to contribute in like manner. But the UK is one of the less prosperous member states. Do the Germans really think that the UK should be a net contributor given that we are less prosperous? If so, why?
- (5) [If he refers to political realities]

The most important political reality is surely the need to create and reinforce support for the Community among the peoples of all our countries. We see a fair solution to the UK's problem as a political necessity for the UK and in the long term interests of Europe as a whole.

The problem is not just that we need the public expenditure and balance of payments savings. Even more important is the point that the Community's budgetary arrangements will be seen as inequitable in British politics so long as we remain less prosperous than the average and yet a significant net contributor. The deeply troublesome division of opinion on the Community inside the UK is bound to persist so long as the impression remains that the other member states are profiting unfairly at our expense.

- (6) For Matthöfer's own ear, we would not necessarily rule out at the end of the day making a small contribution to administrative expenses. But the suggestion recently put to us by certain German officials - that the UK's net contribution for 1982 should be 860 million ecus, i.e. substantially less generous than the amount implied by the principles of the 30 May settlement for 1980 and 1981 - is totally out of the question.

- (7) [If Matthöfer should suggest that the German Government will throw its weight behind the Commission scheme]

Will the Commission scheme really meet the German Government's anxieties about the open-ended nature of their financial commitment to the Community - especially after enlargement? Would it really solve the political problems, both present and potential, about public support for the Community in the net contributor countries?

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Defensive points

i. Unhelpful to publish scheme now

5. We do not see it that way. We would present the scheme as a constructive contribution to the debate inside the Community, which draws on the good points of other suggestions. Given the doubts many of us have about the Commission's proposal, there is a real need for a genuine alternative.

ii. Wrong to exempt Italians, Irish and Greeks from contributing to corrective payments

6. We are naturally open to suggestions about this or any point that the Germans may care to raise. Rather difficult, however, to justify contributions by the Italians and Greeks in terms of our scheme's underlying philosophy. Limits formula based on relative prosperity does not support the view that the Italians and Greeks are doing 'too well' from the Budget at present. The Irish are alone among less-prosperous countries in doing 'too well'.

iii. Adjustment needed to UK refunds for 1980 and 1981, given lower net contributions figures

7. We can see no legal basis for adjusting the agreed amounts of refund downwards. We did in fact argue in the 1979-80 negotiations for a fixed net contribution. But other member states insisted on a fixed refund. The decision says what it says and the UK Government obviously cannot agree to reopen a settlement that represented such a delicate compromise in a way materially unfavourable to the UK.

iv. Roll forward 30 May arrangements to 1982?

8. In both our interests to avoid this if possible. Better to apply whatever new arrangements are agreed. Trouble with 30 May 1980 arrangements, as conceived on 30 May 1980, is that Germany pays too much and the UK receives too little.

EXTRACT FROM CHANCELLOR SCHMIDT'S STATEMENT TO THE
BUNDESTAG ON 2 APRIL

"I announced in Maastricht that ... the Federal Republic of Germany will demand that our net contributor position in the European Community will be just as limited as that of England. France has associated itself with this step of mine ... There are three states which make net contributions: Germany, France and England: all the other states are recipients ... I consider it absolutely necessary that a country like Ireland or like Italy should be a recipient ... but others do not have to be net recipients ... [they] have just as high, or almost as high, a standard of living as we have."

Ref. A06004

MR. ALEXANDER

I have set out below a list of those due to attend the Prime Minister's briefing meeting for the Anglo-German Summit at 4.30 pm this afternoon.

Secretary of State for Defence

Minister of Agriculture, Fisheries and Food

Secretary of State for Industry

Sir Michael Palliser)

Lord Bridges) FCO

Mr. E. A. J. Fergusson)

Sir Kenneth Couzens, Treasury

Sir Frank Cooper, MOD

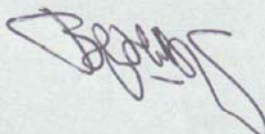
Sir Brian Hayes, MAFF

Mr. J. Gill, Department of Industry

Mr. S. Abramson, Department of Trade

Sir Robert Armstrong)

Mr. M. D. M. Franklin) Cabinet Office



B.G. HILTON

17th November, 1981



Foreign and Commonwealth Office

London SW1A 2AH

17 November 1981

*Dear Michael,*Anglo-German Summit: Arms sales to Yugoslavia

Last minute developments make it necessary to provide additional briefing on arms sales to Yugoslavia.

As part of our efforts, coordinated secretly with the US, France and Germany, to strengthen Yugoslavia's defence and provide political support, we have for some time been trying to respond to their interest in the RB 199 aero engine. This has however been frustrated by the Germans' very restrictive security regulations. These are now under review. But this will take time and there is a continuing need to provide the Yugoslavs with positive gestures of reassurance.

At a meeting on 16 November of military planning officers operating under the quadripartite umbrella, General Tandecki, the German representative, suggested that the Prime Minister, Lord Carrington and Mr Nott might raise this subject with their German opposite numbers during the Anglo-German Summit. They might urge that in the interests of speed German consideration of arms sales to Yugoslavia should be divorced from the current review of German arms sales policy worldwide. There has not been time to consult FCO Ministers before passing this suggestion on to you for inclusion in the Prime Minister's briefing; but on the face of it this seems a promising approach, and we enclose a speaking note in case the Prime Minister wishes to pursue this with Chancellor Schmidt. In view of the extreme sensitivity of the subject the Prime Minister may think that discussion should be restricted to *tete-à-tete* meetings without officials. We shall be arranging for copies of the brief to be passed to Lord Carrington and to Julian Bullard in Bonn; Julian Bullard is also being told by telegram of Tandecki's approach.

We understand from Tandecki (whose remarks on this whole subject should of course be protected) that Herr Apel is inclined to share our wish to release the RB 199 to the Yugoslavs but that the Chancellor and Herr Genscher have still to be brought round.

I am copying this letter to the Ministry of Defence.

Yours ever,
(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing St

S E C R E T

POINTS TO MAKE

1. We believe that the Germans share our assessment of the need for the West to demonstrate the importance we attach to relations with Yugoslavia and our support for Yugoslavia's independence, particularly during the present period of economic difficulty and uncertainty, since Tito's death.
2. In our view defence cooperation can play an important part in this. In general this is going well; but the Yugoslavs have emphasised the particular importance they attach to a positive decision over supplying the RB 199.
3. Our military authorities are satisfied that what is proposed will not entail significant security risk. The Italians are of the same view. All we have in mind now is to release sufficient information for marketing purposes. Delivery of prototype engines would not take place until 1986/87 and the main delivery of engines would begin only in 1990, by which date the technology will be less sensitive.
4. Aware that you are reviewing [redacted] your worldwide guidelines for defence sales. But Yugoslavia is a special case, and we attach particular importance to demonstrating Western support. Could you give RB 199 separate consideration now?

[redacted]
17 November 1981

S E C R E T

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Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

You have given broad approval to
an earlier + rather longer version
of this text. I should be grateful to
have your formal agreement that we can now
go ahead + finalise this text. It seems pretty
handless to me. Agree?

16 November 1981

Dear Michael,

Richd 16/11

Anglo-German Summit: Instruments of Anglo-German Relations

In your letter of 11 November you informed us that the Prime Minister was content that a press release along the lines of that enclosed with my letter of 9 November should be issued on the occasion of her visit to Bonn.

Since then we have agreed a somewhat shortened text with the Germans. Subject to the necessary opportunity for final discussion of this text at senior official level in the margins of the Summit, to tidy up any stylistic, editorial or other points, may we assume that we can now go ahead with the practical arrangements for issuing the release?

Yours ever,

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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ANGLO-GERMAN SUMMIT: 18 NOVEMBER

PRESS RELEASE

1. On the occasion of the 10th in the series of regular Anglo-German consultations at Head of Government level, which have reaffirmed the broad agreement of both countries on all important issues, the Chancellor of the Federal Republic of Germany and the Prime Minister of the United Kingdom paid tribute to the large number of links which have grown up between the German and British peoples and which support and complement the close and trusting cooperation of the two governments. They welcomed the multiplicity of contacts which have developed, particularly since Britain's accession to the European Community, and which are also an expression of the will of the German and British peoples, together with their Allies to defend their common external security and common values.

2. The two Heads of Government noted that bilateral relations are interwoven in the closest and most varied fashion, with those arising from the two countries' membership of the European Community and their participation in European Political Cooperation. They welcomed the fact that the range and intensity of contacts was greater

/than

than at any other stage in the history of the two countries, partly as a result of activities within the European framework.

3. The Federal Chancellor and the Prime Minister recalled that their two countries are also closely linked within the Atlantic Alliance to which they make a crucial contribution. In this context, the Federal Chancellor paid tribute to the indispensable rôle of the British Forces in the Federal Republic of Germany. The two Heads of Government underlined the Alliance's demand for a stable military balance which should be achieved and stabilised at the lowest possible level.

4. The two Heads of Government stressed the particular importance for Anglo-German relations of the contributions made by the following Anglo-German organisations:

- the Anglo-German Society with its annual Koenigswinter Conferences;
- the Anglo-German Association;
- the regular meetings of groups of Parliamentarians from both countries.

They also commended the contribution made by the International Conference Centre Wilton Park, which began as an Anglo-German initiative and developed into an international meeting place.

5. The Federal Chancellor and the Prime Minister paid tribute to the bilateral partnerships and exchange programmes, in particular to:

- the more than 300 town-twinning arrangements;
- scientific and academic exchanges;
- Anglo-German youth exchanges, and
- Anglo-German exchanges of public servants.

6. In the economic and social sectors they welcomed the work of the German Chamber of Commerce and Industry in London, the British-German Trade Council in Cologne and the Anglo-German Foundation for the Study of Industrial Society which was set up in 1973 on the initiative of the late Federal President Heinemann and which will become an increasingly important forum for social and economic contacts.

7. The Heads of Government paid tribute to the work of the Goethe Institut in Great Britain and the British Council in the Federal Republic of Germany. They emphasised the need further to promote the learning of each country's language by the people of the other and welcomed all efforts to this end.

8. The two Heads of Government stressed the importance they attached to the rôle of the press, radio and television in conveying to the people of both countries a comprehensive

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picture of their respective partner. They paid tribute to the existing close cooperation between the media.

9. The Federal Chancellor and the Prime Minister drew attention to the following possibilities for improving and expanding bilateral relations:

- increased involvement of the younger generation in all Anglo-German meetings and an even broader spread of existing contacts and exchanges for apprentices, trainees, young Trade Unionists, industrial and professional associations and similar groups;
- an increase in cooperation in the information sector, above all in the field of television;
- concentration of the work of the Anglo-German Foundation on activities designed to bring together opinion moulders on both sides and to increase the Foundation's impact on public opinion.

10. The two Heads of Government agreed that the further development of Anglo-German relations and the regular coordination of the European and international positions of their two countries would not only serve the citizens of their two countries but also the cause of European unity and common security within the Alliance. They instructed their

/officials

officials to keep the bilateral relationship under review with the aim of reinforcing the links that already exist and of developing others where necessary, and to make a progress report to the two Heads of Government at a future Summit meeting.

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[*From Bureau*]
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TO IMMEDIATE FCO

TELEGRAM NUMBER ⁹¹³~~912~~ OF 16 NOVEMBER

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MIPT: ANGLO-GERMAN SUMMIT: MANDATE.

1. SUCH EVIDENCE OF GERMAN ATTITUDES AS WE HAVE BEEN ABLE TO GLEAN FROM OUR LATEST CONTACTS HAS LED ME TO REVIEW HOW WE MIGHT BEST APPROACH THE MANDATE DISCUSSIONS HERE AT THIS WEEK'S SUMMIT. AS THE ONLY TWO NET CONTRIBUTORS, THERE IS MORE COMMON GROUND BETWEEN THE UK AND THE FRG THAN BETWEEN EITHER OF US AND OUR OTHER PARTNERS.
2. THE COMMUNITY IS A PART GERMAN CREATION. IT IS FOR THE FEDERAL REPUBLIC OF OVERWHELMING POLITICAL AND ECONOMIC IMPORTANCE. BUT FINANCIALLY IT IS A GROWING BURDEN. THE FEDERAL GOVERNMENT HAS MADE CLEAR IT WANTS THE BURDEN LIMITED. THE GERMANS HAVE LISTENED ATTENTIVELY TO OUR PROPOSALS FOR RADICAL REFORM. THEY HAVE BEEN TEMPTED: BUT NOW THAT THE MOMENT OF DECISION IS APPROACHING THEY SEE MORE CLEARLY THAN EVER THE WEIGHT OF INTERESTS IN THE COMMUNITY AGAINST REFORM AND, WITH THE OTHERS WHO BUILT IT, SEEM TO HAVE COME TO THE CONCLUSION THAT A RADICAL OVERHAUL IS SIMPLY NOT PRACTICAL POLITICS AT THE PRESENT TIME. WHAT THEY APPEAR TO BE AIMING FOR INSTEAD IS TO INSTALL ALONGSIDE THE EXISTING FRAMEWORK A MECHANISM THAT LIMITS THEIR OWN FINANCIAL LIABILITY.
3. EXCEPT FOR THE UK, THERE HAS SO FAR BEEN A FIRM RELUCTANCE ON THE PART OF THE FRG'S OTHER PARTNERS AND THE COMMISSION TO RECOGNISE THE EXISTENCE OF A GERMAN PROBLEM. THIS RELUCTANCE MAY NOW BE WEAKENING (UKREP TELNO 4194), BUT THE GERMANS MAY WELL HAVE CONCLUDED THAT SECURING A SOLUTION FOR THEIR PROBLEM WILL EXHAUST THE AVAILABLE POLITICAL WILL AND THUS EXCLUDE THE POSSIBILITY OF NEGOTIATING MORE FAR-REACHING IMPROVEMENTS. IF (THE GERMANS MUST ARGUE) LIMITING THE FRG CONTRIBUTION MEANS THAT OTHERS WILL HAVE TO ACCEPT A LARGE SHARE IN FINANCING NET TRANSFERS, IT IS UNREALISTIC TO EXPECT THE OTHERS AT THE SAME TIME TO ACCEPT A FURTHER SIGNIFICANT IMPROVEMENT IN THE BRITISH POSITION. GIVEN THEIR OWN OBJECTIVE AND THE DIFFICULTIES THEY FORESEE IN ACHIEVING IT, IT IS UNDERSTANDABLE

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/THAT

THAT THEY SHOULD GIVE IT PRIORITY OVER OURS. THAT DOES NOT NECESSARILY MEAN THAT THEY WANT TO SEE US SUBSTANTIALLY WORSE OFF THAN WE ARE UNDER THE 30 MAY 1960 SETTLEMENT. THEY APPEAR STILL TO BELIEVE THAT WE SHALL REQUIRE SUBSTANTIAL COMPENSATION. BUT THEY CLEARLY THINK THAT THE SCHEMES WE HAVE PUT FORWARD ARE ALTOGETHER TOO GENEROUS TO THE UK.

4. IN PRESENTING OUR IDEAS SO FAR, WE HAVE POINTED TO THE DAMAGE BEING DONE TO THE COMMUNITY BY THE INCESSANT HAGGLING AND SHOWN HOW A NEW SYSTEM COULD, BY CHANGING THE MECHANISMS THAT INSTITUTIONALISE CONFLICT, OPEN THE WAY TO FURTHER INTEGRATION AND THE CONVERGENCE OF MEMBERS' POLICIES AND ECONOMIES: SELF-EVIDENTLY A GREAT GAIN. SUCH A REFORM WOULD, FURTHERMORE, SOLVE BOTH THE BRITISH AND THE GERMAN PROBLEMS AND ENABLE THE COMMUNITY TO DEAL MORE SMOOTHLY WITH ENLARGEMENT.

5. THE GERMANS SEE THE ATTRACTIONS OF THIS LINE OF ARGUMENT, BUT ARE NOT SO FAR PERSUADED BY IT. THEY THINK THE BRITISH APPROACH, BY BEING AT ONCE TOO AMBITIOUS AND TOO FAVOURABLE TO THE UK, COULD PREJUDICE THE ATMOSPHERE AT THE EUROPEAN COUNCIL AND CONDEMN IT TO FAILURE.

6. AGAINST THIS BACKGROUND AND IN VIEW OF THE KEY IMPORTANCE OF MAINTAINING AS MUCH COMMON GROUND WITH THE GERMANS AS WE CAN, I THINK THE MOST PROMISING LINE TO USE WITH SCHMIDT AND HIS COLLEAGUES ON 16 NOVEMBER MIGHT BE AS FOLLOWS.

7. BRITAIN HAS UP TO NOW BEEN DENIED THE POSSIBILITY OF PLAYING AS CONSTRUCTIVE A PART IN THE COMMUNITY AS WE AND OUR PARTNERS WISH. THIS IS IN PART DUE TO THE UNDERSTANDABLE NEGATIVE IMAGE OF THE COMMUNITY IN BRITAIN, WHICH THE GOVERNMENT IS MAKING DETERMINED EFFORTS TO COUNTER. BUT THE FACTORS THAT CONTRIBUTE TO THIS NEGATIVE IMAGE ARE NOW AFFECTING GERMANY TOO: PUBLIC SUPPORT IS BEING WEAKENED. FAILURE OF THE OTHER PARTNERS TO AGREE TO REFORM MEANS, IN EFFECT, THAT THEY ARE APPARENTLY CONTENT TO SEE THE COMMUNITY PROGRESSIVELY ROBBED OF DYNAMISM AND POTENTIAL FOR GREATER INTEGRATION. THE QUESTION HAS TO BE ASKED WHY? IN ITS BUDGETARY FORM THE QUESTION IS WHY ARE THEY NOT PREPARED TO HELP PAY FOR THEIR COMMUNITY. (THIS QUESTION SHOULD HELP TO COUNTER THE INSISTENCE BY THE OTHERS THAT BRITAIN IS ONCE AGAIN ASKING TOO MUCH.)

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WE COULD ALSO POINT TO OUR IMPECCABLE RECORD AS A MEMBER OF THE ALLIANCE AND OUR DESIRE TO STRENGTHEN THAT ALLIANCE: AND SAY THAT OUR GOAL IS SIMILARLY TO STRENGTHEN THE COMMUNITY. WE WELCOME AND SUPPORT THE PROPOSALS WHICH HERR GENSCHER HAS LAUNCHED ON THE POLITICAL FRONT. BUT UNLESS A SOLUTION CAN BE FOUND TO OUR BUDGETARY PROBLEM WHICH IS SEEN BY BRITISH OPINION AS EQUITABLE- AND LONG LASTING - IT WILL REMAIN DIFFICULT FOR US TO PLAY THE P

RT IN THE COMMUNITY THAT WE, AND WE BELIEVE THE FRG, WANT US TO PLAY. BRITAIN AND THE FRG THUS SHARE A DOUBLE INTEREST IN ACHIEVING AN EQUITABLE AND LASTING SETTLEMENT OF THE BUDGET PROBLEM: TO STRENGTHEN THE COMMUNITY'S COHESION FOR THE LONGER TERM AND TO ENSURE THAT OUR RESPECTIVE FINANCIAL CONTRIBUTIONS ARE DIRECTLY RELATED TO OUR ECONOMIC CAPACITY.

8. IF THE GERMANS, WHILE ACCEPTING THE FORCE OF THESE CONTENTIONS, CONTINUE TO MAINTAIN THAT A RADICAL REFORM IS UNNEGOTIABLE IN PRESENT CIRCUMSTANCES, THEY COULD BE PRESSED TO ACCEPT THAT, AS A MINIMUM, THE PRINCIPLES ON WHICH WE BOTH AGREE SHOULD BE REFLECTED IN THE COMMUNITY'S FINANCIAL MECHANISMS: NAMELY, THAT FUNDS SHOULD FLOW FROM THE RICHER TO THE POORER, AND IN ACCORDANCE WITH OBJECTIVE CRITERIA WHICH, OVER TIME, WOULD PERMIT THE GRADUAL ALIGNMENT OF POLICIES DIRECTED TO INTEGRATION AND ECONOMIC CONVERGENCE.

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INFO SAVING CICC G BING BERLIN AND ALL CG'S IN THE FRG

ANGLO-GERMAN SUMMIT, 16 NOVEMBER: THE SITUATION IN THE FRG

1. AS WE HAVE ALREADY REPORTED , THE FEDERAL CHANCELLOR'S MAIN FOREIGN AFFAIRS PREOCCUPATIONS AT THE SUMMIT WILL BE EAST/WEST RELATIONS (WITH PARTICULAR REFERENCE TO THE FORTHCOMING BREZHNEV VISIT), THE TRANSATLANTIC RELATIONSHIP, AND THE MANDATE (ON WHICH SEE MIFT, NOT TO ALL). I SUSPECT THAT HE IS ALSO LESS THAN COMPLETELY HAPPY WITH THE FRANCO/GERMAN RELATIONSHIP, AND CONTINUES TO BE WORRIED ABOUT THE LIKELY COURSE AND IMPACT OF MITTERRAND'S ECONOMIC POLICIES. HE WILL WELCOME ANY REASSURANCE BRITISH MINISTERS CAN GIVE HIM BY WAY OF SUPPORT FOR HIS APPROACH TO THE BREZHNEV VISIT AND FOR THE FIRM LINE HE IS TAKING WITH HIS OWN PUBLIC OPINION OVER THE NATO DOUBLE DECISION, AND OF SYMPATHY FOR HIS HANDLING OF THE PROBLEMS FACED BY BOTH OUR GOVERNMENTS OVER DEFENCE EXPENDITURE.
2. ON THE DOMESTIC FRONT, THE CHANCELLOR AND HIS COLLEAGUES CONTINUE TO HAVE REASON TO BE CONCERNED ABOUT THEIR POLITICAL POSITION. GENSCHER AND SCHMIDT REMAIN, ACCORDING TO OPINION POLLS , THE COUNTRY'S TWO MOST POPULAR POLITICIANS, BUT THE PUBLIC HAVE LOST A GOOD DEAL OF CONFIDENCE IN THE GOVERNMENT'S SURENESS OF TOUCH AND MORALE WITHIN THE SPD CONTINUES TO EBB. THOUGH MOST OBSERVERS EXPECT THE GOVERNMENT TO REMAIN IN OFFICE UNTIL 1984 AN EARLIER COLLAPSE OF THE COALITION CANNOT BE RULED OUT AND THE FEELING THAT THE TIME FOR CHANGE IS APPROACHING IS WIDESPREAD.
3. THE GOVERNMENT'S GREATEST CURRENT CONCERN IS OVER THE 1982 FEDERAL BUDGET. GERMAN POLITICIANS HAVE NOT HAD MUCH EXPERIENCE OF ADJUSTING TO SEVERE BUDGETARY PRESSURES, AND THE GOVERNMENT'S INABILITY, BECAUSE OF POLITICAL PRESSURES, TO HANDLE THE PRESENT PROBLEMS

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DECISIVELY HAS CREATED AN IMPRESSION OF CONFUSION. A TOUGH ROUND OF NEGOTIATIONS IN THE SUMMER BETWEEN THE TWO COALITION PARTIES REVEALED DIFFERENCES OF ECONOMIC PHILOSOPHY. AGREEMENT ON HOW TO BALANCE THE BUDGET SEEMED IN SEPTEMBER TO HAVE BEEN REACHED, BASED MORE ON FDP POLICY OF CUTTING EXPENDITURE THAN ON THE SPD PREFERENCE FOR INCREASED BORROWING AND TAXATION. ONLY 6 WEEKS LATER, REVISED FORECASTS REVEALED AN ADDITIONAL FINANCING GAP OF DM 9 BILLION. AGREEMENT HAS NOW BEEN REACHED ON FURTHER SAVINGS AND SOURCES OF REVENUE, BUT NOT WITHOUT RENEWED DAMAGE TO PUBLIC CONFIDENCE IN THE GOVERNMENT'S ECONOMIC CONTROL AND ITS CONSTITUENT PARTIES' ABILITY TO WORK TOGETHER.

4. THE GOVERNMENT IS ALSO UNDER PRESSURE FROM THE LEFT AND FROM THE VARIOUS STRANDS OF DISPARATE OPINION WHICH MAKE UP THE PEACE MOVEMENT OVER ITS DEFENCE AND NUCLEAR POLICIES. THE SPD IN PARTICULAR REMAINS DIVIDED ON THE ISSUE OF TNF MODERNISATION. THE GOVERNMENT'S COMMITMENT TO THE NATO DOUBLE DECISION IS FIRM AND HAS THE SUPPORT OF ITS TWO CONSTITUENT PARLIAMENTARY PARTIES, BUT OUTSIDE PARLIAMENT THE TIDE OF OPINION WITHIN THE SPD IS STILL MOVING AGAINST THE EVENTUAL STATIONING OF TNF ON GERMAN SOIL. IT SEEMS UNLIKELY THAT THE SPD WILL BE ABLE TO AVOID A DIFFICULT DEBATE ON THE SUBJECT AT ITS PARTY CONFERENCE NEXT APRIL. EVEN IF, AS IS STILL MOST PROBABLE, THE CONFERENCE REAFFIRMS THE PHILOSOPHY OF THE NATO DOUBLE DECISION (HERR SCHMIDT HAS SAID HE WOULD RESIGN IF DEFEATED ON THE ISSUE), THE PROSPECT IS ONE OF MOUNTING OPPOSITION AS THE SCHEDULED DATE FOR TNF DEPLOYMENT - END 1983 - APPROACHES.

5. ALL FEDERAL POLITICAL PARTIES AND THE GOVERNMENT ARE ALREADY PUTTING RENEWED EMPHASIS ON A DIALOGUE WITH THEIR YOUNGER VOTERS, AND STEPPING UP THEIR EFFORTS TO COUNTER THE CURRENT WAVE OF DISENCHANTMENT WITH ESTABLISHED SECURITY POLICIES - A DISENCHANTMENT WHICH HAS ANTI-AMERICAN AND NEUTRALIST OVERTONES. IT IS VITAL FOR HERR SCHMIDT TO DEVELOP A RELATIONSHIP OF GREATER TRUST WITH THE US GOVERNMENT SO AS TO DEFEND THE PROCESS OF TNF NEGOTIATION AND THE NATO DECISION WITH FULL CONVICTION. BUT RECENT US BEHAVIOUR (EG CONTRADICTORY STATEMENTS ON NUCLEAR ISSUES) AND CONTINUING CONCERN ABOUT THE IMPLICATIONS OF THE REAGAN ADMINISTRATION'S ECONOMIC POLICIES HAVE NOT HELPED THE COALITION IN THIS PROCESS.

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6. DESPITE THE PRESENT UNEASE, THERE IS STILL NO SHORT-TERM THREAT TO THE GOVERNMENT'S SURVIVAL AND SCHMIDT HIMSELF IS FIRMLY IN THE SADDLE: NEWLY FITTED WITH A PACEMAKER, HE SEEMS TO BE IN HIS BEST FORM FOR SOME TIME. THE CDU/CSU OPPOSITION, WHOSE RATING IN THE OPINION POLLS STAND HIGH, HAVE NOT MADE THE BEST OF THEIR RECENT OPPORTUNITIES FOR ATTACKING THE GOVERNMENT AND SOME MEMBERS ARE PERCEPTIBLY DISSATISFIED WITH HERR KOHL'S PERFORMANCE AS LEADER. YOU MAY NEVERTHELESS DETECT EVIDENCE OF STRAIN BETWEEN HERR SCHMIDT AND HIS FDP COLLEAGUES - POSSIBLY WITH GENSCHER, AND MORE PROBABLY WITH LAMBSDORFF, WHO IS THE MINISTER MOST FIRMLY RESISTANT TO SPD PRESSURE FOR REFLATIONARY POLICIES AND WHOSE POSSIBLE RESIGNATION OVER THIS ISSUE HAS BEEN RUMOURED.

TAYLOR

FCO/WHITEHALL

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TO IMMEDIATE FCO

TELEGRAM NUMBER 906 OF 13 NOVEMBER

[limited]

BONN TEL. NO. 752 TO FCO: ANGLO-GERMAN SUMMIT: PRESS INTERVIEWS
1. I UNDERSTAND THAT IT HAS NOT BEEN POSSIBLE TO FIT IN ANY OF THE
FOUR INTERVIEWS RECOMMENDED IN OUR TUR, AND THAT ALL WE CAN OFFER
IS WRITTEN RESPONSES TO QUESTIONS WHICH SCHROEDER OF THE
SUEDDEUTSCHE ZEITUNG WOULD SUBMIT TO YOU IN ADVANCE. GIVEN THAT,
TO ACHIEVE PUBLICATION BEFORE THE SUMMIT, ANY SUCH ANSWERS WOULD
HAVE TO REACH MUNICH BY NOON ON MONDAY, I DO NOT THINK THIS IS
PRACTICAL. FURTHERMORE SCHROEDER IS A SENIOR EDITOR TO WHOM IT
WOULD BE WORTHWHILE GIVING A SUBSTANTIVE FACE-TO-FACE INTERVIEW:
IF WE CANNOT OFFER ONE NOW, I THINK IT BETTER TO WAIT UNTIL WE
ARE ABLE TO DO SO.

2. YOU SHOULD BE AWARE THAT THE FEDERAL CHANCELLOR HAS AGREED TO SEE THE LOCAL TIMES CORRESPONDENT LATER TODAY FOR A PRE-SUMMIT INTERVIEW, WHICH WILL OBVIOUSLY HELP TO GIVE THE SUMMIT GOOD PRE-PUBLICITY IN THE UK. IF THERE IS NOTHING COMPARABLE IN THE GERMAN MEDIA, IT WILL REDUCE THE CHANCES OF THE SUMMIT MAKING AN IMPACT HERE. WHILE IT MAY NOW BE TOO LATE FOR A NEWSPAPER INTERVIEW, I WONDER IF IT MIGHT STILL BE POSSIBLE FOR THE PRIME MINISTER TO FIND TIME TO GIVE A SHORT TELEVISION INTERVIEW TO ARD'S LONDON CORRESPONDENT. (PARA 5 OF TUR).

GOODALL

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MR ALEXANDER

cc: Sir R Armstrong

EUROPEAN COUNCIL 26/27 NOVEMBER: A POSSIBLE GAME PLAN

1. It is clear that we cannot hope to negotiate figures at the European Council on 26/27 November. On the other hand we must capitalise on the link which others have established between the three chapters and their fear that we are going to make a row about the budget. With the possible exception of the Danes, they are all ready to do something for us - though less than we need. If we could get agreement on method this would be a very substantial step forward. But at least we should get certain guiding principles agreed which will make the subsequent negotiating task easier. We should not get ourselves so obsessed about the best method of dealing with the budget that we lose sight of the main aim: a satisfactory outcome in terms of the general level of the UK's budgetary contribution to the Community.
2. The Foreign Affairs Council on 16/17 November, which will have before it a new text of draft conclusions (20 pages) covering all three chapters, is unlikely to get very far. A further meeting of the Foreign Affairs Council on at least the morning of Thursday 19th November will probably be necessary. It will then be left to the Presidency to produce a new text for the European Council.
3. The Anglo/German summit on Wednesday 18th November will be the opportunity to find out where the Germans stand; and to encourage Schmidt not to put everything off until next Spring. We will ask the Germans for a reaction to the latest Treasury scheme. The possible outcomes are:-
 - (i) the Germans decide to back our scheme. In this case we should put it forward at the Council on 19th November;
 - (ii) the Germans say our scheme is interesting but only acceptable if the UK continues to be a substantial net contributor. The Treasury would still like to float the scheme in these circumstances, but the FCO think this would be unwise. Sir M Butler believes it would put us in a weak

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negotiating position. It would be very unlikely to contribute to positive conclusions at the European Council;

- (iii) the Commission will have decided at their weekend meeting to propose a system of financing their scheme which will give relief to the Germans, and the Germans will have decided to back it. In this event we ought to give serious consideration to saying that, if everyone else is willing to negotiate on the Commission's scheme, so would we be, provided there was also an effective Financial Mechanism;
- (iv) the Germans will still not have made up their minds on Wednesday. In this event - perhaps the most likely - we should then decide to go hard for operational guidelines which will cover the German position but not commit us to one method or the other. After all the method is less important than achieving a satisfactory budget outcome. A possible draft agreed with FCO and Treasury is attached.

4. To have any chance of success at the European Council we should need to have some prior understanding at least with the French and the Germans. We cannot bounce the other member states entirely, but we must not give them draft language too soon before the European Council itself. In particular, we shall have to try to isolate the Danes at the European Council itself.

5. As soon as possible after the Anglo/German Summit, the Prime Minister should consider with the Foreign Secretary and the Chancellor:-

- (1) whether to go for guidelines on the lines of those attached;
- (ii) if so how best to sell them first to the French and the Germans;

/(iii)

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- 3 -

(iii) whether she should send a message to all Heads of Governments expressing concern at the lack of progress on Chapter III and the need for equal progress on all three chapters; and sketching out possible guidelines on the budget.

hand

M D M FRANKLIN

13 November 1981

Encl.

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GUIDELINES FOR BUDGET CHAPTER

1. The objectives of the Community budget are to finance agreed Community policies while avoiding the creation or recurrence of an unacceptable budgetary situation for any member state and while contributing to the overall convergence of the economies of member states.
2. In the long term the reconciliation of these objectives will be achieved through the development of Community policies and the balance between them. The conclusions reached in Chapters I and II above are a first step in that direction.
3. But the process of reconciling the objectives by these means will take a period whose length cannot be predicted with any precision and, in the meantime, a budgetary corrective arrangement will be needed, if unacceptable budgetary situations are to be avoided.
4. The corrective arrangement will need to deal not only with the problem already recognised by the Financial Mechanism but also with the imbalance in the distribution of expenditure, notably FEOGA guarantee expenditure. The arrangement will be based on objective criteria so that there is no need for annual negotiations. These criteria should include not only the progress made in reducing the problem of unacceptable situations through the development of Community policies, but also the relative size of the member state(s) in question and the relationship of their GDP per head to the Community average.
5. The financing of the corrective arrangement will be achieved within the 1 percent ceiling and without putting at risk the financing of other agreed Community policies, if necessary by a method which avoids any net budgetary impact. The financial effects of the corrective arrangement will have regard to whether the payments come from member states below or above the Community average GDP per head and whether or not they are net contributors.
6. The corrective arrangement will apply with effect from the Community's 1982 budget year. The Council, acting on a proposal of the Commission, will take the necessary detailed decisions by 31 December 1981.

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7. The detailed arrangements so agreed will be reviewed after five years to consider the progress made towards the Community's long term budgetary objectives and whether any changes are needed.

arrangements so agreed will be reviewed after five years to consider the progress made towards the Community's long term budgetary objectives and whether any changes are needed.

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[1103 draft of 13/11/81]

SPEAKING NOTE FOR SECRETARY OF STATE DISCUSSION WITH PRIME MINISTER
ON ANGLO-GERMAN SUMMIT

1. Possibility Germany at December NATO Ministerial will press for abandonment of NATO aim for 3% annual growth in Defence spending. In self justification Germans will point to annual rate of real increase in defence expenditure of 2.6% maintained since 1970.
2. Already clear German defence spending will fall in real terms next year, though not as much as public spending overall. In NATO discussions of their defence cuts, German officials have strongly asserted economic stability necessary condition to maintaining NATO defence, and defence output more important than 3% formula which is of limited validity for Germany.
3. Agree should be additional measures of defence performance, in output terms. But see dangers in ditching % input measure too readily, as output terms are highly subjective and such a move could lead to a dangerous weakening in real European defence effort.
4. US and NATO Secretary General and Military Commanders likely to resist strongly - they would like to see higher %. Current "in the region of 3%" aim already quite elastic, and if even that goes still less incentive to weaker allies to pull their weight. 3% aim gives them some ammunition in making defence case in own Cabinets.
5. Shall try to talk Apel out of any plan to raise 3% issue in December. Hammered out only last May when Ministerial Guidance agreed - your PS's 6 May letter to mine records HMG position - and supposed to hold for next two years. Will suggest any new initiative needs careful handling with US and other allies. Important for

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UK and Germany to work together here. Danger of major row with US.

6. [Germans, including Schmidt, have on occasions disparaged UK defence efforts. But we are meeting 3% against far worse economic situation; and no complaints from Germany about "Way Forward's" emphasis on forward defence commitment. Have to discourage sniping.]

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Background

FRG defence budget in 1982 unlikely to rise by more than 3.8% in cash terms. Inflation expected to be 5-7%. Defence spending will therefore fall in real terms. Original intention was that defence budget should increase in line with total budget (4.2%). Latter now reduced to 2.8%. Herr Apel has thus scored a minor victory and has refused formally to accept a binding figure for his department's spending.

UK defence spending this year is 8% higher in real terms than 3 years ago. Over this period the FRG defence spending rose by 6.5%. Moreover the FRG - unlike normal NATO practice - measures real changes in defence spending by a GNP deflator rather than using the (higher) rate of defence inflation. German spokesmen have played down 3% and suggested that such measures of force capability - more favourable to FRG - are more relevant to international comparisons.

General Brandt told HM Ambassador in September that FMOD planners are assuming zero real growth in defence spending for the rest of the decade (although this would mean that spending would keep pace with defence cost inflation, rather than national inflation).

In NATO, the Germans have defended themselves aggressively against criticism of their failure to meet 3%, citing above average expenditure on equipment, R and D infrastructure.

The Germans, including Chancellor Schmidt, have on

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occasions publicly disparaged UK defence efforts. UKDEL NATO has prepared a comparative study refuting German claims, which has been passed to the Federal Defence Ministry with the suggestion that damaging public sniping cease: but we do not know whether FRG Ministers are yet aware of this.

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FM BONN 121630Z NOV 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 895 OF 12 NOVEMBER

INFO ROUTINE WASHINGTON, PARIS, UKREP BRUSSELS

INFO SAVING TO UKDEL NATO, DUBLIN, ROME, LUXEMBOURG, COPENHAGEN,
THE HAGUE, EMBASSY BRUSSELS, ATHENS

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13 NOV 1981

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ANGLO-GERMAN SUMMIT: CHANCELLOR SCHMIDT'S VIEWS

1. I ASKED VON DER GABLENTZ (CHANCELLOR'S OFFICE) YESTERDAY HOW THE CHANCELLOR WOULD BE APPROACHING HIS TALKS WITH THE PRIME MINISTER NEXT WEEK AND WHAT THE MAIN SUBJECTS WERE WHICH HE WOULD WANT TO DISCUSS.
2. GABLENTZ SAID THAT THE MAIN SUBJECT ON THE CHANCELLOR'S MIND AT THE MOMENT, APART FROM THE ANGLO-GERMAN SUMMIT, WAS BREZHNEV'S VISIT TO BONN BEGINNING 22 NOVEMBER AND THE RELATED QUESTIONS OF EAST-WEST SECURITY AND ARMS CONTROL. HE GAVE ME AN ACCOUNT OF SCHMIDT'S PRESENT THINKING ABOUT THE VISIT, FOR WHICH SEE NIFT. HE WAS SURE SCHMIDT WOULD WANT TO DISCUSS THE ISSUES IN DETAIL WITH THE PRIME MINISTER - USING THE OPPORTUNITY, I IMAGINE, TO CLEAR WITH HER AS A MAJOR ALLY THE LINES HE PROPOSES TO TAKE.
3. GABLENTZ ALSO EXPECTED THE CHANCELLOR TO RAISE EUROPEAN/US RELATIONS, AND NORTH/SOUTH ISSUES IN THE LIGHT OF CANCUN. SCHMIDT REGARDED AS CONSTRUCTIVE AND HELPFUL BOTH THE PRIME MINISTER'S HANDLING OF CHOGM IN PREPARATION FOR CANCUN, AND HER ROLE AT CANCUN ITSELF. HE WOULD NO DOUBT WANT TO EXPRESS HIS APPRECIATION.
4. GABLENTZ CONFIRMED THAT THE MANDATE WOULD BE THE OTHER MAIN SUBJECT THE CHANCELLOR WOULD WANT TO DISCUSS WITH THE PRIME MINISTER, BUT SAID HE (GABLENTZ) WAS NOT UP TO DATE ON THE GERMAN THINKING ABOUT IT. WE THEREFORE EXPLORED THE POSITION ON THIS WITH THIELE, ON THE ECONOMIC SIDE OF THE CHANCELLOR'S OFFICE,

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WHO FOUND IT DIFFICULT TO SAY IN ADVANCE OF NEXT WEEK'S FOREIGN AFFAIRS COUNCIL WHAT LINE THE GERMANS WOULD TAKE WITH US ON 15 NOVEMBER. HE THOUGHT HOWEVER THAT SCHMIDT WAS COMING TO THE VIEW THAT HEADS OF GOVERNMENT WOULD BE ABLE TO REACH ONLY VERY GENERAL CONCLUSIONS AT THE EUROPEAN COUNCIL. THE GERMANS STILL HOPED FOR SPECIFIC AGREEMENTS, BUT THE OUTLOOK WAS NOT PROMISING. THE FRG'S FIRST CONCERN WAS TO MAINTAIN THE ONE PER CENT VAT CEILING, BUT THEY ALSO WANTED:

(I) A FINANCIAL MECHANISM WHICH WOULD GIVE THEM SOME RELIEF:

(II) CAP SPENDING NOT TO GROW FASTER THAN OWN RESOURCES:

(III) SAVINGS FROM THE CAP TO BE CONCENTRATED ON STRUCTURAL POLICIES (WITHIN THE ONE PER CENT CEILING):

(IV) SOLUTIONS AS LONG-TERM AS POSSIBLE, THOUGH THEY

RECOGNISED OTHERS MIGHT ONLY BE PREPARED TO AGREE TO SHORT-TERM ARRANGEMENTS.

FCO PASS SAYING ABOVE

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REPEATED AS REQUESTED

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Foreign and Commonwealth Office

London SW1A 2AH

D J Wright Esq
CABINET OFFICE

12 November 1981

Dear David,

ANGLO-GERMAN SUMMIT: 18 NOVEMBER

1. In your letter of 5 November, you asked us to consult other departments concerned as to which items on the draft agenda should be handled by ministers in their bilateral discussions with German opposite numbers.

2. I now enclose a plan setting out the subjects which we think should be discussed at the various bilateral meetings. This has been cleared with other interested departments in Whitehall and within the Foreign Office and takes account of Bonn telno 867 (as subsequently amended by correspondence from the Embassy), the recommendations in the draft Community steering brief on the handling of the European Community items and your letter of 9 November (although it is clearly difficult to anticipate precisely which areas the Prime Minister will wish to range over in her tête-à-tête with the Federal Chancellor).

Yours ever,

Andrew

R A Burns
Private Secretary to the
Permanent Under Secretary

cc: PS/Sir D Wass GCB
HM Treasury

PS/Sir B Hayes KCB
MAFF

PS/Sir F Cooper GCB KMG
MOD

C A Whitmore Esq
10 Downing Street

PS/Sir K Clucas KCB
DOT

PS/Sir P Carey KCB
DOI



ANGLO-GERMAN SUMMIT: 18 NOVEMBER 1981Subjects for Discussion by Individual Ministers

<u>Participants</u>	<u>Time</u>	<u>Subjects for Discussion</u>
Prime Minister Herr Schmidt	0915 - 1015	<u>European Community Questions</u> Handling of the European Council 30 May Mandate <u>West/West and East/West Relations</u> <u>The European/US Relationship</u> Preview of the Brezhnev Visit to Bonn <u>International Economic Questions</u>
Lord Carrington Herr Genscher	0915 - 1015	<u>World Political Issues</u> Afghanistan Near East and Lebanon Saudi Arabia and the Gulf States Iran/Iraq Southern Africa/Namibia East and Central Africa Central America Cyprus and Eastern Mediterranean Libyan Activity in sub-Saharan Africa CHOGM UNLOSC Follow-up to Ottawa Declaration on Hijacking <u>European Community Questions</u> Enlargement of the Community

<u>Participants</u>	<u>Time</u>	<u>Subjects for Discussion</u>
Lord Carrington Herr Genscher		EC/Turkey (free movement of labour) <u>Defence/Arms Control</u> CSCE/CDE MBFR SALT/LRTNF (arms control and public presentation of the negotiating position) <u>West/West and East/West Relations</u> Berlin
Prime Minister Herr Schmidt Lord Carrington Herr Genscher	1015 - 1245	<u>European Community Questions</u> 30 May Mandate European Union French Policy in Europe Greece after the October Elections <u>West/West and East/West Relations</u> The European/US relationship Preview of the Brezhnev visit to Bonn Poland (including economic assistance) East/West Economic Relations <u>Defence/Arms Control</u> SALT/LRTNF (including NATO public presentation initiatives and assessment of peace movement in the Alliance) <u>International Economic Questions</u> North/South (post Cancun) International economic questions International monetary questions Energy

<u>Participants</u>	<u>Time</u>	<u>Subjects for Discussion</u>
Prime Minister Herr Schmidt Lord Carrington Herr Genscher	1015 - 1250	<u>Bilateral Relations</u> Intensification of UK/FRG bilateral relations
Mr Nott Dr Apel	0915 - 1240	UK and FRG Defence Programmes Equipment collaboration and sales Training collaboration LRTNF modernisation (including a discussion of opposition from the peace movement) Spain/NATO Greece/NATO Out of area activities ERWs
Mr Walker Herr Ertl	0915 - 1240	CAP, including agricultural aspects of 30 May Mandate CFP
Mr Biffen Herr Hauff	0915 - 1030	Air Transport

<u>Participants</u>	<u>Time</u>	<u>Subjects for Discussion</u>
Mr Biffen Graf Lambsdorff	1045 - 1145	Liberalisation of the Community Internal Market (including Insurance, air transport Duty Free Allowances and Origin Marking) Community External Trade (including MFA, Third Country Imports and Article 115, and EC/Japan) East/West Economic Relations
Mr Biffen/Sir G Howe Herr Matthoefer	1200 - 1240	Insurance Duty Free Allowances
Sir G Howe Graf Lambsdorff	0915 - 1030	International Economic Questions (including prospects for the UK and FRG) Community Financial and Economic Questions (the 30 May Mandate) Liberalisation in the Services Sector (in particular Insurance and Air Fares)
Sir G Howe Herr Matthoefer	1045 - 1200	30 May Mandate Monetary and Financial Questions in the UK and FRG (incl. int'l dimensions) Possibility of Dismantling the tax exemption enjoyed by certain petroleum products within the Community The 1982 Community Budget
Mr Jenkin Herr Gscheidle	1035 - 1130	Reciprocity Modems Joint purchasing by British Telecom and Bundespost Collaboration between UK and FRG manufacturers

<u>Participants</u>	<u>Time</u>	<u>Subjects for Discussion</u>
Mr Jenkin Dr von Buelow	0915 - 1030	Follow-up to the November Research Council Possibilities for R & D collaboration in micro-electronics and bio-technology
Mr Jenkin Graf Lambsdorff	1145 - 1240	Community Steel Policy UK/FRG industrial policies (including problem sectors and industrial cooperation (Alrbus)) International Tin Agreement

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TO IMMEDIATE FCO

TELEGRAM NUMBER 887 OF 11 NOVEMBER

ANGLO-GERMAN SUMMIT

1. THE AUSWAERTIGES AMT HAVE GIVEN US IN STRICT CONFIDENCE (PLEASE PROTECT) THE GIST OF THE DRAFT STEERING BRIEF WHICH HAS BEEN PREPARED FOR HERR GENSCHER AND THE FEDERAL CHANCELLOR. IT SUGGESTS THAT PRIORITY BE GIVEN, DURING THE TETE-A-TETE DISCUSSIONS BETWEEN HEADS OF GOVERNMENT, TO EUROPEAN QUESTIONS IN THE CONTEXT OF PREPARATION FOR THE EUROPEAN COUNCIL (THE 30 MAY MANDATE, EUROPEAN UNION AND ENLARGEMENT); AND TO EAST-WEST QUESTIONS IN THE LIGHT OF THE BREZHNEV VISIT (THEY EXPECT THE CHANCELLOR TO GIVE THE PRIME MINISTER AN INDICATION OF THE LINE THAT HE INTENDS TO TAKE WITH BREZHNEV ON A WIDE RANGE OF EAST-WEST SUBJECTS AND TO SEEK HER SUPPORT FOR WHAT HE PROPOSES TO SAY). THE BIEF GOES ON TO SUGGEST THAT OTHER SUBJECTS FOR DISCUSSION BETWEEN THE HEADS OF GOVERNMENT MIGHT BE SECURITY AND DISARMAMENT QUESTIONS (NATO, CSCE/CDE, TNF/SALT); AND WORLD POLITICAL ISSUES, ESPECIALLY THE NEAR AND MIDDLE EAST IN THE LIGHT OF YOUR VISIT TO SAUDI ARABIA, AFGHANISTAN (BEARING IN MIND THAT THE UNGA DEBATE WILL BE TAKING PLACE DURING THE CONSULTATIONS) AND NAMIBIA/SOUTH AFRICA IN THE CONTEXT OF THE RECENT TOUR BY CONTACT GROUP OFFICIALS. IT ALSO SUGGESTS THAT THE NORTH-SOUTH DIALOGUE POST-CANCUN MIGHT POSSIBLY BE DISCUSSED.
2. THE STEERING BRIEF MAKES NO RECOMMENDATIONS ON THE CONTENT OF THE TALKS BETWEEN FOREIGN MINISTERS. IF, HOWEVER, HERR

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/ GENSCHER

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GENSCHER DECIDES IN FAVOUR OF A TETE-A-TETE DISCUSSION, THE AUSWAERTIGES AMT EXPECT THAT HE WILL RAISE FRENCH EUROPEAN POLICY (THE RELANCE ETC) THE EASTERN MEDITERRANEAN (GREECE, TURKEY WHICH HE HAS JUST VISITED AND CYPRUS) AND EUROPEAN/US RELATIONS. IF OFFICIALS ARE PRESENT, THEY EXPECT THE TALKS TO HAVE MORE OF AN EC BIAS AND TO INCLUDE THEMES SUCH AS THE MANDATE, CAP REFORM, CFP, EUROPEAN UNION AND COMUNITY TRADE POLICY.

3. THE AUSWAERTIGES AMT ARE ASSUMING THAT AFTER THE FOREIGN MINISTERS HAVE JOINED THEIR HEADS OF GOVERNMENT THE TALKS WILL COVER THE WHOLE GAMUT OF EC QUESTIONS (INCLUDING THE MANDATE, STEEL, THE COMMUNITY INTERNAL MARKET AND EC/TURKEY) TOGETHER WITH EUROPEAN/US RELATIONS, THE BREZHNEV VISIT AND POLAND.

GOODALL

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DEFENCE D
MR BULLARD
MR FERGUSSON
MR HANNAY
MR GILLMORE

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11 November 1981

Anglo-German Summit: Instruments of
Anglo-German Relations

The Prime Minister has seen your letter to me of 9 November on this subject. She is content that a press release along the lines enclosed with your letter should be issued on the occasion of her visit to Bonn.

MODBA

F.N. Richards, Esq.,
Foreign and Commonwealth Office.

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Mr. Wright

I enclose a copy of my letter of today's date to Francis Richards about the party for the Anglo-German Summit on 18 November. I am assuming that Sir Robert Armstrong and Mr. Franklin will both be attending.

M. O'D. B. ALEXANDER

10 November, 1981.

Press



Prime Minister
Wanted that there should
be a press release along
these general lines?

Foreign and Commonwealth Office

London SW1A 2AH

9 November 1981

Yes no

Dear Michael,

And 9/11

Anglo-German Summit: Instruments of Anglo-German Relations

In his despatch of 23 February on 'Instruments of Anglo-German Relations' (copy enclosed for ease of reference), Sir O Wright recommended a number of ways in which UK/FRG relations could be improved, using existing mechanisms and involving minimum expenditure. Since then we have been discussing these recommendations with the Germans, whose general response has been favourable.

At official level the Germans have proposed, and we have agreed, that the forthcoming Anglo-German Summit, the tenth of its kind, should be marked by the issue of a joint press release in the names of the two Heads of Government. The purpose would be to encourage useful bilateral activity as recommended by Sir O Wright. The Germans provided a first draft, which we have tightened up somewhat. I enclose a copy of the text as it stands at present.

I should be grateful if you could seek the Prime Minister's agreement in principle to the issuing of a press release along these lines. In the opinion of the Foreign and Commonwealth Secretary it cannot do harm and may do good.

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing St

ANGLO-GERMAN SUMMIT:
INSTRUMENTS OF ANGLO-GERMAN RELATIONS

Draft Press Release

On the occasion of the 10th Anglo-German Consultations at Head of Government level, the Chancellor of the Federal Republic of Germany and the Prime Minister of the United Kingdom paid tribute to the links which have grown up between the German and the British peoples, complementing the close cooperation between the two governments. They welcomed the frequency and multiplicity of the exchanges which have developed between groups and individuals, particularly since Britain's accession to the European Community. They noted with particular pleasure the cordial contacts built up between British Forces Germany and the German people and the hospitable reception accorded to German servicemen on training in Great Britain.

The two Heads of Government attached great significance to the four pioneer organisations which have invigorated the Anglo-German dialogue since the Forties and Fifties. First and foremost they drew attention to the Anglo-German Society, which was founded in 1949 and has organised the Anglo-German Koenigswinter Conference since 1951. The Federal Chancellor and the Prime Minister recalled their joint participation in the 30th Anglo-German Conference held in Cambridge on 28 March 1980, where they drew attention to the special importance of the Koenigswinter meetings for Anglo-German relations. They also commended the contributions made by:

- the Anglo-German Association, established in 1951, which has made a decisive contribution to the reconciliation between the German and the British peoples and to their mutual understanding;
- the groups of Parliamentarians from both countries, which have met regularly for joint talks since the end of the 1950s:

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- the International Conference Centre Wilton Park, which began as an Anglo-German initiative, and developed into an important instrument of wider international understanding.

The Chancellor and the Prime Minister also regarded as particularly important the bilateral partnerships and exchange programmes which, as a result of private initiative, have brought together millions of German and British people, especially from the younger generation. In particular they noted:

- the town-twinning arrangements which, since the first partnership established between Hanover and Bristol in 1947, have grown into a system of 324 links supporting a close network of personal friendships;
- Anglo-German youth exchanges, and in particular those sponsored over the years by the Deutsch-Britischer Jugendaustausch;
- the Anglo-German exchanges of senior public servants begun in 1972, which have brought together 750 officials for joint seminars and which since 1980 have been extended by long-term working exchanges in both directions.

The Heads of Government pointed to the great importance of economic factors for the relations between their two countries. They noted with satisfaction the high level of bilateral trade, which has been stimulated by both countries' membership of the European Community and to which the German Chamber of Industry and Commerce in London and the British-German Trade Council in Cologne have made a valuable contribution.

The Chancellor and the Prime Minister agreed that the wide variety of contacts in the industrial sector needs to be complemented by activity in the social field. They therefore welcomed the work of the Anglo-German Foundation for the Study of Industrial Society,

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which was set up in 1973 on the initiative of the late President Heinemann. The two Heads of Government were convinced of the value of the work of the Foundation for the governments, companies, trade unions and peoples of both countries.

The Heads of Government paid tribute to the work of the Goethe Institute in Great Britain and the British Council in the Federal Republic of Germany and welcomed the close cooperation between press, radio and television. They recognised the need to continue to raise the level of knowledge of the language of each country among the people of the other, and welcomed the efforts being made to this end through contacts between the German people and the British Forces in Germany and their dependants.

The Chancellor and the Prime Minister expressed the belief that the increasing depth and complexity of Anglo-German relations and the emergence of a new generation set new tasks for the existing organisations and programmes. They therefore considered possibilities for improving and expanding these, for example in the following directions:

- increased involvement of the younger generation and a greater turnover of participants at all Anglo-German meetings;
- an even broader spread of contacts and exchanges aimed at making these available to a wider range of participants, eg apprentices, trainees, young trade unionists, young industrialists, industrial and professional associations;
- concentration of work of the Anglo-German Foundation on activities designed to bring together those concerned with industrial, technological and social problems on both sides and to increase the Foundation's impact on public opinion;

- the expansion of the German Chamber of Industry and Commerce and the British-German Trade Council into discussion fora for political and economic figures from the two countries;
- an increase in cooperation in the information sector, above all in the field of television.

The two Heads of Government agreed that the further development of the Anglo-German relationship, by constant adjustment of the existing bilateral institutions to new political, economic and social developments, would serve not only the interests of the citizens of their two countries but also the cause of European unity. The Heads of Government instructed their officials to keep the bilateral relationship under review with the aim of reinforcing the links that already exist and of developing others where necessary, and to make a progress report to the two Heads of Government at a future Summit meeting.

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Departmental Series
Western European Department
DS No. 10/81INSTRUMENTS OF ANGLO-GERMAN RELATIONS(Her Majesty's Ambassador at Bonn to the Secretary of State
for Foreign and Commonwealth Affairs)

Bonn

23 February 1981

My Lord

1. A constant theme of my reporting recently has been the need to build a still closer relationship between Britain and the Federal Republic. This is necessary if we are to protect and advance our very considerable interests here; to get the credit for our determination to pull our full weight in the Alliance and the Community; to ensure that we are not excluded from international counsels affecting our vital interests; and to ensure that political and economic decisions taken here and affecting us are informed by a favourable view of the United Kingdom.

2. In my telegram number 559 of 11 July 1980 I commented on the main instruments at our disposal in building a better Anglo-German relationship: Berlin, NATO/WEU, the European Community and the bilateral relationship. Within this last broad heading Her Majesty's Government has a great range of major and minor instruments, each of which, properly used, can add extra strands to the weave of the Anglo-German relationship and bring Germans and British at all levels closer together. With this despatch I enclose a memorandum describing not the problems and challenges of our relationship with the FRG but some of the instruments of it. The European Community is not only a multilateral collaborative body; it is a contest for influence. These bilateral instruments serve as our weapons in this contest, and I would like to enlist your Lordship's support for their work and development. Since, in joining the Community, we have linked our fate with that of our partners, it seems to me that we need to make more effort than we do to get to know them.

3. I believe that in the use of these instruments we have much to learn from the French. The French relationship with the Federal Republic of Germany has much substance, but in addition it has an atmospheric element which is played to the hilt by both sides. There are reasons of nature and policy why we would not want to ape the French in all respects here. But it is often because we fail to project ourselves publicly and deliberately that the importance of Britain in Europe is relatively less understood here than the importance of France. I have constantly emphasised here our contribution to the Alliance and specifically to the security of Germany, and no words can substitute for the reality of last year's successful exercise, Crusader 80.

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But the point is that despite our limited resources we should work twice as hard as we do here to keep the record straight. We must get recognition of our own massive network of contacts with Germans in all fields. We are trying to create a climate of opinion. Good public relations is not just a means; it is an end. It was announced in advance that the main theme of the latest Franco-German Consultations at Head of Government level was to be cultural exchange. I doubt if President Giscard and Chancellor Schmidt spent much time on the subject, but they gave it not merely their endorsement but also considerable publicity. It is worth noting that when I paid my farewell call on the Federal Chancellor he made a point of saying that more ought to be done about our cultural relations. He based his argument on cultural considerations; but I am sure he had in mind also the political implications of demonstrating understanding of each others' cultural heritage.

4. Finally, I should point out that virtually all the instruments I describe in the memorandum work both ways: they will increase German awareness of us; they will also increase British awareness of the Federal Republic. You, My Lord, and your colleagues are now embarked on a campaign to persuade the British people of the merits of our membership of the European Community. I suggest that the time has come also for a campaign to persuade the British people to think of themselves more as Europeans. Many of the instruments I have described would serve such a campaign. Thus presented, moreover, it is a campaign in which we can invoke the cooperation of the Federal German Government. We should do so at the highest level. Of course some of them will cost money and money is scarce. All of them cost enthusiasm, which is no less precious, but comes cheaper.

5. I therefore hope that the sort of measures that I outline in the memorandum could not only be endorsed by yourself and your colleagues in London but could also be one of the subjects discussed at the Anglo-German Consultations in the Spring.

6. I am sending copies of this despatch to the Secretaries of State for Defence, Trade, Industry, Energy, Scotland, Wales, Education and Science, and to the Lord President; to the Commanders-in-Chief Committee (Germany); to the General Officer Commanding, Berlin and Her Majesty's Consuls-General in the Federal Republic of Germany; and to the British Council representative in Cologne.

I have the honour to be
Your Lordship's obedient Servant

(Oliver Wright)

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MEMORANDUM BY HM EMBASSY, BONN

THE INSTRUMENTS OF ANGLO-GERMAN RELATIONS

The Embassy and the Consulates-General

1. The Federal Republic is an accessible but highly complex society. Direct contact between Departments in London and Departments in Bonn can be useful and productive. From the nature of things however it is only this Embassy and the Consulates-General which can see the German picture in the round, and convey it whole to London. Fortunately both the Embassy and the Consulates-General are used to the hilt as instruments of British policy in the Federal Republic. This is as it should be. There is no limit to the useful work to be done. There is unfortunately a clear limit to our ability, with reduced resources, to do it. The first priority is to restore, as soon as funds permit, the post of Press Counsellor at this Embassy.

British Forces Germany

2. The British Forces in Germany are the biggest single asset in our relations with the Germans - not just because of the vital evidence they provide of the sincerity and effectiveness of our strategic commitment to the central front. They provide massive opportunity for making contact with citizens of the FRG at all levels. The current admirable effort to help servicemen and their families to learn German and to meet Germans needs to be maintained and if at all increased. Talks to selected journalists by senior officers are well worthwhile. We need to increase the numbers of contacts between officers of BFG and their opposite numbers. The military exchange scheme needs to be used to the full. When senior visitors from London come out to visit British Forces Germany I hope that they will make a point of coming on to Bonn to see their German opposite numbers. The Forces Broadcasting Service needs to bear in mind that it may have a fairly sizeable audience of young Germans for its 'pop' programmes and of older ones for news and comment. Great effort has gone into showing consideration for the concerns and property of those private citizens whose land is used as exercise areas by British troops. This must be maintained. We have made good progress in improving British Forces Germany's 'image' in the Federal Republic, and Crusader 80 was a great success in this respect too. But we can never regard the PR job as done and in the years to come we shall not have such a major event around which to build. We must not merely maintain the effectiveness of British Forces Germany, we must be seen to maintain it if it is to serve as proof of our commitment and goodwill towards the Federal Republic.

British Council

3. The British Council is far and away our best civic instrument for promoting bilateral relations. The somewhat disproportionate cuts imposed on the Council's operation in the Federal Republic constituted, in my view, a policy of self-mutilation. We live in hard and hard-headed times. But we cannot expect to woo the Germans without Kultur, and here at least Kultur pays: in 1979 support for cultural manifestations cost the Council £70,000; German counterparts however paid about £965,000

for the British ventures. A large proportion of this will have been of direct benefit to British companies and artists. I believe our cultural effort is cost effective, and the Council's information work earns not only economic benefits (in technology, science, sales of books, and computer data bases) but also respect for Britain in influential groups in academic and government life. And my successors will be dependent upon the Council for the proper day to day use of many of the 'instruments' outlined in this memorandum.

The British-German Trade Council

4. The FRG is our biggest market. We sell £100 million a week here. The British-German Trade Council, although a brain-child of this Embassy, is now an independent body with nearly 600 members in the FRG, including both British subsidiaries and German companies. It is a British Chamber of Commerce in all but name and, as with most similar institutions abroad, is unlikely ever to become a power in the land. But it is in our interest to support its business and social activities; to promote the forum which it offers for the exchange of ideas; to encourage German membership, especially at the higher management level; and to use it occasionally as a platform for the expression of British ideas and policies. The Trade Council is already looking wider. It has taken an interest in ways to promote invisible as well as visible exports and liberalise the trading climate in this area.

The Anglo-German Foundation for the Study of Industrial Society

5. This was set up by inter-Governmental agreement and, though it is not perfect, it exists and should be used to maximum effect. In London it has the right political and technical support. The British trustees are well led. The German trustees need an infusion of new blood, a process which has already begun. Technical underpinning at the German end is not entirely satisfactory. The AGF publishes work, sometimes of high quality, on topics which are highly relevant to our national industrial future. It runs enlightening seminars. It serves as one channel of industrial policy transfer from this highly successful economy. It is above all a political symbol of joint endeavour and common economic interest. It underlines the fact that the UK and FRG are both primarily industrial states with more in common than they sometimes realise. But we need to breathe new ideas into the Foundation and encourage it to take on new topics while raising its standard of production and presentation. The newly appointed Secretary-General is likely to prove ambitious and imaginative but she will need help not only from my successor and his staff but also at the London end in giving the AGF the right political profile.

The Deutsche-Englische Gesellschaft

6. The Königswinter Conferences have long been one of the success stories of Anglo-German relations. The effort needs to be maintained to keep the conferences going at their present high level and to maintain their vitality. The Deutsche-Englische Gesellschaft's other activities however strike less of a chord in the Federal

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Republic. Eminent speakers find themselves addressing the usual small group of devotees. We should encourage the Deutsche-Englische Gesellschaft to reach out to the younger generations.

Wilton Park/EDC

7. Wilton Park was founded after the war to help reconcile Germans and British. It now includes participants from all OECD countries but is still potentially a significant factor in our bilateral relations with the FRG. It retains considerable prestige here but the list of its UK participants (overwhelmingly civil servants or from Shell and BP) suggests that it may have settled into an administratively comfortable middle-age. The European Discussion Centre has yet to acquire the prestige to attract unquestioning acceptances from senior or up-and-coming young Germans. Both institutions could benefit from weightier participation from the British side.

The Anglo-German Parliamentary Group

8. The German section of this is now re-forming after the elections here last year. The Group's most valuable function is the process of mutual education and stimulus between MPs and Bundestagabgeordneten. We need to see here not just the committed Europeans from Westminster but also the Atlanticists and even those who may reinforce the German preconceptions about our national insularity. Both sides might learn something from the exchange. This seems too to be one way in which links between Parties might be encouraged.

Town Twinning

9. We seem to be good at this. British partners are probably better than French at making it fun for all concerned. It is particularly cost effective and generates exactly the sort of grass roots involvement which has the greatest durability and long term political effect. A long list of German towns are still looking for British partners, but, as well as godfathering new partnerships, we should be encouraging more use of the twin relationship. This may make it possible to devolve much of the exchange business down to local level. Town twinning is probably the best framework for youth exchanges and for many exchanges in the fields of education, adult education, commercial and industrial training and local journalism. German towns would be enthusiastic and would probably put up talent and money to help good schemes. Indeed they might make their British twins feel poor relations (the Dortmund budget for the 1979 British Week was DM 3m). Fortunately it is enthusiasm not money that makes twinning work; but the enthusiasm may need ministerial showmanship to build it up.

Youth and Educational Exchanges

10. If we are to convince our partners that we are wholehearted Europeans, we must make more effort to learn their languages, and I suggest that particular effort should be put into increasing our knowledge of German. It is not for me to comment

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on school curricula in the UK, but the Franco-German youth exchange scheme claims to have organised 4 million exchanges over the last 15 years. How do we compare? More money may be needed. I hope it can be found. But the chief need is for enthusiasm. I suggest that we need to think of the central administration trying to set up not direct exchanges but direct relationships between schools, educational authorities, towns, voluntary agencies. We get the impression that there is relatively little twinning of schools in the state sector. Have we tried all the avenues that are open to us? The Army schools? The Headmasters' Conference? There are schools here which have active links with US schools but cannot find British partners. Are we using the town twinning links as much as we could?

Commercial/Industrial Links

11. The fact that the FRG is now Britain's largest market and that the total annual trade in goods between the two countries is now worth more than £10 billion automatically generates a great deal of contact in the commercial and industrial fields. The tendency to look towards Britain in the northern part of the country is still greater than it is in the south and the depth of commercial exchanges has perhaps not kept pace with the southward movement of the centre of economic gravity in the FRG. Moves to intensify relations should perhaps be strengthened especially in the south, therefore, but there is room for improvement throughout and at all levels: through apprentices and young engineers, through middle-management to top industrialists. The British-German Trade Council has been trying through its members to organise exchanges. Some British companies, such as Taylor Woodrow, and the Institute of Directors send middle-management teams on familiarisation visits to the FRG. Others might well be persuaded to follow this example by institutions such as the CBI. In the FRG, the Deutsches Institut für Foerderung des Industriellen Fuehrungsnachwuchses (DIF) and the Bundesverband Junger Unternehmer are possible counterparts.

Civil Service and other Exchanges

12. For some years the Procurement Executive of the Ministry of Defence has had an arrangement for the exchange of specialist staff with the Ministry of Defence here. More recently there have been highly successful exchanges between the Treasury and the Finance Ministry. Then last year a formal agreement was signed for exchanges of civil servants between Britain and the FRG. Particularly now that we have the framework I believe that we should make a determined effort to promote such exchanges and spread them further. The French have for years run elaborate and well publicised exchanges with the Germans, and, within the European Community links between functional Ministries play an ever more important bilateral and multilateral role. I see every advantage in giving British civil servants a greater knowledge of how their FRG counterparts operate and enabling them to forge personal links with officials in analagous departments here. Bonn Ministries are open and co-operative. After 6 months a British civil servant will leave knowing the system and armed for the future with a vastly improved ability to deal with the bureaucracy of our principal European partner. He will also have an invaluable knowledge of the German language. Now that these exchanges are on a firm footing they should be

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extended, eg to the Home Office in London and to the Interior Ministry here (the latter have shown interest), the research side of the Department of Industry and the Federal Ministry of Research and Technology, the MAFF and the Federal Ministry of Food, Agriculture and Forests. Energy and employment might be other useful fields at central government level as well as those where such exchanges are already taking place. Almost any area of central government could benefit. Moreover I suspect that the Scottish Office and the Land of Bavaria might find that they had interests and problems that they shared - or the Northern Ireland Office and one of the other Land governments. The direct costs of such exchanges are small. They can however be administratively awkward - political impetus remains necessary.

13. Exchanges at national level should also go beyond just the realm of governments. Over the years there has been deplorably little contact between the Trade Union Congress and the Deutsche Gewerkschaftsbund. In early May, after much persuasion, the Trade Union Congress are accepting a formal invitation to visit the Deutsche Gewerkschaftsbund. I hope it will be possible to build upon this eg with exchanges between Trade Union research workers. Should there not also be exchanges between the Bundesbank and the Bank of England, between the Confederation of British Industry and the Bundesverband deutscher Industrie, between professional organisations and between media networks? And why should there not also be exchanges at local government level?

Information Work

14. Too often we allow the respect in which Fleet Street and the BBC are held here to be used only to our disadvantage. We are a self-critical nation, and the Germans pick up the criticisms. We should also exploit this respect through exchange and training schemes. Because our resources are so limited we must make better use of the resources that are available. German correspondents in London must be treated as potential allies. They should be used, guided and given facilities. I am glad that much more attention is now being given to this. It pays off. German correspondents in Brussels also deserve special treatment. They form opinion here on Community and NATO affairs. One successful briefing trip to London for Community correspondents has already been organised and another is planned for later this year. There may also be scope for a visit by Brussels-based NATO and defence correspondents.

15. Otherwise our visits programme is aimed at influencing the leaders of tomorrow. The higher the quality of treatment that can be laid on for visitors in London, the nearer the top we can aim in making our selections and thus the higher the chances of picking the winners. This requires not merely a high calibre organisation in London but also the continuing support of Ministers in making time available to receive visitors from the FRG, whose goodwill and understanding will be for us a long term investment.

Scientific and Technical Collaboration

16. Substantial links already exist between the United Kingdom and FRG both bilaterally and in multilateral groupings (which tend to be a feature of high

technology). Nuclear power is a major area of collaboration, trilaterally (with the Dutch) on uranium enrichment and bilaterally on, eg fuel reprocessing. There are established links between nuclear safety authorities and frequent discussions take place on non-proliferation. In other high technology areas contacts exist in, eg industrial robots and science and technology planning and policy. The Micro-electronics Workshop at Sunningdale in March 1981 embraces bilateral activity at both official and technological levels which we hope will be extended to cover other fields. There are also well-established links between industrial organisations, eg between NCB and Ruhrkohle on coal R & D. We already derive considerable practical benefits from these contacts which, furthermore, help both governments tackle the technological challenge of the future. They also bring benefits to the general climate of the bilateral relationship. This is a good example of a range of existing activities where the threads need to be pulled together at a high level to get the full diplomatic benefit.

17. Our cooperation with the Germans (and indeed other European allies) on defence equipment projects is substantial. Tornado is the largest current example. While such projects are not an end in themselves I wonder whether we fully recognise, and give sufficient weight to, what the Statement on the Defence Estimates, 1980, referred to as the "long-term political, technical and military advantages", which flow from such cooperative ventures if they are carried through successfully. A project such as Tornado generates a wealth of industrial, administrative, military and personal contacts which will endure for 20 years or more, quite apart from its value in strengthening our industrial base and allied defence effectiveness. Should we not aim for greater Anglo-German cooperation in this field? I get the impression that in London defence procurement decisions are too often based on short-term economic considerations, and that we do not always make as great an effort as we might to agree a common operational requirement with our Allies. The French, by contrast, having recognised the longer-term advantages have clearly gone all out to identify and exploit all possible areas for Franco-German defence equipment cooperation, with considerable benefit to the wider Franco-German relationship.

Contacts by Officials

18. As will be apparent I see the improvement and solidifying of bilateral relations as a constant process of mutual education. Within this process visits by officials have an important role. So long as proposed visits here are properly planned and co-ordinated and have a purpose which cannot be as well achieved through this Embassy's efforts I see nothing but good in them. In some fields, eg the arrangement for annual bilaterals on information matters, the Germans appear to welcome a fixed framework. In the case of the annual meetings of the UK/German Economic Committee, however, it is we who are trying to make the most of the framework. The Committee's work is not spectacular but it does provide a forum in which the economic relationship as a whole can be viewed at one time and at regular intervals, bringing together all the interested parties in Whitehall and Bonn.

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It is for consideration whether Ministers at the UK/FRG consultations should not occasionally remit subjects to the Economic Committee for study.

19. The Mixed Commission for Cultural Matters might also be used to strengthen links. Our role in this Commission (in which we are represented by the British Council and some academics) is naturally somewhat diminished by our inability to undertake major financial commitments. I suspect, however, that this Commission may have an important role to play in orchestrating the instruments of the bilateral relationship at a level below that of Ministers.

Ministerial Contacts

20. It is often argued, particularly by German Ministers, that British and German ministers nowadays see plenty of each other in multilateral fora. I am convinced from experience, however, that there is no substitute for properly prepared bilateral ministerial meetings. Ministers need to visit the Federal Republic more often. Visits should not be held back to moments when there are disputes to resolve or hot issues to handle. Mr Howell's visit last year was most useful. Energy is an area in which we need to keep in particularly close touch with the Germans, and we would be delighted to see him here again. Sir G Howe's visit last year was first-class. We have just had Sir Keith Joseph and now the Home Secretary. I am delighted that you and Mr Prior are coming later in the spring. I very much hope that Mr Biffen and Mr Nott will be able to come here within the next few months.

21. Lastly, I should record my belief that the twice-yearly Consultations at Head of Government level are central to our relations with the Federal Republic. Good personal relations and mutual understanding on substance between Heads of Government are integral to the fabric of interlocking international structures within which we live. I propose no change in the informal nature of the present bilateral Consultations. They work well. But there is a need not only for the Heads of Government to reflect together on the big issues or crack the knotty problems of the day. The Consultations also serve as an irreplaceable forum for pulling together bilateral government activities as a whole - to get the diplomatic benefit of many of the activities described in this memorandum. Last and not least the Consultations serve to demonstrate as no other meeting can the health of the relationship overall. That is why it is so important that a wide spectrum of Ministers take part on both sides. Our relations with the Germans across the board must not only be good, they must be seen to be good both at home and abroad.

British Embassy
Bonn
February 1981

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Foreign and Commonwealth Office

London SW1A 2AH

9 November 1981

D J Wright Esq
CABINET OFFICE

h.s. - Am.

Dear David,

ANGLO-GERMAN SUMMIT: 18 NOVEMBER

As promised in my letter of 3 November I now
enclose a draft steering brief for discussion at
Sir Robert Armstrong's meeting on 10 November.

Yours ever,

Andrew

R A Burns
Private Secretary to the
Permanent Under Secretary

cc: PS/Sir Kenneth Couzens KCB
HM TREASURY
PS/Sir Frank Cooper GCB CMG
MINISTRY OF DEFENCE
PS/Sir Brian Hayes KCB
MAFF
PS/Sir Donald Maitland GCMG OBE
DEPARTMENT OF ENERGY
PS/Sir Kenneth Clucas KCB
DEPARTMENT OF TRADE
PS/Sir Peter Carey KCB
DEPARTMENT OF INDUSTRY
C A Whitmore Esq
10 DOWNING STREET



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ANGLO-GERMAN SUMMIT: 18 NOVEMBER

STEERING BRIEF

INTRODUCTION

1. This Summit will be the 10th in the series of regular six-monthly consultations at Head of Government level. As such, it provides a good opportunity for publicising the Anglo-German relationship and drawing attention to its breadth and depth. Given that the Summit occurs less than ten days before the European Council, and given also the importance of the Mandate negotiations and the key role that the Germans can play in them, Community issues are likely to predominate. But the Summit also occurs only a week before Brezhnev's visit to Bonn (22-25 November) and not long after Cancun. It could thus be an occasion for a useful exchange of views on both East-West and North-South topics.
2. Chancellor Schmidt will come to the Summit with domestic problems much on his mind. On the economic front there have been some positive signs, with export performance continuing to improve and interest rates easing. However, domestic demand remains depressed and industrial output is stagnating. There is a large balance of payments deficit. Unemployment is rising fast and there has been as yet no down turn in inflation. Growth prospects for 1982 have been revised downwards, necessitating further budgetary restraint. Previous attempts to reduce the large budget deficit have brought the governing coalition almost to the brink of collapse.

3. Politically too the coalition is in poor shape. Fundamental disagreements within the SPD over security policy, which cooled down in the summer, were brought to a new head by Chancellor Schmidt's handling of the giant peace demonstration in Bonn on 10 October. The rift in the party leadership - and in particular between Herr Schmidt and Herr Brandt - has widened. Herr Schmidt's heart operation, though it has at least temporarily muffled the dissonance within his party, has already raised doubts about his ability to continue to work at full pressure. The succession is now openly discussed. The FDP have not been able to insulate themselves from these problems. Although the coalition is unlikely to fall apart in the near future, Herr Genscher, whose stock is rising as that of Herr Schmidt falls, is coming under increasing pressure to reinsure with the CDU.

4. We have no bilateral problems with the Germans at present.

OBJECTIVES

5. Both sides will wish to use this occasion to promote closer relations at ministerial level, and to emphasise the extent to which British and German interests coincide. Both will want to discuss the following subjects in particular:

/a)

a) The Community

On the Mandate negotiations there is already considerable common ground on CAP reform, and the development of Community policies. On the Budget itself, our aim will be to seek German support for some constructive conclusions at the European Council, which will provide a basis for solving our budget problem. The Germans are seeking some recognition by the Commission of their high net contribution, but it is not clear how far they will be prepared to push their demand for a limit. We shall be seeking their support for our efforts to settle the revised CFP and their cooperation in promoting greater freedom of services, eg insurance. They will want our support for the new proposals for European Union which they are on the point of launching;

b) Prospects for nuclear arms control, in particular TNF, against the background of growing opposition (especially in the FRG but also elsewhere) to the deployment of US missiles in Europe. We shall want to discover how the Germans plan to handle this in the next two years, which are critical; they will want to compare notes on how to handle the American dimension;

c) Other Defence Issues

Each side may wish to explore the other's thinking on defence planning against a background of rising

/costs

costs, which is causing problems for both. The Germans will wish to encourage HMG not to reduce its contribution to the Central Region.

d) International Issues

Among the most acute are the problems of trans-Atlantic relations, the economic situation in Poland and elsewhere in Eastern Europe; and the likely policies of the new Greek Government in the Eastern Mediterranean, in NATO and in the Community.

STRATEGY AND TACTICS

6. It will be difficult to achieve our primary objective of winning German support for our approach to the Mandate negotiations. But our chances will improve the more we can demonstrate common ground on issues of concern to them, eg that we are serious about CAP reform and support the general thrust of their proposals for European Union (see Community Steering Brief).

7. In view of Herr Schmidt's domestic difficulties over TNF stationing, it will pay dividends if the Prime Minister can offer him public assurances that HMG remains committed to both elements of the NATO double decision and accepts the ''zero level outcome''

as the ideal result of negotiations, however unlikely to be achieved.

8. We are engaged with the Germans in discussion of ways of thickening up the bilateral relationship across the board. We are not yet ready to agree a formal declaration to that effect, but we have agreed with the Germans that we should take advantage of this being the tenth Summit in the series to issue a joint press statement by Heads of Government. This would record that they had discussed the state of the bilateral relationship and had instructed their officials to keep it under review, with the aim of reinforcing existing links and developing new ones, and to report progress to Heads of Government at a future Summit.

[Subject to
the Prime
Minister's
agreement]

RESUME OF BRIEFS

Brief No 2 European Community Questions

2(b) 30 May Mandate - other than CAP

We must continue to try to keep the Germans as far as possible in step with our overall approach, though there is clearly now little prospect of their endorsing the 'Hague Speech' ideas on the budget.

2(c) 30 May Mandate - CAP

Despite some differences of view on desirable methods of CAP reform, our basic approaches are not dissimilar.

2(d) Common Fisheries Policy

Since the mini-package of September included marketing and the EC/Canada agreement, the main bilateral Anglo-German bones of contention have been removed. We will therefore have no specific points to raise at the Summit beyond recalling the determination expressed by Member States at the October Council to make a major effort at the November Council to reach agreement on a revised CFP.

2(e) Enlargement of the Community

The Spaniards and Portuguese have been pressing for the European Council in November to make a positive statement on enlargement. Both we and the Germans are keen to oblige, but a previous attempt, at the March European Council, foundered on French objections. A draft may be discussed at the November Foreign Affairs Council.

2(f) EMS

The Germans may raise the question of sterling participation in the EMS exchange rate mechanism. The brief gives a line to take in response.

2(g) Internal Market of the Community

There is considerable current impetus, much of it from the Germans. We will wish to raise liberalisation of air transport, insurance and duty free allowances (we will

/lobby

lobby the Germans against their intended move to abolish duty-free privileges for intra-EC travellers in 1982, which could threaten duty-free shops throughout the EC).

2(h) Community Steel Policy

Important to maintain intact the package agreed at the 24 June Council, and to agree that we and the Germans should continue to press for the rigid enforcement of the steel aids decision. We believe that the financing of the steel social measures has been agreed in principle for 1981 and would hope to persuade the Germans of this. German views on the informal meeting of industry Ministers and steel objectives for 1982 will be welcomed. We will also emphasise the need for strict voluntary measures to restrain imports from third countries.

2(i) European Union

We will wish generally to welcome German ideas, but to reserve our position on the detailed proposals.

2(j) French Policy in Europe

On the agenda at German request: The Germans probably want our views on 'relance européenne', the apparent lack of cohesion in French policy-making under Mitterrand and French concentration in the economic field in combatting unemployment rather than inflation.

/2(k)

2(k) Greece after the October Election

The brief gives the composition of the new Greek Government. It deals with the likely policies of Mr Papandreu's Government towards the EC.

2(1) EC External Trade Issues

We agree with the Germans about the importance of resisting pressure on the open trading system. But at the same time we need to remind them of the importance of the Community taking a tough line on current issues such as imports of low cost textiles (including the MFA) and Japan if it is not to appear too insensitive to the difficulties facing domestic industry.

2(m) EC/Turkey (free movement of labour)

The Germans, with 1.5 million Turks, want to ensure that the forthcoming Community examination is carried out on a very restrictive basis and want early discussion to that end. We sympathise but prefer to leave it to them to make the running.

Brief No 3: East/West Relations

The Summit will provide a useful opportunity to ask the Germans what they expect to achieve during Brezhnev's visit to Bonn the following week. The Prime Minister

may wish to refer to the recent Haig/Gromyko meetings in New York, and to welcome their commitment to hold a further meeting in the New Year. The Prime Minister may also wish to have an exchange of views with the Chancellor about the Polish situation and discuss the question of further Western economic assistance to Poland. On the gas pipeline deal we will want to tell the Germans that we accept their assessment that their vulnerability will not be increased.

Brief No 4: The European/US Relationship

The Europeans and the US share views on the broad political ends to be attained, though there are inevitably differences of emphasis. These include the development of relationships with the USSR post-Afghanistan and the best approach towards peace in the Middle-East. There are differences also in the trade field. Nonetheless, the broad picture is one of close cooperation in the defence, political and indeed economic fields.

Brief No 5: Defence Matters

The defence brief underlines HMG's continued commitment to the TNF modernisation decision and explains our strategy for handling public opposition to nuclear weapons. It also explains the thinking behind the defence programme review, and makes the point that there have been no cuts in the defence budget. It emphasises the importance of avoiding invidious public comparisons of our respective defence

/efforts

efforts while at the same time expressing concern that NATO should not resile from its defence expenditure target if Alliance credibility is to be maintained.

Brief No 6: Arms Control and Disarmament

The main items covered in the Arms Control brief are TNF, SALT, CDE and MBFR. On TNF, the brief emphasises our common interest in looking beyond the resumption of negotiations and in deciding how best to handle European public opinion. On CDE, it stresses the importance of firmness in order to maintain Alliance cohesion at Madrid. On MBFR, it underlines the UK's support for the continuation of the negotiations on present lines.

Brief No 7(a): Afghanistan

We are working with the Pakistanis to get maximum support for the Islamic countries' draft UN resolution. Thereafter we may need to promote other means of keeping the issue alive. For example, more might be made of the refugee problem.

Brief No 7(b): Near East and Lebanon

(i) Near East

We shall wish to review the progress of European diplomacy on Arab/Israel and share assessments of Egypt post-Sadat. We might seek German help

/in

in countering criticism in the Arab world of European participation in Sinai Peace-keeping Force, if a final decision has been reached.

(ii) Lebanon

We have a common interest in progress towards restoring peace in both Central and South Lebanon, and in reiterating what can be done to support Lebanese government.

Brief No 7(c): Saudi Arabia and The Gulf States

Progress of the Gulf Co-operation Council is encouraging; its coverage of defence and security matters is welcome. Saudi Middle East mediation is positive; but as with Oman, greater US expectations may cause problems. Prince Fahd visited Bonn on 28 October. Lord Carrington was in Riyadh on 4/5 November.

Brief No 7(d): Iran/Iraq

There is no indication that Iran is willing to compromise on a peace settlement with Iraq following the former's success at Abadan. The pressure is now on Saddam Hussein to stop the military rot and maintain his domestic position. There has been a recent drop in political violence in Iran. The Islamic Republican Party is still consolidating its position.

/7(e)

Brief No 7(e): Southern Africa/Namibia

We need to maintain a common approach to Southern African problems and in particular to minimise the risk of any divergence among the Five over policy on Namibia.

Brief No 7(f): Eastern And Central Africa (Zimbabwe, Uganda, etc)

Kenya/Tanzania/Uganda relations are better than for some years. Kenya is still basically stable and prosperous, but there are acute economic problems in Tanzania and Uganda. Nyerere is quarelling with IMF over devaluation, but Obote's economic policies are on right lines and HMG is supporting him - army indiscipline is a more serious threat than guerillas. In Zimbabwe Mr Mugabe is in firm control, the security situation is calm and the main problems are now economic.

Brief No 7(g): Central America (Including US/Latin American Relations, Belize and Caribbean Basin Development Plan)

We will wish to minimise the difference between ourselves and the US on policy towards Latin America. On El Salvador we will want to support the common EC position of calling for a political settlement and an end to the violence. The idea of a new EC relationship with Central America is interesting but we see

/difficulties

difficulties.. We are grateful for German support for independence of Belize: is there any prospect of bilateral aid? We will wish to seek German views on the Caribbean Basin Initiative?

Brief 7 (h): Cyprus and Eastern Mediterranean

Rapidly moving situation. Resumé to follow.

Brief No 7(i): Libyan Activities in Sub-Saharan Africa

We are concerned about Qadhafi's mischief-making in Africa and elsewhere, but pleased that Libyan troops may now be pulling out of Chad. But how long if an OAU peace-keeping force does not fill the void? Other countries are alarmed at Libyan subversive activities, but Qadhafi will be the next chairman of the OAU: Do the Germans have any views on how the African states might be persuaded to rein in Qadhafi?

Brief No 8(j): CHOGM

Forty-one countries were represented at the Commonwealth Heads of Government Meeting held in Melbourne from 30 September to 7 October. Heads of Government had a useful exchange of views, principally on North/South economic matters, and Southern Africa. A 'Melbourne Declaration', designed to 'revitalise the dialogue between developed and developing countries' was drawn up (with varying degrees of enthusiasm), and a Communiqué issued.

/Brief

Brief No 7(k): UNLOSC

The FRG has a short coastline with limited continental shelf and claims that it would gain little from a Convention on current lines except as regards deep seabed mining. The Germans are therefore inclined to give stronger support than the UK to any US attempts to 'improve' deep sea mining provisions which emerge from US Review. German opinion about the Convention is likely to become more favourable following the selection by the Conference in August of Hamburg as the seat of the Law of the Sea Tribunal.

BRIEF NO 7(1): FOLLOW UP TO OTTAWA DECLARATION ON
HIJACKING

Rapidly moving situation. Resumé to follow.

BRIEF NO 8: RELATIONS WITH DEVELOPING COUNTRIES

The Summit will provide an opportunity to review relations between developed and developing countries in the light of the Cancun Summit and the prospects for launching Global Negotiations at New York.

BRIEF NO 9: INTERNATIONAL ECONOMIC AND MONETARY QUESTIONS
(INCLUDING PROSPECTS IN UK AND FRG)

Leading industrial nations of Europe and North America (FRG included) can look forward to only a gradual recovery from recession in 1982. Generally restrictive policies are being followed, notably by FRG and US as well as UK. Inflation is proving stubborn and unemployment is still rising. Recent reunification of OPEC oil prices should have a stabilising effect on world energy costs.

BRIEF NO 10: OECD SECRETARY-GENERAL

The Germans may request support for Frau Steeg, their candidate for the impending vacancy for OECD Secretary-General. A non-committal reply is recommended.

BRIEF NO 11: UK/FRG BILATERAL RELATIONS

British objectives are:

to promote industrial collaboration in those fields where

seems possible (biotechnology, microelectronics, space and energy); to assess the latest German attitude towards participation in the single-aisle A320 project and ask how soon a decision on support for the participation of Deutsche Airbus may be made; to gain publicity for and put political impetus behind the exercise we are engaged in with the Germans of examining, improving and expanding the instruments of Anglo-German relations.

BRIEF NO12: FRG SCENE

(a) Political

Coalition showing signs of losing momentum; widespread feeling that it is time for a change. So long as Schmidt remains Chancellor it should manage to hold together until 1984. Biggest problem is over TNF.

(b) Economic

Positive signs on exports and interest rates, but domestic demand and industrial output depressed, unemployment rising and inflation not yet falling. Growth prospects for 1982 have been revised downwards; fears exist that recovery may not be sustained.

BRIEF NO 13: NATIONAL ECONOMIC MANAGEMENT IN THE
UNITED KINGDOM

The Brief contains background information on recent economic developments and policy in the UK. We shall wish to impress upon the Germans the strength of the Government's commitments to firm and balanced monetary and fiscal policies and to present the evidence for an improvement in the British economy.

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Alan
Logan



file 16

10 DOWNING STREET

From the Private Secretary

MS

SIR ROBERT ARMSTRONG

ANGLO-GERMAN SUMMIT: 18 NOVEMBER

The Prime Minister has seen your minute to me of 5 November on this subject. She is in general content with the proposals in it and with the attachment. However, she has commented that she intends to range more widely in her discussions with the Federal Chancellor than your minute envisages, particularly where the world economic scene is concerned.

M. O'D. B. ALEXANDER

9 November 1981

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Cabinet Office,
70 Whitehall,
London, SW1
9th November 1981

PS(81) 29

Dear Private Secretary,

Anglo-German Summit - 18th November

This letter sets out the briefing arrangements for the forthcoming Anglo-German Summit on 18th November.

The objectives for the visit have been approved by the Prime Minister and are set out 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. Those preparing briefs should note carefully the details on the format of briefs set out in Annex C, particularly (b) on the structure of briefs.

70 copies of each brief should be sent to the Cabinet Office as soon as they are ready, and should in any event arrive no later than 12.00 noon on Friday, 13th November. They should be addressed to Mr W Ewing in Committee Section, who should be consulted (tel. no. 233 7628) about any technical points arising.

The Foreign and Commonwealth Office have already circulated a draft steering brief which is to be discussed at Sir Robert Armstrong's meeting tomorrow, Tuesday, 10th November.

I am sending copies of this letter to the Private Secretaries to Sir Ian Bancroft, Sir Michael Palliser, Sir Douglas Wass, Sir Frank Cooper, Sir Kenneth Clucas, Sir Peter Carey, Sir Brian Hayes, Sir Kenneth Barnes, Sir Douglas Lovelock and Mr. Robin Ibs, and to Michael Alexander, No. 10.

Yours sincerely,

(Signed) D. J. WRIGHT

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ANGLO-GERMAN SUMMIT: 18th NOVEMBER

PRIMARY UNITED KINGDOM OBJECTIVES

1. To use this occasion (the tenth in the series of formal Anglo-German Summits) to promote closer working relationships with the Germans at Ministerial level and to draw public attention to the similarities of Anglo-German views and interests.
2. To keep the Germans as far as possible in step with the British approach to the Mandate negotiations. To obtain German support for our efforts to settle the revised Common Fisheries Policy. To press our interests on other current Community topics.
3. To discuss prospects for nuclear arms control, in particular TNF, in the light of the NATO 'double decision', of December 1979.

SUBSIDIARY UNITED KINGDOM OBJECTIVES

4. To emphasise that the United Kingdom, like the Federal Republic of Germany, is prepared to adopt tough and painful economic policies where they are necessary.
5. To emphasise the importance of the British role in European defence and the need for a close relationship between the two countries in the defence field.
6. To harmonise views on transatlantic and East-West relations, with particular regard to Poland and the CSCE meeting in Madrid.
7. To reach a common assessment of the international economic situation, including energy prospects and policies and our relationship with development countries and Japan.
8. To give a boost to existing or potential Anglo-German co-operative projects, including telecommunications, Airbus, coal processing development and defence equipment collaboration.
9. To continue our close co-operation with the Germans on Southern Africa, particularly in the context of the Western Contact Group on Namibia.
10. To respond as positively as possible to the German ideas on "European Union".

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ANGLO-GERMAN SUMMIT: 18th NOVEMBER

LIKELY GERMAN OBJECTIVES

1. To make it clear that for the Federal Republic a satisfactory solution on the Mandate will need to include some restriction on the level of the German net contribution; while seeking to maintain already established common ground with us on CAP reform.
2. To seek United Kingdom support for their European Union proposals.
3. To review and reach the widest possible agreement on:-
 - (i) current world political issues (especially East/West, Poland, arms control, Middle East, Southern Africa); and
 - (ii) current world economic issues (especially United States and French economic policies, OPEC, inflation and unemployment, and North/South), bearing in mind the growing importance of Western solidarity and the risk of divergence between United States and European policies in several areas.
4. To explore possible developments in United Kingdom defence policy, particularly in the light of the recent defence programme review, and to encourage Her Majesty's Government not to reduce its contribution to the Central Region.
5. Further to improve and strengthen their relationship with Her Majesty's Government and to get to know more closely the new Ministers in the British team, building on the success of the Chequers Consultations in May 1981 and on the growing community of interest between the two Governments.
6. To assess for themselves the prospects for Her Majesty's Government's economic policies.

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ANGLO-GERMAN SUMMIT: 18th NOVEMBER

PROPOSED LIST OF BRIEFS

<u>PMVQ(81)</u>	<u>Lead Department</u>	<u>In Consultation with</u>
1. Steering Brief	FCO (WED)	As appropriate
2. European Community Questions		
a. Steering Brief on the European Community	FCO /ECD(I)/	MAFF, Treasury Trade
b. 30th May Mandate - other than CAP	FCO /ECD(I)/	Treasury, MAFF
c. 30th May Mandate - CAP	MAFF	FCO/ECD(I) Treasury
d. Common Fisheries Policy	MAFF	FCO/ECD(I)
e. Enlargement of the Community	FCO /ECD(E)/	Treasury, Trade, MAFF, Employment
f. EMS	Treasury	FCO/ECD(I)/ESID/
g. Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)	Trade	FCO/ECD(I) MAFF, Industry, Customs and Excise
h. Community Steel Policy	Industry	FCO/ECD(I)
i. European Union	FCO /ECD(E)/	MOD
j. French Policy in Europe	FCO /ECD(I)/WED/	
k. Greece after the 18th October Election	FCO/SED/	
l. External Trade Issues (including MFA, EC/Japan)	Trade	FCO/ECD(E)/TRED/ Treasury
m. EC/Turkey (free movement of labour)	Employment	FCO/ECD(E)
3. East/West Relations	FCO/EESD/	MOD, Trade
4. The European/US Relationship	FCO/NAmd/	MOD
5. Defence Matters	MOD	FCO/Defence Dept/

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<u>PMVQ(81)</u>	<u>Lead</u> <u>Department</u>	<u>In Consultation</u> <u>with</u>
6. Arms Control and Disarmament	FCO/ <u>Defence</u> <u>Dept.</u>	MOD
7. World Political Issues		
a. Afghanistan	FCO/ <u>SAD</u>	
b. Near East and Lebanon	FCO/ <u>NENAD</u>	
c. Saudi Arabia and the Gulf States	FCO/ <u>MED</u>	
*d. Iran/Iraq	FCO/ <u>MED</u>	
*e. Southern Africa/Namibia	FCO/ <u>SAFD</u>	
*f. Eastern and Central Africa (Zimbabwe, Uganda, etc)	FCO/ <u>EAD/CAFD</u>	
*g. Central America (including US/ Latin American Relations, Belize and Caribbean Basin Development Plan)	FCO/ <u>MCAD</u>	
*h. Cyprus and Eastern Mediterranean	FCO/ <u>SED</u>	
*i. Libyan activities in Sub-Saharan Africa	FCO/ <u>NENAD</u>	
*j. CHGM	FCO/ <u>CCD</u>	
*k. UNLOSC	FCO/ <u>MAED</u>	
*l. Follow up to Ottawa Declaration on Hi-jacking	FCO/ <u>MAED</u>	
8. Relations with Developing Countries	FCO/ODA <u>ERD/APD</u>	
9. International Economic and Monetary Questions	Treasury	FCO/ <u>ESID/ERD</u>
10. OECD- Secretary General	FCO/ <u>ERD</u>	Treasury
11. UK/FRG Bilateral Relations	FCO/ <u>WED</u>	As appropriate
*12. FRG Scene		
a. Political	FCO/ <u>WED</u>	
b. Economic	Treasury	

* Background briefs

ANNEX CINSTRUCTIONS 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 pay particular attention to ensuring that the following instructions are fully observed:

Content

- (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 with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.

Layout

- (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) As shown in the specimen at Annex D, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (e.g. PMVQ(81) 10) with the date of production below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on white paper, with each page bearing a security classification at top and bottom (as in Annex D). Care should be taken that the reproduction method employed results in clear readable copies.

- (h) It is important that on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the form described at (e) above, with the brief number (e.g. PMVQ(81) 10 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. Revised briefs and corrigenda should be similarly treated.
- (j) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.

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ANNEX D

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVQ(81) Serial Number as specified in Annex B COPY NO. in red

Date

ANGLO-GERMAN SUMMIT
18th NOVEMBER 1981

Leave 1½"
margin

SUBJECT Insert subject in capitals

Brief by name of originating Department, eg Foreign and Commonwealth Office

At the foot of the last page:-
left-hand side

Originating Government Department, eg Foreign and Commonwealth Office or Department of Industry, not a subordinate section or division

Date of origin

CLASSIFICATION

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Prime Minister

①

MR. ALEXANDER

Content with suggestions
paras 4 & 5.
see note
Amb. mt

Anglo-German Summit: 18th November

With my minute of 16th October, I enclosed proposals for the agenda, objectives and briefs for this Summit which has been postponed from 29th-30th October to 18th November.

2. The Prime Minister has agreed to take a team of six Ministers with her and the Foreign and Commonwealth Office have now confirmed that in addition to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Minister of Agriculture and the Secretaries of State for Defence, Trade and Industry are available to travel to Bonn.

3. Arrangements for the Summit are as follows. The bulk of the British party will fly out to Bonn on the evening of 17th November. They will have supper on the aircraft. There will be opportunity for final briefing on arrival at the Ambassador's residence. The Foreign and Commonwealth Secretary will not arrive in Bonn until first thing on the morning of 18th November as he will be in Strasbourg the previous evening for the colloquy with the European Parliament. The morning of 18th November will be taken up with individual bilateral discussions between the various Ministers. The Foreign Ministers will join the Prime Minister and Chancellor Schmidt after the latter have had a tete-a-tete of an hour or so. Luncheon will be a gala affair hosted by the Federal Chancellor. In the afternoon there will be a plenary session, followed by a Press conference. The party will leave Bonn in time to get back to London for dinner.

4. The list of subjects for discussion remains similar to that circulated with my minute of 16th October. I attach a revised list at Annex A. It is still very long, reflecting a not untypical German enthusiasm to cover a lot of ground in spite of the fact that the Summit will now be shorter than originally planned. Many of the topics for discussion will have to be covered by the Ministers accompanying the Prime Minister, in their bilaterals with their German counterparts. I will ask the Foreign and Commonwealth Office

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to pursue this point further with the Germans, and the exact division of topics can be finalised at the Prime Minister's briefing meeting. For the moment, however, we envisage that in her tete-a-tete with the Federal Chancellor, the Prime Minister will probably wish to concentrate on Community questions such as the Mandate, the Internal Market, European Union, French policy and the aftermath of the Greek elections; West-West and East-West relations; SALT; International Economic Questions and Bilateral Relations. The lists of objectives also submitted with my minute of 16th October remains unchanged. The proposed list of briefs has been amended to take account of some of the minor changes in the list of subjects for discussion. I attach a copy at Annex B. Provided you agree, I will arrange for the briefs to reach you by close of play on Friday, 13th November.

5. The briefing meeting for the Anglo-German Summit is to take place at 4.30 pm on Tuesday, 17th November. I recommend that the Ministers who will be accompanying the Prime Minister to Bonn should be invited to attend, notably the Chancellor of the Exchequer, the Minister of Agriculture and the Secretaries of State for Defence and Industry. The Foreign and Commonwealth Secretary and the Secretary of State for Trade will be in Strasbourg and Luxembourg respectively on 17th November and will not therefore be available for the briefing meeting. You will probably therefore wish to arrange for the Prime Minister's programme on 18th November to include a brief discussion with Lord Carrington after his arrival in Bonn. As for officials, I would suggest that the following be invited to attend: Mr. Franklin and me from the Cabinet Office; Sir Michael Palliser and Mr. Bullard from the Foreign and Commonwealth Office; Sir Kenneth Couzens from the Treasury; Sir Frank Cooper from the Ministry of Defence; Mr. Gill from the Department of Industry and Miss Lackey from the Department of Trade.

REA

Robert Armstrong

5th November 1981

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No - much more likely to discuss the West and economic issues.

ANGLO-GERMAN SUMMIT: 18 NOVEMBER

LIST OF SUBJECTS FOR DISCUSSION

1. European Community Questions

- (a) 30 May Mandate
- (b) Common Fisheries Policy
- (c) Enlargement of the Community
- (d) The Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)
- (e) Community Steel Policy
- (f) European Union
- (g) French Policy in Europe
- (h) Greece after the 18 October Election
- (i) External trade issues (including MFA, EC/Japan, Export Credit Consensus)
- (j) EC/Turkey (free movement of labour)

2. West/West and East/West Questions

- (a) The European-US relationship
- (b) Preview of the Brezhnev visit to Bonn
- (c) The situation in and around Poland (including economic assistance)
- (d) East/West Economic Relations
- (e) Berlin

3. Defence/Arms Control

- (a) UK Defence Programme
- (b) FRG Defence Programme
- (c) ERWs
- (d) Spain/NATO
- (e) Greece/NATO
- (f) CSCE/CDE

- (g) MBFR
- (h) SALT/LRTNF (including NATO public presentation initiatives and assessment of the peace movement in the Alliance)
- (i) Defence equipment collaboration

4. World Political Issues

- (a) Afghanistan
- (b) Near East and Lebanon
- (c) Saudi Arabia and the Gulf States
- (d) Iran/Iraq
- (e) Southern Africa/Namibia
- (f) East and Central Africa (Zimbabwe, Uganda, etc)
- (g) Central America (including US/Latin America Relations, Belize and Caribbean Basin Development Plan)
- (h) Cyprus and Eastern Mediterranean
- (i) Libyan Activities in sub-Saharan Africa
- (j) CHOGM
- (k) UNLOSC
- (l) Follow-up to Ottawa Declaration on Hijacking

5. International Economic Questions

- (a) North-South (Post Cancun)
- (b) International Economic Questions (including prospects in UK and FRG)
- (c) International Monetary Questions
- (d) Energy

6. Bilateral Relations

- (a) Intensification of UK/FRG Bilateral relations (including cooperation in the fields of research and technology, industrial collaboration, Airbus, industrial training, Anglo-German Foundation)

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ANGLO-GERMAN SUMMIT: 18 NOVEMBER

PROPOSED LIST OF BRIEFS

	<u>Lead Dept</u>	<u>In Consultation With</u>
1. Steering Brief	FCO [WED]	As appropriate
2. European Community Questions		
a. Steering Brief on the European Community	FCO [ECD(I)]	MAFF, HM Treasury DOT
b. 30 May Mandate - other than CAP	FCO [ECD(I)]	HM Treasury, MAFF
c. 30 May Mandate - CAP	MAFF	FCO [ECD(I)] HM Treasury
d. Common Fisheries Policy	MAFF	FCO [ECD(I)]
e. Enlargement of the Community	FCO [ECD(E)]	HM Treasury, DOT, MAFF, D/Employment
f. EMS	HM Treasury	FCO [ECD(I)/ESID]
g. Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)	DOT	FCO [ECD(I)], MAFF, DOI, HM Customs and Excise
h. Community Steel Policy	DOI	FCO [ECD(I)]
i. European Union	FCO [ECD(E)]	MOD
j. French Policy in Europe	FCO [ECD(I)/WED]	
k. Greece after the 18 October Election	FCO [SED]	
l. External Trade Issues (including MFA, EC/Japan, export credit consensus)	DOT	FCO [ECD(E)/TRED] HM Treasury
m. EC/Turkey (free movement of labour)	D/Employment	FCO [ECD(E)]
3. East/West Relations	FCO [EESD]	MOD, DOT
4. The European/US Relationship	FCO [NAMD]	MOD
5. Defence Matters	MOD	FCO [Defence Dept]
6. Arms Control and Disarmament	FCO [Defence Dp]	MOD
7. World Political Issues		
a. Afghanistan	FCO [SAD]	
b. Near East and Lebanon	FCO [NENAD]	
c. Saudi Arabia and the Gulf Sts	FCO [MED]	
d. Iran/Iraq	FCO [MED]	

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*e. Southern Africa/Namibia	FCO [SAFD]	
* Eastern and Central Africa (Zimbabwe, Uganda, etc)	FCO [EAD/CAFD]	
*g. Central America (including US/Latin American Relations, Belize and Caribbean Basin Development Plan)	FCO [MCAI]	
*h. Cyprus and Eastern Mediterranean	FCO [SED]	
*i. Libyan activities in sub- Saharan Africa	FCO [NENAD]	
*j. CHOGM	FCO [CCD]	
*k. UNLOSC	FCO [MAED]	
*l. Follow-up to Ottawa Declaration on Hijacking	FCO [MAED]	
8. Relations with Developing Countries	FCO / ODA	[ERD/APD]
9. International Economic and Monetary Questions	HM Treasury	FCO [ESID/ERD]
10. Energy	D/Energy	FCO [ESSD] HM Treasury
11. UK/FRG Bilateral Relations	FCO [WED]	As appropriate
12. FRG Scene		
a. Political	FCO [WED]	
b. Economic	HM Treasury	
13. National Economic Management in the United Kingdom	HM Treasury	

* Background Briefs

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h.c. Smith *Personnel Dept.*



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

(2)

To Mr

Smith

3 November 1981

[Handwritten flourish]

Dear Michael,

Anglo-German Summit

Thank you for your letter of 29 October about the size of the ministerial team for the forthcoming Anglo-German Summit.

We have now established that the Chancellor of the Exchequer, the Minister of Agriculture and the Secretaries of State for Defence, Trade and Industry are free to travel to Bonn in addition to the Foreign and Commonwealth Secretary. The Secretaries of State for Energy and Employment will not now be participating.

I am sending a copy of this letter to David Wright (Cabinet Office) and to the Private Secretaries of all the above-named ministers.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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Copied to
Admin file
Germany

Foreign and Commonwealth Office

London SW1A 2AH

3 November 1981

D J Wright Esq
CABINET OFFICE

AKH
Wright
R. Whitmore & Co.
fs
3/11

Dear David,

ANGLO-GERMAN SUMMIT: 18 NOVEMBER

1. As you know, the Summit has been postponed until 18 November. The purpose of this letter is to tie up any loose ends before Sir Robert Armstrong's commissioning letter issues.
2. The Prime Minister has agreed to take a team of six Ministers or thereabouts and we have established that, in addition to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Minister of Agriculture and the Secretaries of State for Defence, Trade and Industry are free to travel to Bonn. A letter about this is going to No 10.
3. Planned arrangements for the Summit are as follows. The bulk of the British party will fly out to Bonn on the evening of 17 November. They will have supper on the aircraft. There will be opportunity for final briefing on arrival over drinks at the Ambassador's residence. (The Prime Minister's London briefing session will, as you know, be held at 4.30 pm on 17 November.) The Foreign and Commonwealth Secretary will not arrive in Bonn until first thing on the morning of 18 November as he will be in Strasbourg the previous evening for the colloquy with the European Parliament. The morning of 18 November will be taken up with individual bilateral discussions between the various Ministers. The Foreign Ministers will join the Prime Minister and Chancellor Schmidt after the latter have had a tête-à-tête of an hour or so. Luncheon will be a gala affair hosted by the Federal Chancellor. In the afternoon there will be a plenary session, followed by a press conference. The party will leave Bonn in time to get back to London for dinner.

/4.



4. The list of subjects for discussion remains largely unchanged from that circulated under cover of my letter to you of 9 October. The only additions are European Community/Turkey (free movement of labour), Greece/NATO, and follow-up to the Ottawa Declaration on Hijacking, the first at German request, the second and third at ours. The Germans have also proposed (and we have agreed) deletion of the (now out-dated) topic, 'Evaluation of the talks on East/West issues held in the margins of the UNGA'. This leaves us with the list in Annex A, though naturally by no means all of these should take up the time of the Prime Minister and Chancellor Schmidt themselves.
5. The list of briefs requires consequential amendments and I enclose a revised version at Annex B.
6. The assessment of United Kingdom and likely German objectives which were enclosed at Annexes B and C to Julian Bullard's letter of 29 September to Sir Robert Armstrong - as amended by subsequent correspondence resting with my other two letters to you of 9 October - remain unchanged.
7. I understand that the meeting of Permanent Secretaries to discuss the draft steering brief is now to be held on the afternoon of 10 November. We shall ensure that the draft is circulated in good time before this meeting.

*Y
Laurie, esq.
Andrew*

R A Burns
Private Secretary to the
Permanent Under Secretary

cc: PS/Sir Douglas Wass GCB
HM TREASURY

PS/Sir Brian Hayes KCB
MAFF

PS/Sir Frank Cooper GCB CMG
MINISTRY OF DEFENCE

PS/Sir Kenneth Clucas KCB
DEPARTMENT OF TRADE

PS/Sir Peter Carey KCB
DEPARTMENT OF INDUSTRY

PS/Sir Donald Maitland GCMG OBE
DEPARTMENT OF ENERGY

C A Whitmore Esq
10 DOWNING STREET



ANGLO-GERMAN SUMMIT: 18 NOVEMBER

LIST OF SUBJECTS FOR DISCUSSION

1. European Community Questions

- (a) Adjustment of the structure of the EC budget and the CAP (30 May Mandate)
- (b) Common Fisheries Policy
- (c) Enlargement of the Community
- (d) The Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)
- (e) Community Steel Policy
- (f) European Union
- (g) French Policy in Europe
- (h) Greece after the 18 October Election
- (i) External trade issues (including MFA, EC/Japan, Export Credit Consensus)
- (j) EC/Turkey (free movement of labour)

2. West/West and East/West Questions

- (a) The European-US relationship
- (b) Preview of the Brezhnev visit to Bonn
- (c) The situation in and around Poland (including economic assistance)
- (d) East/West Economic Relations
- (e) Berlin

3. Defence/Arms Control

- (a) UK Defence Programme
- (b) FRG Defence Programme
- (c) ERWs
- (d) Spain/NATO
- (e) Greece/NATO
- (f) CSCE/CDE

- (g) MBFR
- (h) SALT/LRTNF (including NATO public presentation initiatives and assessment of the peace movement in the Alliance)
- (i) Defence equipment collaboration

4. World Political Issues

- (a) Afghanistan
- (b) Near East and Lebanon
- (c) Saudi Arabia and the Gulf States
- (d) Iran/Iraq
- (e) Southern Africa/Namibia
- (f) East and Central Africa (Zimbabwe, Uganda, etc)
- (g) Central America (including Belize and Caribbean Basin Development Plan)
- (h) EC/Latin America and US/Latin America Relations
- (i) Cyprus and Eastern Mediterranean
- (j) Libyan Activities in sub-Saharan Africa
- (k) CHOGM
- (l) UNLOSC
- (m) Follow-up to Ottawa Declaration on Hijacking

5. International Economic Questions

- (a) North-South (Post Cancun)
- (b) International Economic Questions (including prospects in UK and FRG)
- (c) International Monetary Questions
- (d) Energy

6. Bilateral Relations

- (a) Intensification of UK/FRG Bilateral relations (including cooperation in the fields of research and technology, industrial collaboration, Airbus, industrial training, Anglo-German Foundation)

ANGLO-GERMAN SUMMIT: 18 NOVEMBER

PROPOSED LIST OF BRIEFS

	<u>Lead Dept</u>	<u>In Consultation With</u>
1. Steering Brief	FCO [WED]	As appropriate
2. European Community Questions		
a. Steering Brief on the European Community	FCO [ECD(I)]	MAFF, HM Treasury DOT
b. 30 May Mandate	FCO [ECD(I)]	HM Treasury, MAFF
c. CAP Reform	MAFF	FCO [ECD(I)] HM Treasury
d. Common Fisheries Policy	MAFF	FCO [ECD(I)]
e. Enlargement of the Community	FCO [ECD(E)]	HM Treasury, DOT, MAFF, D/Employment
f. EMS	HM Treasury	FCO [ECD(I)/ESID]
g. Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)	DOT	FCO [ECD(I)], MAFF, DOI, HM Customs and Excise
h. Community Steel Policy	DOI	FCO [ECD(I)]
i. European Union	FCO [ECD(E)]	MOD
j. French Policy in Europe	FCO [ECD(I)/WED]	
k. Greece after the 18 October Election	FCO [SED]	
l. External Trade Issues (including MFA, EC/Japan, export credit consensus)	DOT	FCO [ECD(E)/TRED] HM Treasury
m. EC/Turkey (free movement of labour)	D/Employment	FCO [ECD(E)]
3. East/West Relations	FCO [EESD]	MOD, DOT
4. The European/US Relationship	FCO [NAmD]	MOD
5. Defence Matters	MOD	FCO [Defence Dept]
6. Arms Control and Disarmament	FCO [Defence Dp]	MOD
7. World Political Issues		
a. Afghanistan	FCO [SAD]	
b. Near East and Lebanon	FCO [NENAD]	
c. Saudi Arabia and the Gulf Sts	FCO [MED]	
d. Iran/Iraq	FCO [MED]	

*e. Southern Africa/Namibia	FCO [SAfD]	
*f. Eastern and Central Africa (Zimbabwe, Uganda, etc)	FCO [EAD/CAfD]	
*g. Central America (including Belize and Caribbean Basin Development Plan)	FCO [MAD]	
*h. EC/Latin America and US/ Latin American relations	FCO [SAmD]	
*i. Cyprus and Eastern Mediterranean	FCO [SED]	
*j. Libyan activities in sub- Saharan Africa	FCO [NENAD]	
k. CHOGM	FCO [CCD]	
*l. UNLOSC	FCO [MAED]	
*m. Follow-up to Ottawa Declaration on Hijacking	FCO [MAED]	
8. Relations with Developing Countries	FCO / ODA	[ERD/APD]
9. International Economic and Monetary Questions (including prospects in UK and FRG)	HM Treasury	FCO [ESID/ERD]
10. Energy	D/Energy	FCO [ESSD] HM Treasury
11. UK/FRG Bilateral Relations	FCO [WED]	As appropriate
12. FRG Scene		
a. Political	FCO [WED]	
b. Economic	HM Treasury	

* Background Briefs

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10 DOWNING STREET

From the Private Secretary

29 October 1981

BF

Anglo/German summit

The Prime Minister has seen your letter to me of 21 October. She has agreed that a team of six Ministers, or thereabouts, should accompany her to Bonn next month. I understand that the Chancellor of the Exchequer is now available. On the other hand, I understand that the Secretary of State for Energy, who is having discussions with his German opposite number this week, is not sure that there would be a great deal of purpose in his participation. I should be grateful if you could let me know as soon as possible once the final composition of the party has been determined.

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

M. O'D. B. ALEXANDER

Francis Richards, Esq.
Foreign and Commonwealth Office.

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(1)

10 DOWNING STREET

Prime Minister,

I have spoken to the
Chancellor's Office in Bonn.
They assure me that the
Chancellor was consulted about
the original visit & has been
consulted about the rearranged
visit. He was, & remains,
keen on the enlarged participation.

It now transpires that the
Chancellor of the Exchequer is available
& keen to come. Lawson is less
enthusiastic. Can I go ahead on
the basis of a party of five or six
accompanying Ministers?
Yes not And 27/7

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Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

You indicated last week that you might prefer a smaller party of Ministers than that set 'A' below. Would you, in the light of this letter, be prepared to take the six colleagues mentioned?

21 October 1981

Dear Michael,

Phms 26/x

I think it is absurd. Would you find out if Helmut Schmidt really wants this?

Anglo-German Summit

Clive Whitmore wrote to Brian Fall on 15 October to confirm that the forthcoming Anglo-German Summit had been postponed until 18 November, and that the Prime Minister would travel to Bonn on the evening of Tuesday 17 November. We shall, as you suggest, now set in hand detailed planning of the visit on this basis.

The first point on which I should be grateful for guidance concerns the size and composition of the party. It is obviously tempting to cut the party right down to the Prime Minister and the Secretary of State for Foreign and Commonwealth Affairs. This would eliminate the need for a plenary session to summarise the work of separate meetings between individual ministers, so saving a good deal of time for substantial discussion. And it will in any case certainly no longer be feasible for the full British team envisaged for the 29/30 October dates to travel on the revised timings. But Lord Carrington still believes that there would be great advantage in getting as large a ministerial team as possible to Bonn. Apart from our original intention to celebrate the coming Summit as the 10th in the series, the German side have told us they are very keen to receive a large British party and there is no doubt that a smaller team would rob the occasion of some of its significance. The actual time available for discussion with German Ministers will in fact not be significantly less than had been provided for in the 29/30 October plans.

I doubt it is 1/10th to Collette (?) at Cannon and I will think the important thing is my reply to Paul Douglas not

Our preliminary enquiries suggest that the Minister of Agriculture, the Secretaries of State for Defence, Trade, Industry, Energy and possibly Employment, may be able to travel. The Chancellor of the Exchequer appears to have an unbreakable commitment, but if the Prime Minister were accompanied by six ministers, this would be the largest British team ever to be fielded for a summit.

A

Yours ever.

(F N Richardson)

Francis Pickles

M O'D B Alexander Esq
10 Downing St

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I don't understand all the fuss. I don't even want a planning. In the circumstances Mr Alexander (or) Prime Minister.

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MR. ALEXANDER

*Was Foreign Secretary
I see no need to live the Chancellor with more meetings.
We can do it all in a morning. Meeting of the Council not*

The dates have now been fixed. Are you content with the statement of objectives (Flags)? The long list of briefs affects the number of Ministers participating - on which I may have to submit further. Think

I understand that the Anglo-German Consultations which were to have taken place on 29th-30th October have now been formally postponed and that they have been rearranged for 17th-18th November.

2. This postponement is likely to involve a revised programme since the Prime Minister will not, I believe, be leaving London until after her Audience on Tuesday, 17th November. She will therefore have less time in Bonn, and may wish to reconsider how many Ministers should accompany her. These are points which the Foreign and Commonwealth Office will have to consider once you have notified them of the new dates.

3. I should however like to put briefing in hand for this visit now and attach at Annex A the proposals which the Germans have made for the agenda. At Annexes B and C are assessments of British and German objectives for the meeting, and at Annex D a suggested list of briefs, the preparation of which will be co-ordinated in the usual way by the Cabinet Office. In order to ensure the best possible co-ordination of the preparations for this Summit, I shall be holding a meeting of Permanent Secretaries to consider the draft steering brief, the principal subjects on which the Summit should concentrate and also what are likely to be the issues which will need to be followed up after the Summit in bilateral discussion.

4. I understand that the briefing meeting for the Consultations is now planned for Tuesday, 17th November at 4.00 pm. In these circumstances I should like to propose that the briefs should reach you by mid-day on Friday, 13th November.

5. One point which might well be considered at the briefing meeting is whether the Prime Minister should send a message to President Mitterrand and also perhaps to President Reagan. I also hope that some mention might be made at the briefing meeting of the suggestion that it might be helpful to arrange for a delegation meeting halfway through the Summit. I felt that such a

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meeting would have been useful during the Anglo-French Consultations last month. It would involve the Prime Minister and her Ministerial colleagues, as well as the senior officials in the party, and would aim to pull together the threads of the bilateral discussions which will have been continuing during the first afternoon in order thereby to ensure that the plenary session the next morning is directed at outstanding points either of disagreement or on which further collective discussion between the two sides would be desirable.

Robert Armstrong

*(approved by Sir R Armstrong
& signed on his behalf)*

16th October 1981

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ANGLO-GERMAN SUMMIT: 17th-18th NOVEMBER

LIST OF SUBJECTS FOR DISCUSSION

1. European Community Questions

- (a) Adjustment of the structure of the EC budget and the CAP (30 May Mandate)
- (b) Common Fisheries Policy
- (c) Enlargement of the Community
- (d) The Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)
- (e) Community Steel Policy
- (f) European Union
- (g) French Policy in Europe
- (h) Greece after the 18 October Election
- (i) External trade issues (including MFA, EC/Japan, Export Credit Consensus).

2. West/West and East/West Questions

- (a) The European-US relationship
- (b) Evaluation of the talks on East/West issues held in the margins of the UNGA (especially those with Gromyko)
- (c) Preview of the Brezhnev visit to Bonn
- (d) The situation in and around Poland (including economic assistance)
- (e) East/West Economic Relations
- (f) Berlin

3. Defence/Arms Control

- (a) UK Defence Programme
- (b) FRG Defence Programme
- (c) ERWs
- (d) Spain/NATO
- (e) CSCE/CDE
- (f) MBFR
- (g) SALT/LRTNF (including NATO public presentation initiatives and an assessment of the peace movement in the Alliance)
- (h) Defence equipment collaboration.



4. World Political Issues

- (a) Afghanistan
- (b) Near East and Lebanon
- (c) Saudi Arabia and the Gulf States
- (d) Iran/Iraq
- (e) Southern Africa/Namibia
- (f) East and Central Africa (Zimbabwe, Uganda etc)
- (g) Central America (including Belize and Caribbean Basin Development Plan)
- (h) EC/Latin America and US/Latin America Relations
- (i) Cyprus and Eastern Mediterranean
- (j) Libyan Activities in sub-Saharan Africa
- (k) CHOGM
- (l) UNLOSC

5. International Economic Questions

- (a) North-South (Post Cancun)
- (b) International Economic Questions (including prospects in UK and FRG)
- (c) International Monetary Questions
- (d) Energy

6. Bilateral Relations

- (a) Intensification of UK/FRG Bilateral relations (including cooperation in the fields of research and technology, industrial collaboration, Airbus, industrial training, Anglo-German foundation)

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ANGLO-GERMAN SUMMIT: 17th-18th NOVEMBER

PRIMARY UNITED KINGDOM OBJECTIVES

1. To use this occasion (the tenth in the series of formal Anglo-German Summits) to promote closer working relationships with the Germans at Ministerial level and to draw public attention to the similarities of Anglo-German views and interests.
2. To keep the Germans as far as possible in step with the British approach to the Mandate negotiations. To obtain German support for our efforts to settle the revised Common Fisheries Policy. To press our interests on other current Community topics.
3. To discuss prospects for nuclear arms control, in particular TNF, in the light of the NATO 'double decision', of December 1979.

SUBSIDIARY UNITED KINGDOM OBJECTIVES

4. To emphasise that the United Kingdom, like the Federal Republic of Germany, is prepared to adopt tough and painful economic policies where they are necessary.
5. To emphasise the importance of the British role in European defence and the need for a close relationship between the two countries in the defence field.
6. To harmonise views on transatlantic and East-West relations, with particular regard to Poland and the CSCE meeting in Madrid.
7. To reach a common assessment of the international economic situation, including energy prospects and policies and our relationship with development countries and Japan.
8. To give a boost to existing or potential Anglo-German co-operative projects, including telecommunications, Airbus, coal processing development and defence equipment collaboration.
9. To continue our close co-operation with the Germans on Southern Africa, particularly in the context of the Western Contact Group on Namibia.
10. To respond as positively as possible to the German ideas on "European Union".

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ANGLO-GERMAN SUMMIT: 17th-18th NOVEMBER

LIKELY GERMAN OBJECTIVES

1. To make it clear that for the Federal Republic a satisfactory solution on the Mandate will need to include some restriction on the level of the German net contribution; while seeking to maintain already established common ground with us on CAP reform.
2. To seek United Kingdom support for their European Union proposals.
3. To review and reach the widest possible agreement on:-
 - (i) current world political issues (especially East/West, Poland, arms control, Middle East, Southern Africa); and
 - (ii) current world economic issues (especially United States and French economic policies, OPEC, inflation and unemployment, and North/South), bearing in mind the growing importance of Western solidarity and the risk of divergence between United States and European policies in several areas.
4. To explore possible developments in United Kingdom defence policy, particularly in the light of the recent defence programme review, and to encourage Her Majesty's Government not to reduce its contribution to the Central Region.
5. Further to improve and strengthen their relationship with Her Majesty's Government and to get to know more closely the new Ministers in the British team, building on the success of the Chequers Consultations in May 1981 and on the growing community of interest between the two Governments.
6. To assess for themselves the prospects for Her Majesty's Government's economic policies.

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ANGLO-GERMAN SUMMIT: 17th-18th NOVEMBER

PROPOSED LIST OF BRIEFS

	<u>Lead</u> <u>Department</u>	<u>In Consultation</u> <u>with</u>
1. Steering Brief	FCO (WED)	As appropriate
2. European Community Questions		
a. Steering Brief on the European Community	FCO /ECD(I)/	MAFF, Treasury Trade
b. 30th May Mandate	FCO /ECD(I)/	Treasury, MAFF
c. CAP Reform	MAFF	FCO/ECD(I)/ Treasury
d. Common Fisheries Policy	MAFF	FCO/ECD(I)/
e. Enlargement of the Community	FCO /ECD(E)/	Treasury, Trade, MAFF, Employment
f. EMS	Treasury	FCO/ECD(I)/ESID/
g. Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)	Trade	FCO/ECD(I)/ MAFF, Industry, Customs and Excise
h. Community Steel Policy	Industry	FCO/ECD(I)/
i. European Union	FCO /ECD(E)/	MOD
j. French Policy in Europe	FCO /ECD(I)/WED/	
k. Greece after the 18th October Election	FCO/SED/	
l. External Trade Issues (including MFA, EC/Japan, export credit consensus)	Trade	FCO/ECD(E)/TRED/ Treasury
m. EC/Turkey (free movement of labour)	Employment	FCO/ECD(E)/
3. East/West Relations	FCO/EEED/	MOD, Trade
4. The European/US Relationship	FCO/NAmD/	MOD
5. Defence Matters	MOD	FCO/Defence Dept/

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	<u>Lead</u> <u>Department</u>	<u>In Consultation</u> <u>with</u>
6. Arms Control and Disarmament	FCO/ <u>Defence</u> Dept./	MOD
7. World Political Issues		
a. Afghanistan	FCO/ <u>SAD</u> /	
b. Near East and Lebanon	FCO/ <u>NENAD</u> /	
c. Saudi Arabia and the Gulf States	FCO/ <u>MED</u> /	
*d. Iran/Iraq	FCO/ <u>MED</u> /	
*e. Southern Africa/Namibia	FCO/ <u>SAfD</u> /	
*f. Eastern and Central Africa (Zimbabwe, Uganda, etc)	FCO/ <u>EAD/CAfD</u> /	
*g. Central America (including Belize and Caribbean Basin Development Plan)	FCO/ <u>MCD</u> /	
*h. EC/Latin America and US/Latin American relations	FCO/ <u>SAmD</u> /	
*i. Cyprus and Eastern Mediterranean	FCO/ <u>SED</u> /	
*j. Libyan activities in Sub-Saharan Africa	FCO/ <u>NENAD</u> /	
k. CHGM	FCO/ <u>CCD</u> /	
*l. UNLOSC	FCO/ <u>MAED</u> /	
m. Follow up to Ottawa Declaration on Hi-jacking	FCO/ <u>MAED</u> /	
8. Relations with Developing Countries	FCO/ODA / <u>ERD/APD</u> /	
9. International Economic and Monetary Questions (including prospects in UK and FRG)	Treasury	FCO/ <u>ESID/ERD</u> /
10. Energy	Energy	FCO/ <u>ESSD</u> / Treasury
11. UK/FRG Bilateral Relations	FCO/ <u>WED</u> /	As appropriate
*12. FRG Scene		
a. Political	FCO/ <u>WED</u> /	
b. Economic	Treasury	

* Background briefs



10 DOWNING STREET

From the Principal Private Secretary

15 October 1981

Dear Ronni,

Anglo/German Bilateral Meeting

As you know, the dates of 29/30 October on which the next Anglo/German bilateral meeting was to have taken place are no longer convenient for Chancellor Schmidt because he now has a debate on the Federal Budget in the Bundestag on those days.

I have discussed alternative dates with Klaus Zeller in the Federal Chancellery, and the only day before the meeting of the European Council which is convenient to both Chancellor Schmidt and the Prime Minister is Wednesday 18 November. I have accordingly agreed with Zeller that the talks will begin with a tête-à-tête between the Prime Minister and the Federal Chancellor on the morning of 18 November. After an hour or so the Foreign Ministers will join the meeting which will then go on until the end of the morning when Chancellor Schmidt will offer lunch. The other Ministers accompanying the Prime Minister will have separate talks with their opposite numbers during the morning. After lunch there will be a plenary session in which all the Ministers taking part in the talks will participate. The plenary will be followed by the usual joint Press Conference by the Prime Minister and Herr Schmidt.

The Prime Minister is content with these arrangements and has agreed to travel to Bonn on the evening of Tuesday 17 November so that the talks with the Germans can begin early the following morning. She hopes that it will be possible to have a briefing meeting over a light supper at the Ambassador's Residence.

She would like to be back in central London by 1830 on the Wednesday evening.

I should be grateful if you could now set in hand, on this basis, the detailed planning of the visit.

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

Yours sincerely,

Brian Fall

Brian Fall, Esq.,
Foreign and Commonwealth Office.


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MR. WHITMORE

Herr Otto von der Gablenz, the Foreign Affairs Adviser in the Federal Chancellor's Office in Bonn, rang up this morning about the Anglo/German Consultations arranged for 29th-30th October.

2. He said that he was speaking to me on behalf of and at the request of Herr Manfred Lahnstein, the State Secretary, to warn me that they had run into very considerable timing difficulties about the Consultations. It now appeared almost certain that the Bundestag would hold its Second Reading debate on the Federal Budget on 29th-30th October. The Federal Government were not able to influence the timing of this debate, and it seemed to be very unlikely that matters could be so arranged as to fit the Consultations round the debate.

3. Herr von der Gablenz was at pains to assure me that there was no political background to all this. The Federal Chancellor was very anxious to have the Consultations and to have them before the meeting of the European Council at the end of November. If (as seemed likely) they had to be postponed, he would be proposing alternative dates in November.

4. Herr von der Gablenz said that it was not possible at present for him to give alternative dates because the Federal Chancellor was in hospital in Koblenz for a check up on an infection which he appeared to have picked up in Cairo. Herr Lahnstein would be visiting him in hospital later in the day, and would be discussing the arrangements for his timetable and dates for the Consultations then. In the meantime they were anxious to keep the fact that they would be proposing a postponement of the Consultations very secret, for fear that people would link the postponement to the Chancellor's visit to hospital and read more into his illness than it warranted.

5. I said that I would inform the Prime Minister about this. I was sure that she would understand the Parliamentary problem in which the Federal Chancellor found himself.

6. I did not say - though I thought - that, given the pressures on the Prime Minister over the next few weeks, the postponement would in fact not be unwelcome. I did say that the Prime Minister was looking forward to the

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Consultations and would certainly hope to have them before the meeting of the European Council. I said that I thought that it would now be very difficult for her to do anything before the second half of November: she had a series of speeches and engagements up to 16th November which would mean that her time was very fully occupied, though 12th-13th November might just be possible.

7. No doubt Herr Lahnstein or Herr von der Gablenz will come back to us about possible dates in a day or two; I should be very grateful if you could let me know what dates in November might be possible for the Prime Minister, so that I am equipped to discuss the matter further.

REA

Robert Armstrong

13th October 1981

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Germany

ps.

Germany

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OO BONN
GRS 516
CONFIDENTIAL

FM FCO 131000Z OCT 81
TO IMMEDIATE BONN
TELEGRAM NUMBER 415 OF 13 OCTOBER
YOUR TELNOS 712, 756, 764: ANGLO-GERMAN SUMMIT: TOPICS FOR
DISCUSSION

1. MR WALKER AND HERR ERTL WILL INDEED WISH TO DISCUSS BOTH CAP AND CFP. HOWEVER, GIVEN THAT THE 29 SEPTEMBER COUNCIL REACHED AGREEMENT ON THE MINI PACKAGE WHICH INCLUDED THE EC/CANADA AGREEMENT, THE IMMEDIATE CAUSE OF FRICTION OVER FISH IN UK/FRG RELATIONS HAS BEEN REMOVED.
2. THE CHANCELLOR OF THE EXCHEQUER WILL, AS YOU SUGGEST, WISH TO DISCUSS PROGRESS ON THE 30 MAY MANDATE WITH HERR MATTHOEFER. HE WILL ALSO WISH WISH TO TAKE ADVANTAGE OF THE OPPORTUNITY TO EXCHANGE VIEWS ON INTERNATIONAL FINANCIAL AND ECONOMIC MATTERS, IN ADVANCE OF THE INFORMAL MEETING OF COMMUNITY FINANCE MINISTERS IN LONDON. HE WILL BE BRIEFED DEFENSIVELY ON EMS.
3. MR JENKIN HAS EXPRESSED HIS WISH TO TALK TO BOTH DR VON BUELOW AND HERR GSCHIEDLE, IN ADDITION TO THE OBVIOUS CALL ON COUNT LAMSDORFF. I UNDERSTAND THAT MR BAKER IS DUE TO SEE MR GSCHIEDLE WHEN HE IS IN BONN ON 29 OCTOBER, BUT MR JENKIN WOULD NEVERTHELESS WISH TO TRY AND FIX IN A SHORT CALL IF THIS IS FEASIBLE. I REALISE THAT, GIVEN VON BUELOW'S COMMITMENT IN PARIS, A CALL ON HIM MAY NOT BE POSSIBLE. AS FOR YOUR THOUGHT (TELECON ELDON/MCCLEARY) THAT MR JENKIN MIGHT VISIT BDI/DIHT, PERHAPS WE HAD BETTER WAIT TO SEE HOW THE OTHER APPOINTMENTS WORK OUT.
4. MR LAWSON WILL WISH TO EXCHANGE VIEWS WITH COUNT LAMSDORFF ON THE CURRENT STATE OF THE WORLD OIL MARKET AND ON GOVERNMENT STRATEGIES ON ENERGY CONSERVATION. HE WOULD ALSO BE PREPARED, IF THE GERMANS SO WISH, TO EXPLAIN BRITISH POLICIES IN THE NORTH SEA. IF IT TRANSPIRES THAT VON BUELOW IS, -AFTER ALL, AVAILABLE, HE WOULD WISH TO REVIEW WITH THE RESEARCH MINITER THE

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TOPICS DISCUSSED DURING THE MINISTER'S RECENT VISIT TO THE UK.

5. MR BIFFEN REGARDS COUNT LAMBSDORFF AS HIS MOST IMPORTANT INTERLOCUTOR: HE WILL WISH TO DISCUSS WORLD AND COMMUNITY TRADE QUESTIONS. HE WOULD, HOWEVER, ALSO WANT A MEETING ON AIR TRANSPORT WITH HERR HAUFF AND WOULD LIKE AT LEAST TO PARTICIPATE IN, IF NOT CONDUCT, THE DISCUSSIONS WITH HERR MATTHOEFFER ABOUT INSURANCE AND DUTY FREE ALLOWANCES.

6. MR TEBBIT, IN HIS DISCUSSIONS WITH DR EHRENBERG, WILL WISH TO CONCENTRATE ON EC ISSUES, NOTABLY THE REVIEW OF THE SOCIAL FUND AND MIGRANT WORKERS, AND, AS LOWER PRIORITY, THE INTERNATIONAL YEAR OF THE DISABLED AND THE COMMISSION'S PROPOSALS FOR WORK SHARING AND EMPLOYEE INVOLVEMENT. HE WOULD FIND IT USEFUL TO PREVIEW THE TWO REMAINING MINISTERIAL MEETINGS DURING THE UK PRESIDENCY. AS FOR BILATERAL ISSUES, MR TEBBIT WOULD LIKE TO DISCUSS POLICY RESPONSES TO UNEMPLOYMENT, CONSISTENT WITH CONTROLLING INFLATION. THE DEPARTMENT OF EMPLOYMENT HAS CAUTIONED AGAINST AN OVER-EMPHASIS ON VOCATIONAL TRAINING, AS MINISTERIAL CONTACTS ON THIS SUBJECT HAVE BEEN FREQUENT OVER THE LAST YEAR: GIVEN ITS LOW PRIORITY, IT WOULD APPEAR UNNECESSARY FOR HERR ENGHOLM TO BE INVOLVED.

7. MR NOTT WILL WISH TO DISCUSS WITH DR APEL ARMS CONTROL ISSUES (ESPECIALLY TNF), THE UK AND FRG DEFENCE PROGRAMMES, ERWS, SPAIN/NATO, CSCE/CDE, MBFR, AND DEFENCE EQUIPMENT COLLABORATION.

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MY TELNO 700 AND TELECONS ELDON/MCCLEARY:
ANGLO-GERMAN SUMMIT: INSTRUMENTS OF ANGLO-GERMAN RELATIONS.

1. THE AUSWAERTIGES AMT HAVE PASSED US THE FIRST DRAFT OF A PRESS RELEASE - WHICH HAS BEEN CLEARED TO HEAD OF DEPARTMENT LEVEL - WHICH THEY SUGGEST MIGHT BE ISSUED AT THE CONCLUSION OF THE SUMMIT TO GIVE POLITICAL IMPETUS TO THE QUOTE THICKENING UP UNQUOTE EXERCISE INITIATED BY MY PREDECESSOR'S DESPATCH OF 23 FEBRUARY.
2. IN PARA.4 OF MY TUR I HAD BEEN THINKING ONLY OF AN ORAL STATEMENT. BUT A JOINT PRESS RELEASE WOULD HAVE A GREATER IMPACT THAN AN ORAL STATEMENT, WITHOUT BEING OPEN TO THE OBJECTION I CITED IN THE CASE OF A DECLARATION (PARA 3 OF TUR). THE GERMAN DRAFT (A ROUGH TRANSLATION OF WHICH IS IN MIFT) IS HOWEVER A BIT WEAK. IN PARTICULAR IT CONTAINS NO COMMITMENT, AS I HAD PROPOSED, TO A SYSTEMATIC PROGRAMME AIMED AT REINFORCING THE BILATERAL LINKS THAT ALREADY EXIST AND AT DEVELOPING NEW ONES. WE HAVE DISCUSSED THIS WITH THE AUSWAERTIGES AMT BUT THEY ARE RELUCTANT TO INCLUDE ANYTHING WHICH MIGHT SEEM TO FORMALISE THE ANGLO-GERMAN RELATIONSHIP ON THE FRANCO-GERMAN MODEL OR TO INVOLVE OFFICIALS IN DIRECTING WHAT IS ESSENTIALLY NON-GOVERNMENTAL ACTIVITY. IT MIGHT, HOWEVER, BE POSSIBLE TO MEET THE CONCERNS IN MY TUR IN A WAY ACCEPTABLE TO THE GERMANS BY INDICATING, PERHAPS IN PARA 7 OF THE TEXT, THAT THE HEADS OF GOVERNMENT HAD INSTRUCTED THEIR OFFICIALS TO KEEP THE BILATERAL RELATIONSHIP UNDER REVIEW WITH THE AIM OF REINFORCING THE LINKS THAT ALREADY EXIST AND OF DEVELOPING NEW ONES, AND TO MAKE A PROGRESS REPORT TO THE TWO HEADS OF GOVERNMENT AT A FURTHER SUMMIT MEETING.
3. I WOULD ALSO SUGGEST THE FOLLOWING MINOR AMENDMENTS TO THE DRAFT:
 - (A) REPLACE THE REFERENCE TO THE RHINE ARMY AT THE END OF PARA 1 BY A REFERENCE TO THE BRITISH FORCES GERMANY:
 - (B) THE FIRST SENTENCE OF PARA 6 MIGHT BE REDRAFTED AS FOLLOWS IN ORDER TO BROADEN THE REFERENCE TO THE ACTIVITIES OF THE CULTURAL INSTITUTES AND THE MEDIA: QUOTE THE HEADS OF GOVERNMENT POINTED TO THE IMPORTANT CONTRIBUTIONS TO THE BILATERAL RELATIONSHIP MADE BY THE CULTURAL INSTITUTES IN BOTH COUNTRIES AND BY THE MEDIA UNQUOTE.
4. OF THE PRINCIPAL THEMES REFLECTED IN OUR LIST OF 27 POINTS, ONLY LANGUAGE TRAINING (POINTS 2 AND 14 IN THE LIST) IS NOT REFERRED TO IN THE GERMAN DRAFT. I HOPE WE CAN TRY TO REPAIR THIS OMISSION.

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5. I SHOULD BE GRATEFUL FOR EARLY COMMENTS ON THE IDEA OF A JOINT PRESS RELEASE, AND ON THE GERMAN DRAFT. IF YOU ARE CONTENT WITH THE IDEA, I WILL DISCUSS THE DRAFT FURTHER WITH THE GERMANS EARLY NEXT WEEK, AND SEE IF WE CANNOT AGREE TO STRENGTHEN IT E.G. IN THE WAYS SUGGESTED ABOVE.

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MIPT: ANGLO/GERMAN SUMMIT: INSTRUMENTS OF ANGLO/GERMAN RELATIONS
FOLLOWING IS OUR TRANSLATION OF THE DRAFT PRESS RELEASE:

1. ON THE OCCASION OF THE 10TH IN THE SERIES OF REGULAR ANGLO-GERMAN CONSULTATIONS AT HEAD OF GOVERNMENT LEVEL, WHICH HAVE RECONFIRMED THE BROAD AGREEMENT OF BOTH COUNTRIES ON ALL IMPORTANT ISSUES, THE CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY AND THE PRIME MINISTER OF THE UNITED KINGDOM PAID TRIBUTE TO THE LARGE NUMBER OF LINKS WHICH HAVE GROWN UP BETWEEN THE GERMAN AND THE BRITISH PEOPLES AND WHICH COMPLEMENT THE CLOSE AND TRUSTING CO-OPERATION OF THE TWO GOVERNMENTS. THEY WELCOMED THE FREQUENCY AND MULTIPLICITY OF MEETINGS BETWEEN SOCIAL GROUPS AND INDIVIDUALS WHICH HAVE INTENSIFIED TO A CONSIDERABLE EXTENT AT ALL LEVELS, PARTICULARLY SINCE BRITAIN'S ACCESSION TO THE EUROPEAN COMMUNITY. THEY NOTED WITH PARTICULAR PLEASURE HOW CORDIALLY CONTACTS BETWEEN THE RHINE ARMY AND THE GERMAN PEOPLE HAVE DEVELOPED AND THE HOSPITABLE RECEPTION ACCORDED TO GERMAN SERVICEMEN ON TRAINING IN GREAT BRITAIN.

2. BOTH HEADS OF GOVERNMENT ATTACHED GREAT SIGNIFICANCE TO THE FOUR PIONEER ORGANISATIONS WHICH HAVE ENLIVENED THE ANGLO-GERMAN DIALOGUE SINCE THE FORTIES AND FIFTIES. FIRST AND FOREMOST THEY DREW ATTENTION TO THE ANGLO-GERMAN SOCIETY, WHICH WAS FOUNDED IN 1949 AND WHICH HAS ORGANISED THE ANGLO-GERMAN KOENIGSWINTER CONFERENCES SINCE 1951. IN SO DOING THE SOCIETY HAS CREATED A BILATERAL FORUM WHOSE PARAMOUNT IMPORTANCE FOR ANGLO-GERMAN RELATIONS HAS BECOME UNIQUE. THE FEDERAL CHANCELLOR AND THE PRIME MINISTER RECALLED THEIR JOINT PARTICIPATION IN THE 30TH ANGLO-GERMAN CONFERENCE HELD IN CAMBRIDGE ON 28 MARCH 1980 WHERE THEY DREW ATTENTION TO THE SPECIAL MEANING OF THE KOENIGSWINTER MEETINGS FOR ANGLO-GERMAN RELATIONS. BUT THE SUCCESS OF THE KOENIGSWINTER CONFERENCES WOULD BE INCONCEIVABLE WITHOUT THREE FURTHER INSTITUTIONS WHICH HAVE CONTINUALLY GIVEN IMPORTANT IMPETUS TO THE DIALOGUE:

-THE INTERNATIONAL CONFERENCE CENTRE, WILTON PARK, WHICH HAS BROUGHT GERMAN AND BRITISH PEOPLE TOGETHER IN THE EUROPEAN SPIRIT SINCE 1943 AND HAS DEVELOPED INTO A STRONG AND DURABLE INSTRUMENT OF ANGLO-GERMAN UNDERSTANDING,

-THE ANGLO-GERMAN ASSOCIATION ESTABLISHED IN 1951 WHICH HAS MADE A DECISIVE CONTRIBUTION TO THE RECONCILIATION BETWEEN THE GERMAN AND THE BRITISH PEOPLES AND TO THE IMPROVEMENT OF THEIR MUTUAL UNDERSTANDING,

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-THE GROUPS OF PARLIAMENTARIANS FROM BOTH COUNTRIES WHICH HAVE MET REGULARLY FOR JOINT TALKS SINCE THE END OF THE 1950S. THE CHANCELLOR AND THE PRIME MINISTER ALSO REGARDED AS PARTICULARLY IMPORTANT THE BILATERAL PARTNERSHIPS AND EXCHANGE PROGRAMMES WHICH, AS A RESULT OF PRIVATE INITIATIVE, HAVE BROUGHT MILLIONS OF GERMAN AND BRITISH PEOPLE, PARTICULARLY FROM THE YOUNGER GENERATION, TOGETHER IN JOINT UNDERTAKINGS. ABOVE ALL THEY MADE REFERENCE TO

-THE DEVELOPMENT OF TOWN-TWINNING ARRANGEMENTS WHICH SINCE THE FIRST PARTNERSHIP BETWEEN HANOVER AND BRISTOL IN 1947 HAVE BECOME A SYSTEM OF 324 LINKS SUPPORTING A CLOSE NETWORK OF PERSONAL FRIENDSHIPS,

-ANGLO-GERMAN YOUTH EXCHANGES, WHICH HAVE ENABLED SO MANY YOUNG PEOPLE TO VISIT THEIR RESPECTIVE PARTNER COUNTRY THAT EUROPEAN WAYS OF THINKING HAVE BECOME AUTOMATIC FOR LARGE SECTIONS OF THE YOUNGER GENERATION,

-THE ANGLO-GERMAN EXCHANGE OF SENIOR PUBLIC SERVANTS WHICH HAS BROUGHT ABOUT 750 LEADING PUBLIC OFFICIALS TOGETHER FOR JOINT SEMINARS SINCE 1972 AND WHICH HAS BEEN EXTENDED BY LONG-TERM EXCHANGES OF MEMBERS OF THE PUBLIC SERVICE IN BOTH COUNTRIES SINCE 1980.

3. THE HEADS OF GOVERNMENT ALSO POINTED TO THE IMPORTANCE OF ECONOMIC FACTORS FOR THE RELATIONS BETWEEN THEIR TWO COUNTRIES. THEY NOTED WITH SATISFACTION THE HIGH LEVEL OF BILATERAL TRADE, WHICH HAS BEEN ASSISTED BY BOTH COUNTRIES' MEMBERSHIP OF THE EUROPEAN COMMUNITY AND TO WHICH THE ACTIVITIES OF THE GERMAN CHAMBER OF INDUSTRY AND COMMERCE IN LONDON AND THE BRITISH-GERMAN TRADE COUNCIL IN COLOGNE HAVE MADE A CONSIDERABLE CONTRIBUTION. BOTH ORGANISATIONS HAVE BECOME FAVOURED POINTS OF CONTACT FOR GERMAN AND BRITISH INDUSTRY.

4. THE CHANCELLOR AND THE PRIME MINISTER AGREED THAT THE WIDE VARIETY OF CONTACTS IN THE INDUSTRIAL SECTOR MUST BE COMPLEMENTED BY JOINT INITIATIVES IN THE FIELD OF SOCIAL POLICY. THEY THEREFORE WELCOMED THE WORK OF THE ANGLO-GERMAN FOUNDATION FOR THE STUDY OF INDUSTRIAL SOCIETY, WHICH WAS SET UP IN 1973 TO MAKE A JOINT CONTRIBUTION TOWARDS SOLVING THE FUTURE PROBLEMS OF MODERN INDUSTRIAL SOCIETY. BOTH HEADS OF GOVERNMENT WERE CONVINCED THAT THE FOUNDATION'S PROGRAMME WILL PROVIDE COMPANIES, TRADE UNIONS AND THE PEOPLE OF BOTH COUNTRIES WITH IMPORTANT INFORMATION ON THEIR INDUSTRIAL ENVIRONMENT.

5. THE HEADS OF GOVERNMENT POINTED TO THE IMPORTANT CONTRIBUTION MADE BY THE CULTURAL INSTITUTES IN BOTH COUNTRIES AND BY THE MASS MEDIA IN CONVEYING A REALISTIC PICTURE OF THE RESPECTIVE PARTNER. THEY PAID TRIBUTE TO THE CREATIVE IMPULSES UNLEASHED BY THE WORK OF THE GOETHE INSTITUTE IN GREAT BRITAIN AND THE BRITISH COUNCIL IN THE FEDERAL REPUBLIC OF GERMANY AND WELCOMED THE

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CLOSE COOPERATION BETWEEN PRESS, RADIO AND TELEVISION. THEY ARE CONVINCED THAT DECISIVE IMPROVEMENTS IN THE BILATERAL RELATIONSHIP ARE DUE TO CULTURAL COOPERATION AND THE THE WORK OF THE MEDIA.

6. THE CHANCELLOR AND THE PRIME MINISTER NEVERTHELESS BELIEVED THAT THE INCREASING FULLNESS AND COMPLEXITY OF THE BILATERAL RELATIONSHIP AND THE EMERGENCE OF A NEW GENERATION ALSO SET NEW TASKS FOR THE EXISTING BILATERAL ORGANISATIONS AND PROGRAMMES. THEY THEREFORE CONSIDERED POSSIBILITIES FOR IMPROVING AND EXPANDING THESE IN A BALANCED WAY, FOR EXAMPLE IN THE FOLLOWING DIRECTIONS:

-INCREASED INVOLVEMENT OF THE YOUNGER GENERATION AND A GREATER TURNOVER OF PARTICIPANTS AT ALL ANGLO-GERMAN MEETINGS:

-AN EVEN BROADER SPREAD OF EXISTING CONTACT AND EXCHANGE PROGRAMMES AIMED AT MAKING THESE PROGRAMMES AVAILABLE TO A WIDER SELECTION OF SOCIAL GROUPINGS (APPRENTICES, TRAINEES, YOUNG TRADE UNIONISTS, YOUNG INDUSTRIALISTS, INDUSTRIAL AND PROFESSIONAL ASSOCIATIONS):

-THE UPDATING OF STUDIES CARRIED OUT BY THE ANGLO-GERMAN FOUNDATION AND GREATER CONCENTRATION OF THEIR WORK ON MEETINGS BETWEEN POLITICIANS AND SCIENTISTS FROM BOTH COUNTRIES:

-THE EXPANSION OF THE GERMAN CHAMBER OF INDUSTRY AND COMMERCE AND THE BRITISH-GERMAN TRADE COUNCIL INTO DISCUSSION FORA FOR POLITICIANS AND ECONOMIC EXPERTS FROM BOTH COUNTRIES:

-AN INCREASE IN COOPERATION IN THE INFORMATION SECTOR, ABOVE ALL IN THE FIELD OF TELEVISION, IN ORDER TO ACHIEVE THE GREATEST POSSIBLE DEGREE OF BALANCE IN REPORTING.

7. THE HEADS OF GOVERNMENT AGREED THAT THE FURTHER DEVELOPMENT OF THE ANGLO-GERMAN RELATIONSHIP BY CONSTANT ADJUSTMENT OF THE EXISTING BILATERAL INSTITUTIONS TO NEW POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENTS WAS NOT ONLY IN THE BASIC INTERESTS OF THE CITIZENS OF THEIR TWO COUNTRIES BUT WOULD ALSO SERVE THE NEED FOR EUROPEAN UNITY.

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Mr. J. P. await C.O. minute *15/10*

C. A. Whitehead

15/10



Germany



Foreign and Commonwealth Office

London SW1A 2AH

9 October 1981

D J Wright Esq
CABINET OFFICE

Dear David,

ANGLO-GERMAN SUMMIT: 29-30 OCTOBER

1. In paragraph 4 of his letter of 29 September, Julian Bullard explained that the Germans had, at that stage, not made any formal proposals for the agenda. The list at Annex A to his letter was therefore only our best guess.

2. We have now had from the Auswaertiges Amt (Bonn tel no 757) a 'proposed list of subjects on which briefing should be provided' - this is the standard form for Anglo-German summits - which inevitably contains some items which we had not anticipated and fails to include others which we had. Following discussions within the Foreign and Commonwealth Office, and taking account also of comments by other Whitehall Departments on our original draft, we have now prepared a revised list, which I enclose. I also enclose a consequential redraft of the suggested list of briefs which formed Annex D to Julian's letter under reference; this also takes account of comments by other Whitehall Departments.

//

3. I have replied separately to your letter of 7 October which suggested some amendments to the British and German objectives. I have also written separately about HM Treasury's proposal (Pickering's letter of 2 October) to add a fourth primary United Kingdom objective on economic policy. I assume that you will decide how best to incorporate the other suggestions on the objectives which have come in from the Department of Trade (Mrs Riley's letter of 1 October) and the MAFF (Brian Hayes' letter of 6 October). We have no problem with any of these.

4. Copies of this letter go to the Private Secretaries to the recipients of Julian Bullard's letter.

Yours truly,

R A Burns

R.A. R A Burns
Private Secretary to the
Permanent Under Secretary

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ANGLO-GERMAN SUMMIT: 29-30 OCTOBER

LIST OF SUBJECTS FOR DISCUSSION

1. European Community Questions

- (a) Adjustment of the structure of the EC budget and the CAP (30 May Mandate)
- (b) Common Fisheries Policy
- (c) Enlargement of the Community
- (d) The Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)
- (e) Community Steel Policy
- (f) European Union
- (g) French Policy in Europe
- (h) Greece after the 18 October Election
- (i) External trade issues (including MFA, EC/Japan, Export Credit Consensus).

2. West/West and East/West Questions

- (a) The European-US relationship
- (b) Evaluation of the talks on East/West issues held in the margins of the UNGA (especially those with Gromyko)
- (c) Preview of the Brezhnev visit to Bonn
- (d) The situation in and around Poland (including economic assistance)
- (e) East/West Economic Relations
- (f) Berlin

3. Defence/Arms Control

- (a) UK Defence Programme
- (b) FRG Defence Programme
- (c) ERWs
- (d) Spain/NATO
- (e) CSCE/CDE
- (f) MBFR
- (g) SALT/LRTNF (including NATO public presentation initiatives and a assessment of the peace movement in the Alliance)
- (h) Defence equipment collaboration.



4. World Political Issues

- (a) Afghanistan
- (b) Near East and Lebanon
- (c) Saudi Arabia and the Gulf States
- (d) Iran/Iraq
- (e) Southern Africa/Namibia
- (f) East and Central Africa (Zimbabwe, Uganda etc)
- (g) Central America (including Belize and Caribbean Basin Development Plan)
- (h) EC/Latin America and US/Latin America Relations
- (i) Cyprus and Eastern Mediterranean
- (j) Libyan Activities in sub-Saharan Africa
- (k) CHOGM
- (l) UNLOSC

5. International Economic Questions

- (a) North-South (Post Cancun)
- (b) International Economic Questions (including prospects in UK and FRG)
- (c) International Monetary Questions
- (d) Energy

6. Bilateral Relations

- (a) Intensification of UK/FRG Bilateral relations (including cooperation in the fields of research and technology, industrial collaboration, Airbus, industrial training, Anglo-German foundation)



ANGLO-GERMAN SUMMIT: 29-30 OCTOBER

PROPOSED LIST OF BRIEFS

	<u>Lead Dept</u>	<u>In Consultation with</u>
1. Steering Brief	FCO[WED]	As appropriate
2. European Community Questions		
a. Steering Brief on the European Community	FCO [EDC(I)]	MAFF, HM Treasury, DOT
b. 30 May Mandate	FCO [ECD(I)]	HM Treasury, MAFF
c. CAP Reform	MAFF	FCO [ECD(I)] HM Treasury
d. Common Fisheries Policy	MAFF	FCO [ECD(I)]
e. Enlargement of the Community	FCO [ECD(E)]	HM Treasury, DOT, MAFF, D/Employment
f. EMS	HM Treasury	FCO [ECD(I)/ESID]
g. Internal Market of the Community (including liberalisation of air transport, insurance services, abolition of duty free allowances, origin marking)	DOT	FCO [ECD(I)], MAFF, DOI, HM Customs and Excise
h. Community Steel Policy	DOI	FCO [ECD(I)]
i. European Union	FCO [ECD(E)]	MOD
j. French Policy in Europe	FCO [ECD(I)/WED]	
k. Greece after the 18 October Election	FCO [SED]	
l. External Trade Issues (including MFA, EC/Japan, export credit consensus)	DOT	FCO [ECD(E)/TRED] HM Treasury
3. East/West Relations	FCO [EESD]	MOD, DOT
4. The European/US Relationship	FCO [NAmD]	MOD
5. Defence Matters	MOD	FCO [Defence Dept]
6. Arms Control and Disarmament	FCO [Defence Dp]	MOD
7. World Political Issues		
a. Afghanistan	FCO [SAD]	
b. Near East and Lebanon	FCO [NENAD]	
c. Saudi Arabia and the Gulf States	FCO [MED]	
*d. Iran/Iraq	FCO[MED]	
*e. Southern Africa/Namibia	FCO [SAfD]	

/*f.



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|---|-------------------|----------------------------|
| *f. Eastern and Central Africa
(Zimbabwe, Uganda, etc) | FCO [EAD/CAfD] | |
| *g. Central America (including
Belize and Caribbean Basin
Development Plan) | FCO [MCD] | |
| *h. EC/Latin America and US/
Latin American relations | FCO [SAmD] | |
| *i. Cyprus and Eastern Mediterranean | FCO [SED] | |
| *j. Libyan activities in sub-
Saharan Africa | FCO [WAfD] | |
| k. CHOGM | FCO [CCD] | |
| *l. UNLOSC | FCO [MAED] | |
| 8. Relations with Developing Countries | FCO]ODA [ERD/APD] | |
| 9. International Economic and
Monetary Questions (including
prospects in UK and FRG) | HM Treasury | FCO [ESID/ERD] |
| 10. Energy | D/Energy | FCO [ESSD],
HM TREASURY |
| 11. UK/FRG Bilateral Relations | FCO [WED] | As appropriate |
| *12. FRG Scene | | |
| a. Political | FCO [WED] | |
| b. Economic | HM Treasury | |

* Background briefs



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With the compliments of
The Private Secretary to the
Secretary of the Cabinet

C. A. Whitmore, Esq

70 Whitehall, London SW1A 2AS
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CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A05682

7th October 1981

Anglo-German Summit: 29th-30th October

Julian Bullard wrote to Sir Robert Armstrong on 29th September about the next Anglo-German Summit.

We should like to suggest some amendment of the assessment of British and German objectives set out in Annexes B and C to your letter:-

- (i) Annex B: As we get closer to the November European Council, the importance of German support for our budget restructuring aims will become even more vital. I suggest therefore that Objective 2 should be listed first. The reference to fish can of course be deleted now that we have ceased blocking the Canada agreement.
- (ii) Annex C: The last sentence of Objective 1 should be deleted for the same reason; and I suggest that the order of priorities within this Objective should be changed to reflect the German preoccupation with the level of their net contribution. It might better read: "to make it clear that for the Federal Republic a satisfactory solution on the Mandate will need to include some restriction on the level of the German net contribution; while seeking to maintain already established common ground with us on CAP reform."

I should be grateful if you could let me know whether the Foreign and Commonwealth Office would be content with these proposed changes.

Copies of this letter go to the Private Secretaries to the recipients of Mr. Bullard's letter.

D. J. WRIGHT

D. J. Wright

R. A. Burns, Esq

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Sir Douglas Wass GCB
Permanent Secretary

Germany

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David Wright Esq.
PS Sir Robert Armstrong KC CVO
Cabinet Office
Whitehall
London SW1

2 October 1981

Dear David

ANGLO-GERMAN SUMMIT: 29/30 OCTOBER

The Treasury has two amendemnts to propose ^{helms} to the draft papers attached to Julian Bullard's letter of 29 September to Sir Robert Armstrong.

We see the public side of the Summit - particularly the final press conference - as a good opportunity to draw the attention of the British public to the similarities between HMG and the FRG Government on monetary and fiscal restraint. The talks themselves present an opportunity to drive home this message to the German ministers. We would therefore like to see a fourth "Primary UK Objective" added as follows: "4. to emphasise (for UK public as well as German readers) the similarity of economic policies in the two countries"

In the List of Briefs we propose the entry for Brief I2 be amended to read as follows:

"I2. FRG Scene:	<u>Lead Department</u>
(a) Political	FCO (WED)
(b) Economic	HM Treasury

I am copying this letter to Mr Bullard and the private secretaries to the copy recipients of his letter.

*yes see
C.R. Pickering*

C R PICKERING

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From The Permanent Secretary
Sir Kenneth Clucas, K.C.B.

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 3785
SWITCHBOARD 01 215 7877

2 October 1981

D J Wright Esq
PS/Sir Robert Armstrong KGB CVO
Cabinet Office
LONDON SW1

Dear David,

ANGLO-GERMAN SUMMIT: 29/30 OCTOBER

You asked if we had any comments on Mr Bullard's letter of 29 September to Sir Robert Armstrong. I list our comments below:

COMMENTS ON ANNEX A

Item 1A(c) should include the liberalisation of air transport (which is in fact partly also a bilateral question) and the abolition of duty-free allowances; and Item 1B(b) should include the multi-fibre arrangement, trade relations with Japan, East-West trade and the export credits consensus.

COMMENTS ON ANNEX B

The last sentence of paragraph 2 is too weak to cover our objectives, eg in respect of insurance services. At least some such words as "press our interests in" should be added (compare the drafting of the expected German fisheries objective in paragraph 1 of Annex C).

COMMENTS ON ANNEX D

The bracket in the title of brief 2(g) should begin "(including liberalisation of air transport, origin marking.....)". Briefs 2(g) and (j) should naturally include at least all the subjects mentioned under comments on Annex A, above.

OTHER COMMENTS

Paragraph 2 of Mr Bullard's letter says that "counterparts of each of the British ministers will be fielded" on the German side. At least three of the British ministers will wish to hold discussions with Count Lambsdorff, the Minister of the Economy, who will certainly be our Secretary of State's most important interlocutor.

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Mr Biffen would also want a meeting on air transport with Herr Hauff, the Transport Minister, and he would like at least to participate in, if not conduct, discussion with Finance Minister Matthoefer about insurance and duty-free allowances.

Pauline Riley

MRS P A RILEY
Assistant Private Secretary

cc: PS/Sir D Wass KCB
PS/Sir Brian Hayes KCB
PS/Sir Frank Cooper GCB CMG
PS/Sir Peter Carey ~~KCB~~
PS/Sir Kenneth Barnes KCB
PS/Sir Donald Maitland GCMG OBE

and to: ..

C A Whitmore Esq
10 Downing Street
J L Bullard FCO

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

29 September 1981

Sir Robert Armstrong KCB CVO
CABINET OFFICE

My dear Robert,

ANGLO-GERMAN SUMMIT: 29 - 30 OCTOBER

1. In the absence today of both Michael Palliser and Antony Acland I am writing to you about the next in the series of six-monthly Anglo-German consultations between the Prime Minister and Chancellor Schmidt, which will be held in Bonn on 29 - 30 October.
2. The Prime Minister has said that she wishes to be accompanied by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Minister of Agriculture, Fisheries and Food, and the Secretaries of State for Defence, Trade, Industry, Employment and Energy. We do not as yet have the full German ministerial team, but counterparts of each of the British ministers will be fielded.
3. Planned arrangements for the Summit are as follows:
The British team will leave London after Cabinet on 29 October. On arrival in Bonn, in the late afternoon, the party will split up for individual bilateral discussions between the various ministers to be followed by a dinner (possibly a gala event, in view of the fact that the forthcoming Summit is the tenth in the series of regular six-monthly consultations) given by Chancellor Schmidt. The following morning will probably begin with a further round of individual bilaterals, followed by a plenary session and a press conference. The bulk of the British team will return to London early in the afternoon of Friday, 30 October. The Foreign and Commonwealth Secretary will be going on to Berlin, returning during the afternoon of Saturday 31 October. The Chancellor of the Exchequer will have to leave early in the morning of Friday, 30 October to enable him to host the lunch which opens the informal meeting of EC Finance Ministers in London.

/4.

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4. The Germans have not yet made any formal proposals for the agenda. The list at Annex A is therefore only our best guess, and may be subject to alteration over the next week or two.

5. I attach at Annexes B and C an assessment of British and German objectives for the meeting, and at Annex D a suggested list of briefs, the preparation of which will, I imagine, be coordinated in the usual way by the Cabinet Office.

6. At the Permanent Secretaries' meeting held on 18 September, under your chairmanship, it was agreed that you would call a meeting of Permanent Secretaries to discuss the forthcoming Summit on the basis of the draft steering brief. Since briefs will presumably have to be in by 23 October, we shall aim to circulate the draft steering brief by Friday, 16 October, with a view to your holding the meeting early in the week beginning 19 October. I understand that the Prime Minister's briefing meeting has been arranged for 1600 on Thursday 28 October. One or two briefs may have to be up-dated between 23 and 28 October.

7. At the 18 September meeting it was also agreed that we would work out, before the Anglo-German Summit, a list of topics for subsequent (ie post-summit) bilateral discussion. It is too early to produce a comprehensive or detailed list, but the areas likely to merit such subsequent discussion include Community issues (notably the Mandate), the defence/arms control complex, East/West trade, cultural relations, the Anglo-German Foundation, information technology, space, Airbus and industrial training. When you commission briefs you may like to offer Whitehall departments an opportunity to add to or subtract from this list, which can of course only be finalized in the light of discussion at the Summit itself.

8. I take this opportunity of drawing attention to three further points:-

(i) It is for consideration whether the Prime Minister should send a post-Summit message to M. Mitterrand and/or President Reagan. There may be a case for making such messages a standard practice after all Summit meetings with France and the FRG. Perhaps the idea could be discussed at the Prime Minister's briefing meeting.

/(ii)



- (ii) In any bilateral Ministerial or senior official meetings which may have already been arranged for the next four weeks it will be important to coordinate the objectives with those of the Summit itself. In fact Dr Corterier, Minister of State at the Federal Ministry of Foreign Affairs will be in London for talks with the Lord Privy Seal and Mr Hurd on 2 October and I believe that Mr Kenneth Baker is to have talks with the Germans in Bonn on 28/29 October, immediately before the Summit.
- (iii) It has been suggested to me that there would be advantage in a meeting of British senior officials about half-way through these bilateral Summit meetings. The purpose would be to draw together the threads emerging from the first stage of the various bilateral Ministerial meetings, with a view to presenting the Prime Minister with a composite assessment in advance of the closing plenary session. In the case of the Anglo-German Summit a suitable time might be either before or after dinner on the Thursday evening. I am not sure myself how feasible this will prove to be, especially in a Summit in a foreign capital where the British officials concerned are likely to be staying in several different places, but the suggestion could perhaps be borne in mind.

Yours ever

Julian Bullard

J L Bullard

/cc:



cc:

Sir D Wass KCB
HM TREASURY

Sir Brian Hayes KCB
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

Sir Frank Cooper GCB CMG
MINISTRY OF DEFENCE

Sir Kenneth Clucas KCB
DEPARTMENT OF TRADE

Sir Peter Carey KCB
DEPARTMENT OF INDUSTRY

Sir Kenneth Barnes KCB
DEPARTMENT OF EMPLOYMENT

Sir Donald Maitland GCMG OBE
DEPARTMENT OF ENERGY

C A Whitmore Esq
No 10 DOWNING STREET



ANGLO-GERMAN SUMMIT: 29 - 30 OCTOBER
DRAFT LIST OF SUBJECTS FOR DISCUSSION

1. European Community Questions
 - A. Internal
 - (a) 30 May Mandate (including CAP reform, development of other Community policies and budgetary correctives)
 - (b) Insurance Services
 - (c) Other internal Community topics (including CFP if not settled at September/October Councils)
 - B. External
 - (a) German proposals on European Union
 - (b) External trade issues
 - (c) Enlargement of the Community
2. East-West Relations
 - (a) Poland
 - (b) CSCE
 - (c) US policies and transatlantic relations
3. Defence/Arms Control
 - (a) SALT/TNF
 - (b) Other arms control subjects (e.g. CDE)
 - (c) NATO questions (eg Spain/NATO and NATO/public presentation initiatives)
 - (d) UK and FRG defence programmes
 - (e) Defence equipment collaboration.



4. World Political Issues
 - (a) Southern Africa/Namibia
 - (b) Arab/Israel
 - (c) Central America and Caribbean
 - (d) Iran and Iran/Iraq War
 - (e) Afghanistan
 - (f) Cyprus and Eastern Mediterranean
 - (g) Libyan activities in Sub-Saharan Africa
5. Economic Questions
 - (a) North/South (post-Cancun)
 - (b) International Economic Scene
(including prospects in UK and FRG)
 - (c) Energy
6. Bilateral Relations, including
 - (a) Industrial collaboration
 - (b) Airbus
 - (c) Industrial training



ANGLO-GERMAN SUMMIT: 29 - 30 OCTOBER
PRIMARY UK OBJECTIVES

1. To use this occasion (the tenth in the series of formal Anglo-German Summits) to promote closer working relationships with the Germans at Ministerial level and to draw public attention to the similarities of Anglo-German views and interests.
2. To keep the Germans as far as possible in step with the British approach to the Mandate negotiations. To avoid any difficulties over fish. To get across our views on other current Community topics.
3. To discuss prospects for nuclear arms control, in particular TNF, in the light of the NATO 'double decision', of December 1979.

SUBSIDIARY UK OBJECTIVES

4. To emphasise the importance of the British role in European defence and the need for a close relationship between the two countries in the defence field.
5. To harmonise views on transatlantic and East-West relations, with particular regard to Poland and the CSCE meeting in Madrid.
6. To reach a common assessment of the international economic situation, including energy prospects and policies and our relationship with developing countries and Japan.
7. To give a boost to existing or potential Anglo-German cooperative projects, including telecommunications, Airbus, coal processing development and defence equipment collaboration.
8. To continue our close cooperation with the Germans on Southern Africa, particularly in the context of the Western Contact Group on Namibia.
9. To respond as positively as possible to the German ideas on 'European Union'.



ANGLO-GERMAN SUMMIT: 29 - 30 OCTOBER
LIKELY GERMAN OBJECTIVES

1. To seek to maintain already established common ground with us on the Mandate; to keep up the pressure on us to support CAP reform and to ensure that our approach to the Mandate will involve the Germans in less cost than the 30 May Agreement. To press us hard to agree on the implementation of the EC/Canada fisheries agreement.
2. To seek UK support for their European Union proposals.
3. To review and reach the widest possible agreement on:
 - (1) current world political issues (especially East/West, Poland, arms control, Middle East, Southern Africa), and
 - (2) current world economic issues (especially US and French economic policies, OPEC, inflation and unemployment, and North/South), bearing in mind the growing importance of Western solidarity and the risk of divergence between US and European policies in several areas.
4. To explore possible developments in UK defence policy, particularly in the light of the recent defence programme review, and to encourage HMG not to reduce its contribution to the Central Region.
5. Further to improve and strengthen their relationship with HMG, and to get to know more closely the new Ministers in the British team, building on the success of the Chequers Consultations in May 1981 and on the growing community of interest between the two Governments.
6. To assess for themselves the prospects for HMG's economic policies.



ANGLO-GERMAN SUMMIT: 29 - 30 OCTOBER
 PROPOSED LIST OF BRIEFS

	<u>LEAD DEPARTMENT</u>	<u>IN CONSULTATION WITH</u>
1. Steering Brief	FCO (WED)	as appropriate
2. European Community Questions		
(a) Steering Brief on the European Community	FCO (ECD(I))	MAFF, HM Treasury Dept of Trade
(b) 30 May Mandate	FCO (ECD(I))	HM Treasury MAFF
(c) CAP Reform	MAFF	FCO (ECD(I)) HM Treasury
(d) Fisheries	MAFF	FCO (ECD(I))
(e) EMS	HM Treasury	FCO (ECD(I)/ ESID)
(f) Insurance Services	DOT	FCO (ECD(I))
(g) Other internal questions (including air fares, marks of origin, steel, abolition of duty free allowances)	FCO (ECD(I))	Dept of Trade Dept of Industry HM Customs & Excise, MAFF
(h) German proposals on European Union	FCO (ECD(E))	
(i) Enlargement	FCO (ECD(E))	HM Treasury, Dept of Trade MAFF, Dept of Employment
(j) Other external Community Questions	FCO (ECD(E))	Dept of Trade
3. East-West Relations	FCO (EESD)	
4. US Policies and Trans-Atlantic Relations	FCO (NAmD)	
5. Defence Matters	Ministry of Defence	FCO (Defence Dept)



	<u>LEAD DEPARTMENT</u>	<u>IN CONSULTATION WITH</u>
6. Arms Control and Disarmament	FCO (Defence Dept)	Ministry of Defence
7. World Political Issues		
(a) Southern Africa/Namibia	FCO (SAfD)	
(b) Arab/Israel	FCO (NENAD)	
(c) Central America and Caribbean	FCO (MCD)	
(d) Iran and Iran/Iraq War	FCO (MED)	
(e) Afghanistan	FCO (SAD)	
(f) Cyprus and Eastern Mediterranean	FCO (SED)	
(g) Libyan activities in sub-Saharan Africa	FCO (WafD)	
8. Relations with developing countries	FCO/ODA (ERD/APD)	
9. International Economic and Financial Questions	HM Treasury	FCO (ESID/ERD)
10. Energy	Dept of Energy	FCO (ESSD) HM Treasury
11. UK/FRG Bilateral Relations	FCO (WED)	As appropriate
12. FRG Political and Economic Scene	FCO (WED)	

Spoman
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AMENDED DISTRIBUTION 22 SEPTEMBER 1961

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FM BONN 211530Z SEPT 61
TO IMMEDIATE FCO
TELEGRAM NUMBER 710 OF 21 SEPTEMBER

ANGLO-GERMAN CONSULTATIONS, 29 OCTOBER: AGENDA

1. I HAVE BEEN ASKED (TELECON MCCLEARY/ELDON) TO PROVIDE IN NEXT MONTH'S CONSULTATIONS, A LIST OF PROBABLE GERMAN OBJECTIVES USED AS AN ANNEX TO THE PUS'S COMMISSIONING LETTER. THIS IS PROVIDED IN MIFT.

2. WE WERE ALSO ASKED FOR A LIST OF SUBJECTS WHICH MAY COME UP FOR DISCUSSION WITH THE PRIME MINISTER OR YOURSELF. THE GERMANS HAVE ONLY JUST BEGUN TO FOCUS ON THE CONSULTATIONS AND THE AUSWAERTIGES AMT WILL NOT FINALISE THEIR LIST OF BRIEFS FOR SOME WEEKS. BUT WE WOULD EXPECT THEIR PROPOSED AGENDA TO INCLUDE THE MANDATE NEGOTIATIONS, GERMAN PROPOSALS ON POLITICAL UNION (MY TELNO 706), EAST/WEST AND WEST/WEST QUESTIONS, NORTH/SOUTH ISSUES IN THE AFTERMATH OF CANCUN, THIRD WORLD ISSUES (NOTIBLY AFGHANISTAN, MIDDLE EAST, SOUTHERN AFRICA AND CENTRAL AMERICA), US POLICY AND, THOUGH PERHAPS OBLIQUELY, FRENCH POLICY IN VIEW OF THE CHANCELLOR'S TALKS WITH MITTERRAND ON 7 OCTOBER. UK AND FRG DEFENCE PROGRAMMES WILL ALSO BE LIKELY TOPICS: AND THE PRIME MINISTER MAY WISH TO PREPARE THE GROUND FOR A PUBLIC REFERENCE TO THE QUOTE INSTRUMENTS OF ANGLO-GERMAN RELATIONS UNQUOTE EXERCISE ON THE LINES SUGGESTED IN MY TELEGRAM NUMBER 700. WE WILL REPORT FURTHER AS MORE DEFINITE INFORMATION BECOMES AVAILABLE.

3. I AM DELIGHTED THAT SO STRONG A TEAM OF BRITISH MINISTERS ARE TO ATTEND THESE CONSULTATIONS AND I KNOW THAT THE SATISFACTION IS SHARED BY THE GERMANS. MY SECOND IFT SUGGESTS SOME SUBJECTS WHICH OTHER MINISTERS BESIDES YOURSELF AND THE PRIME MINISTER MAY WISH TO DISCUSS HERE. SOME OF THESE WILL, OF COURSE, ALSO ARISE IN THE PRIME MINISTER'S DISCUSSIONS, AND IN THE PLENARY SESSION.

TAYLOR

[COPIES SENT TO NO 10 DOWNING STREET]

FCO | WHITEHALL
WED

CONFIDENTIAL



Genny
file

BK

cc: Trade
Ind.
MOB
EMP.
EN.
HMT
MAFF

10 DOWNING STREET

From the Private Secretary

11 September 1981

Dear Francis

Anglo-German Consultations in Bonn:
29/30 October

The Prime Minister has seen your letter to me of 9 September on this subject. She agrees that the Ministers mentioned in your letter ie the Secretaries of State for Trade, Industry, Defence, Employment, Energy, the Chancellor of the Exchequer and the Minister of Agriculture should take part in the Anglo-German Consultations in Bonn on 29/30 October and that the Germans should be so informed.

I am sending copies of this letter to the Private Secretaries of those listed above.

Yours sincerely

Michael Alexander

Francis Richards, Esq.,
Foreign and Commonwealth Office

BK



Prime Minister

(1)

Foreign and Commonwealth Office

London SW1A 2AH

It is interesting that the Germans have chosen to take this line. Further evidence that they are seeking to introduce a better balance into the trilateral relationship. 9 September 1981

Agree that all the ministers at 'A' should accompany you
Dear Michael, to Bonn?

And 10/9

Anglo-German Consultations in Bonn - 29/30 October

You sent me a copy of your letter of 7 August to John Wiggins.

The German Foreign Office have made it clear to our Embassy that they want to use the next round of consultations, the tenth in the series, to publicise the Anglo-German relationship and to draw attention to its scope and variety. Lord Carrington feels that we should fall in with their wishes. This round of consultations will be the first to be held in Bonn during a British Presidency and provides a valuable opportunity to highlight the extent to which British and German interests now coincide in Community affairs. One way of doing this will be to field an impressive British team and Lord Carrington now recommends that we should tell the Germans of the Prime Minister's wish that all the Ministers to whom you copied your earlier letter (i.e. Trade, Industry, Defence, MAFF, Employment, Energy and the Treasury) should take part in the consultations.

A.

Although those concerned will have noted the dates in their diaries a month ago, it will help with the preparations for the meeting if we can now go firm on the composition of the Prime Minister's team.

Yours ever.

Agreed
ms

Francis Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON
SW1

CONFIDENTIAL



Germany
MORBA to see of R
MAF

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

12 August 1981

La. And

W. Rickett, Esq.,
No.10, Downing Street

Dear Willie ^{swam}

ANGLO-GERMAN SUMMIT: 29-30 OCTOBER 1981

I have been asked to reply to your letter to John Wiggins of 7 August giving the dates for the next Anglo-German Summit which will be held in Bonn.

Although the Prime Minister has not formally decided which Ministers will attend, I imagine the Chancellor is likely to be included in the party. However, you will wish to know that he is also chairing an informal meeting of European Community Finance Ministers in London which begins with lunch on Friday 30 October.

We hope it would be in order for the Chancellor to return to the UK late on Thursday 29 October or very early the next morning. This would enable him to attend the tête à tête talks on 29 October but he would have to miss the plenary session on 30 October. Of course, Herr Matthöfer, the German Finance Minister, will also have to leave the talks early.

I am copying this letter to recipients of yours.

Yours ever
Louise Birnie

(MISS) L.E. BIRNIE
Assistant Private Secretary

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10 DOWNING STREET

From the Private Secretary

ANGLO/GERMAN SUMMIT: 29-30 OCTOBER 1981

The Prime Minister has agreed these dates for the next Summit, which is to be held in Bonn. As on previous occasions, the Prime Minister will wish to involve other Ministers in the Summit programme. She will not decide who these will be until nearer the time, but I should be grateful if you and the other recipients of this letter could make an appropriate note in your Ministers' diaries.

I am sending copies of this letter to Roderic Lyne (FCO), John Rhodes (Department of Trade), Ian Ellison (Department of Industry), Brian Norbury (Ministry of Defence), Kate Timms (MAFF), Richard Dykes (Department of Employment) and Julian West (Department of Energy).

John Wiggins, Esq.,
H.M. Treasury.

CONFIDENTIAL

file

cc: fco
Dir. Germany
Olina
MOD

7 August 1981

MAFF

DEMP

DEnergy

OSG

WR

0 10
CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

6 August 1981

*Pl type. cc to all those
listed below.*

Dear Willie,

Wh 2/8

Anglo/German Summit: 29-30 October 1981

We have now agreed with the Germans on 29-30 October as the dates for the next Anglo/German Summit, to be held in Bonn.

We hope that it will be possible to follow the previous practice of involving other departmental Ministers from both sides in the Summit. While it is too early to decide who will be involved this time round, it might be as well to ensure that these dates are kept free in the diaries of those other Ministers who might participate. Ministers who have been considered for involvement in past Summits include - in addition to the Foreign and Commonwealth Secretary - the Chancellor of the Exchequer, the Secretaries of State for Trade, for Industry and for Defence, and the Minister of Agriculture, Fisheries and Food. We might perhaps also pencil in the Secretaries for Employment and for Energy.

I attach a draft letter which you may care to send.

*yours ever
Rodric Lyne*

(R M J Lyne)
Private Secretary

Willie Rickett Esq
10 Downing St

CONFIDENTIAL

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:
Private Secretary

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:
Private Secretary/Chancellor of
the Exchequer

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

other PS's as appropriate

PRIVACY MARKING

SUBJECT:

.....In Confidence

ANGLO/GERMAN SUMMIT: 29-30 OCTOBER 1981

CAVEAT.....

The Prime Minister has agreed these dates for the next Summit, which is to be held in Bonn. As on previous occasions, the Prime Minister will wish to involve other Ministers in the Summit programme. She will not decide who these will be until nearer the time, but I should be grateful if you and the other recipients of this letter could make an appropriate note in your Ministers' diaries.

Enclosures—flag(s).....

Germany

1. MR. WHITMORE
2. MR. ALEXANDER ✓

Anglo-German Summit

We are looking for 1½ days in November when the Prime Minister can go to Germany. Chancellor Schmidt and Herr Genscher want Thursday, 5 November (after Questions) and Friday, 6 November. The dates are free because of the Lord Mayor's Banquet on Monday, 9th.

I told the Foreign Office that these dates were not convenient because not only is the Lord Mayor's Banquet on Monday, 9th, but it is the State Opening and therefore a major speech for the Prime Minister on Wednesday, 4th. I offered Thursday, 12th, and Friday, 13 November (the Prime Minister's trip to Northampton could be postponed to Friday, 20th). Can we have a word please?

*but now do not suit the Germans.
They have now come back saying
could we please reconsider the
5/6.*

6 July, 1981.

CF

Germany

MR WHITMORE
MR ALEXANDER

ANGLO/GERMAN SUMMIT: NOVEMBER

1. The Germans have told the Foreign Office that Friday, 6 November would suit Chancellor Schmidt. This does not suit the Prime Minister because of the State Opening on the 4th and the Lord Mayor's Banquet speech on the 9th. *I have told them so.*

2. They ask whether the Prime Minister would be happy to go the following week which is Friday 13th (I assume departing on the 12th). She is due to go to Northampton for the day but this can be shifted to the following Friday, 20th.

3. I attach an annual diary. Do you think this is a possibility? She might have to entertain the Emir of Qatar to lunch on the 11th - this is not on the diary.

es.

2 July, 1981

Thursday 29 October

0830 Hair
0915 Messrs. Gow, Howe, Ingham and Pattison
1030 Cabinet
1300 Lunch and Questions Briefing
1515 PM's Questions

Friday 30 October

0915 Media
0930 Sir Robert Armstrong
1230 for 1300 Lunch 'S' District Police, Senior Officers' Luncheon Club, Aldenham Room, Metropolitan Police Sports Club, Aldenham Road, Bushey, Herts.
Surgery
Annual Dinner, Finchley YC's

Monday 2 November

0830 Hair
1000 Media
1015 Chief Whip, Chairman and Home Secretary
1115 Lord Mayor's Banquet Speech
1830 for 2000 Reception for Computer and related industries + DT No. 10

Tuesday 3 November

0915 Questions Briefing Team
1300 Lunch and Questions Briefing
1515 PM's Questions
Audience?

Wednesday 4 November

1730 Chancellor of the Exchequer

Thursday 5 November

0830 Hair
0915 Questions Briefing Team
1030 Cabinet
1300 Lunch and Questions Briefing
1515 PM's Questions

No. 10
H/C

Friday 6 November

0915 Media
0930 Sir Robert Armstrong
Keep free for Lord Mayor's Banquet

Saturday 7 November

1900 Festival of Remembrance + DT Albert Hall

Sunday 8 November

Remembrance Sunday + DT Cenotaph

Monday 9 November

0830 Hair
1000 Media
1015 Chief Whip
1045 Chief Whip, Home Secretary and Chairman
1115 Keep free for speech
?Lord Mayor's Banquet + DT



10 DOWNING STREET

THE PRIME MINISTER

*cc Eco MFS 19/11
Files Germany*

*Subject filed as 14
Town Abd. July 80
Pre visit to Germany.*

24 November, 1980.

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T228/80**

Dear Helmut,

Thank you so much for your hospitality on Sunday and Monday. As always I found our talks together extremely useful and was much encouraged by the closeness of our views on so many issues.

I look forward to seeing you again in Luxembourg shortly and to hearing about your discussions in the United States.

This was written before our telephone conversation of Sunday morning.

Warm regards.

Yours sincerely,

(SGD) MT

*filed on
Germany: July 79
Anglo-German Relations.*

His Excellency Herr Helmut Schmidt

26

thw. *Mr Whitmore.*
Original on: Anglo-German relations.
PRIME MINISTER'S TELEPHONE CONVERSATION WITH CHANCELLOR SCHMIDT
ON SUNDAY 23 NOVEMBER 1980 AT 1115 HOURS

PM: Goodmorning, First, can I say how very much we enjoyed last weekend. I've written to you, but it won't have arrived yet.

CS: Thank you very much. Let me tell you a few of the impressions I had in Washington the day before yesterday. I have the feeling that Ronald Reagan, whom I talked for about 1 hour, and another 2 hours with some of his advisers and my advisers, that Reagan is quite open for a dialogue with the European partners and that he is seeking that.

PM: What does that mean? You mean that he would like a number of bilateral talks.

CS: I don't know what he really means, I think it's just too early to specify for himself. But I have the feeling and he expressed himself quite clearly that he does want, as he put it, to prevent any new surprises between the allies and the United States. So he made it very clear that he wanted closer cooperation or consultation. Secondly I would like to convey a few impressions as regards appointments. He has not given a single hint but other friends to whom I have talked made it rather likely that the Foreign Office, State Department will go to Alexander Haig.

PM: We heard that rumour last Monday.

CS: In that context it seems to me that we have an interest in making it clear for our public that Al Haig is not just a military but an all-round political animal. It looks likely that George Schultz will not join the administration at all.

PM: I'm sorry about that.

CS: So am I. It seems to have something to do with Near East policies but this is not quite clear to me. The personal relationship between the new President and Kissinger seems to be OK. But for the foreseeable number of months I would not reckon with any role of Kissinger within the inner circle.

/ PM:

PM: I'm a bit surprised because he seemed to do quite a lot during the election campaign.

CS: It seems to me that other people in the Reagan camp have great misgivings about Kissinger and that Reagan right now is taking precautions so far.

PM: It's a personal thing, is it.

CS: I think so. It looks likely that finance will go to Bill Simon.

PM: Well I know Bill Simon well and he did it very well last time. He'll be very orthodox, you know, he will get things under control.

CS: Yes, he will be conservative. I heard from Simon himself and also from Arthur Burns and my impression also by Greenspan who ..

PM: Yes, I know him.

CS: ... that they are conscious of the necessity to clear up the different economic targets which have publicly been voiced during the campaign. Number one, they have promised to lower taxation immediately. Number two they are promising to enlarge defence expenditure and number three they want to bring inflation down. How this fits in together will give them quite some trouble for digestion I guess.

PM: Well it just depends. If lower taxation means lower direct taxation, then they can do it by putting up the indirect and switch to the lowering the direct.

CS: My feeling is that, about these economic questions, there will be lots of talks and disputes over the next 8 or 12 weeks in Washington. We might possibly hear more about that and about foreign policy in the near future. Coming back to Ronald Reagan himself. The central point in our talk was that he gave the very clear impression, intentionally gave the very clear impression that he

is prepared to sit down with the Russians on arms control negotiations with great patience but also with engagement and also that to think of himself he would negotiate harder than his predecessors. I have told him that in my view it is important to have the Kremlin get a clear cut profile of his intentions right in time before the Communist Party Conference which will be held in Moscow at the end of February, oncoming February. I have the feeling that a trip of Senator Chuck Pursey, who is going to become the Chairman of the Foreign Relations Committee on 1 January, that a trip of Chuck Pursey to Moscow, I think he'll be travelling tomorrow is of some importance. I think he is travelling in connection with the Governor. Obviously for the advisers of Governor Reagan, economic relations with the Soviet Union are a subject of importance, I think they will lay more stress on the questions of the doubts they have as regards transfer of technology.

PM: What, they will try to limit it more?

CS: I think so. It is obvious that in the Republican camp you have different degrees of emphasis on all these questions. For instance, Senator Baker who is the new majority leader in the Senate, said to me they did not want an arms race, they did not want superiority. He just used the term adequacy. Others have, as you may remember, used other terminology earlier on. So I think they are just in a situation of forming their policies. They were very much interested in Poland and were asking what the foreseeable developments could be in Poland. My answer was that as far as I could judge, of course I was in a fog like anybody else as well, as far as I could judge that still the situation in Poland was rather dangerous and that we were not over the top of the hill as regards international difficulties. I got the impression that Reagan will try to improve American relationships with their immediate neighbours in Ottawa and Mexico City.

PM: That'll be marvellous.

CS: I think so.

PM: Did you put that into their minds?

/ CS:

CS: I made remarks to that extent and I had the feeling that they themselves had at least been thinking of whether and how it could be done.

PM: Any news on the defence front? About defence advisers.

CS: No, no. No clear cut or concrete news except that I do think that the economists in the new administration will fight those who want to step up defence expenditure quickly and considerably.

PM: Yes, I think they will. They will insist that they get public spending and taxation under control and the money supply first. Certainly Bill Simon will.

CS: Yes, that's my feeling too. Greenspan was not that outspoken but I had the feeling that they were preparing for quite a fight within the new administration. At the very subject a feeling of mine. The farewell visit to President Carter was nice and kind. He was greatly concerned about the present oil supply in the market and obviously they tried to have the International Energy Agency to pull the trigger. I have contradicted that.

PM: ~~THEY CAN/MOST UNWISE~~ ^{be} They can/most unwise, I agree.

CS: I have contradicted that. I said regulations will only lead to new regulations and to national domestic regulations. I made it very clear that I don't like that idea but they seem to be rather decided and I, after my return to Bonn, hear that they have started talks in the realm of the International Energy Agency. I have, to some degree, in talks with Governor Reagan, Margaret, mentioned that I had the feeling from listening to you and from listening to Giscard that both you and the French President were like I myself looking forward with confidence to the cooperation with the new government.

PM: Very much so. I think it will be much better, I think it will be much firmer and I think it will be much more widely discussed and I have known Governor Reagan for quite some time and I don't think he got a fair deal from the press in his country.

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CS: And not from the press in Europe.

PM: And not from the press in Europe. And I'm really quite optimistic because I think they'll take a hold of things and I think it will be the end of uncertainty and the fact is that no government wants war. Every government wants peace and the question is how do you best go about getting it. And he will be firm, I don't think he'll change his views, he'll make a very cool calculated assessment of the Russian position but he'll be the first to negotiate genuinely on reductions in armaments, as we all are. So I really am quite optimistic and very encouraged, Helmut, by what you've told me. The only thing is I'm sorry George Schultz won't be in.

CS: So am I. I'm really sorry. Because the Middle East thing and the Near East thing must not be dealt with only in terms of military power.

PM: No. He might join later you know. They've obviously got an immediate problem now, as I feared they would have because I think undertakings during the election campaign will limit what they can do for a few months. After that, it'll be the facts and the situation itself which will take over. And then they will look at it with a different view.

CS: Yes, that's possible.

PM: You felt quite cheered by your talks, did you Helmut?

CS: I felt relieved and in a way I had the feeling, well there might be differences as always but the United States will again be on a steady and calculable course after a couple of months.

PM: Yes, I'm sure they will. I think they're taking immense trouble now to get their main strategy line laid down before he comes in.

CS: Yes. He is rather careful now not to commit himself any further in any direction.

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PM: I think that's right. And I think that is an optimistic sign too. Well, that's marvellous. And you enjoyed it very much?

CS: I did.

PM: Well, it's very very valuable. I'm off to Rome this afternoon.

CS: Wish you a good trip Margaret.

PM: Thank you very much. Well, if it's as nice as last week and as valuable it'll be wonderful. But, unfortunately the government topples there about every six months and you don't know where you are.

CS: I hope you have good weather in the Holy City and see some of the marvellous things which Rome has to offer.

PM : Well, there'll not be much time. Our Chancellor of the Exchequer is making a big statement in the House on Monday afternoon so I have to be back for that. But still, we can do a lot in a little time. Well, I'm so pleased to have heard from you and thank you very much. I hope you're feeling and keeping fit. Thank you for phoning Helmut.

CS: Yes, all the best.

PM: Goodbye.

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Euro Pol: CAP part 6)

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10 DOWNING STREET

From the Private Secretary

18 November 1980

Dear George,

Prime Minister's Visit to Bonn

I enclose the records of the Prime Minister's discussions with Chancellor Helmut Schmidt in Bonn on 16/17 November. I should be grateful if, as usual, the records of these discussions could be given a limited distribution.

I am sending a copy of this letter and enclosures to David Wright (Cabinet Office). I am also sending copies of this letter and extracts of those parts of the letter of direct concern to them to Brian Norbury (Ministry of Defence), John Wiggins (HM Treasury), Kate Timms (MAFF), Stuart Hampson (Department of Trade), Ian Ellison (Department of Industry), Julian West (Department of Energy) and Jim Buckley (Lord President's Office).

Yours ever

Michael Alexander

George Walden, Esq.,
Foreign and Commonwealth Office.

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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND
CHANCELLOR HELMUT SCHMIDT IN BONN ON 17 NOVEMBER AT
0900 HOURS.

PRESENT

Prime Minister	Chancellor Helmut Schmidt
Foreign and Commonwealth Secretary	Herr Hans-Dietrich Genscher
Sir Oliver Wright	Dr. Jurgen Ruhfus
Mr. M. O'D. B. Alexander	Herr Otto von der Gablentz

* * * * *

World Economic Situation

The Prime Minister said that the world recession was impeding the efforts of her Cabinet to achieve economic recovery at home. Did Chancellor Schmidt have any views on when the recession was likely to end? Chancellor Schmidt said that the world was suffering from something more than a recession. A further stage in the structural upheaval which had begun with the first oil price rise was in progress. Britain, like Norway, would eventually overcome present problems and would then be in a different category from the rest of the major industrialised countries. Britain had oil while the rest of her partners would be congenitally in deficit. This would, inter alia, mean that it would become impossible for the industrialised world to help the developing world with development aid.

The oil exporting countries seemed not to understand what they were doing. The situation of the oil importing developing countries seemed likely to deteriorate very rapidly. Aid from the industrialised world would, at least in real terms, decrease as a proportion of the world's gross product. The developing countries would be increasingly unable to keep pace with the interest payments on their debts, and still less to repay those debts. The new

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international order was "rubbish". The new order was already with us. No-one understood its implications. No-one had foreseen it. Neither J.M. Keynes nor Mr. Friedman had anticipated a situation where the industrialised world would be so dependent for a vital resource on "outsiders". They had thought in terms of a closed system of national economies. The consequence of the present uncertainties included loss of faith in the future, a declining willingness to invest and, as a result, inflation and unemployment.

The Prime Minister said that Britain was no more insulated from the effects of structural upheaval than the other industrialised countries. We exported more of our national product than any other country. The unjustifiably high exchange rate of sterling resulting from its petro-currency status had created great difficulties for our exporters. On the broader issue, the Prime Minister said that we had witnessed in recent years a massive redistribution of world resources in favour of governments which did not understand the world economic system. The oil rich states were still talking the language of the past. They were still hoping to extract money from the West. This was apparent in the Global Negotiations. The prejudices of the developing countries made it essential that the World Bank and the International Monetary Fund should be masters in their own house. Chancellor Schmidt said that he was in entire agreement. The independence of the IMF must not be impaired. Even if they could not take on new responsibilities they had to retain those which they had. It was impossible to tell how the future would work out but there was an obvious risk that "national egoism" would become more marked. The Prime Minister, agreeing, said that she saw a risk of a resurgence of isolationism in the United States.

Chancellor Schmidt said that the same risk existed in the European Community. There would be increasing pressure from trade unions and entrepreneurs for the exclusion

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of outside suppliers from the European market in order to protect their position. Imports of cars from Japan and of butter from New Zealand were obvious targets. The Prime Minister said that this was a problem which should be discussed at the European Council in Luxembourg. People in Britain were looking for protection against the Japanese. They felt that they were being denied access to the Japanese market. (Chancellor Schmidt agreed.) Of course it was politically important that the Japanese should not become isolated. They were an integral part of the West and must be allowed to trade with the West. (Chancellor Schmidt agreed.) Nonetheless, unless the surge of Japanese car imports was controlled, the situation could become very difficult.

Chancellor Schmidt said that he had recently talked to leading German entrepreneurs about the question of access to Japanese markets. His feeling was that, despite their complaints, there would be great difficulty in defining which Japanese practices were unfair. Pay in Japan, and social costs generally, were lower than those in Europe. How could they be blamed for this. Herr Genscher referred to the need for more active marketing. The Prime Minister said that some British component manufacturers e.g. Lucas were clearly producing a better product than their Japanese competitors but still could not get into the Japanese market. It might be difficult to define the barriers but the barriers were there. Herr Genscher referred to the dominance of certain import monopolies. The Prime Minister said that greater use should perhaps be made of partnerships. Chancellor Schmidt said that Japan had of course been very seriously affected by the oil price rises. It would be difficult to push them too hard. But this had not prevented France from exerting a great deal of pressure on Japan. He suspected that they had threatened retaliation if the Japanese did not control their exports. He did not know how they had managed to do this while remaining within the Community rules but they had clearly impressed the Japanese. The Prime Minister said that the effect was that Britain and Germany had to take the over-spill of the Japanese goods. Chancellor Schmidt said that this might be so.

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EEC Trade and Industrial Policy

Chancellor Schmidt said that his Government were not satisfied with the recent agreement to limit EEC steel production. He was grateful for the Prime Minister's help, which had made the agreement possible, but the agreement was a senseless one. It served to reduce competition and therefore progress in productivity. It conserved old capabilities instead of developing new ones. There was an increasing tendency for the European Community to become dirigiste. Viscount Davignon was a super dirigiste. His policies were tending to encourage the transfer of the sort of structures developed in the CAP to other areas of economic activity. There were enough entrepreneurs in Europe to beat the world recession but there was a danger that they would be stifled by protectionism and the dirigistes. Lord Carrington agreed that Viscount Davignon's influence had been restrictive. Chancellor Schmidt said that Germany's shipbuilding and aircraft construction industries would be handicapped and their progress in improving productivity cut back.

The Prime Minister commented that this progress and the introduction of new plant had resulted in enormous surpluses. The United Kingdom had, for instance, been forced to make major cutbacks in its steel production. Chancellor Schmidt said that it was ridiculous to cut back production from new and old plant simultaneously in order to keep alive the old. The Prime Minister said that she was trying to phase out the old. Chancellor Schmidt said that this was easier for her since the British steel industry was nationalised. The Prime Minister said that she wished that it was not. There was a danger that the nationalised industry would survive at the expense of the private sector. She agreed with Chancellor Schmidt about the broad dangers of protectionism spreading to industry and thought that this should be discussed at the European Council meeting in Luxembourg. Chancellor Schmidt said that he thought this would be a good idea.

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/The Prime Minister

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The Prime Minister said that the problems they had been discussing had been particularly acute in the textile industry which employed more people in the United Kingdom than the coal and steel industries together. The Multi-Fibre Arrangement was due for renegotiation in 1981. Chancellor Schmidt said that this was another area where dirigisme was on the increase. The Prime Minister said that it would be necessary to review the MFA quotas. Nonetheless, it was clearly right that protectionism meant less trade. Chancellor Schmidt said that of course the developing countries tended to be particularly penalised. They would be "bitten by the dogs". The French were given to Colbertism and would be inclined to encourage the trend to Government intervention. Their economy was run by the Inspecteurs des Finances but of course the trade unions and industrialists encouraged them. The Prime Minister said that they wanted a quiet life. It was the duty of Government to maintain free and fair competition.

European Council Agenda

Chancellor Schmidt said that it would be important not to have too much on the Agenda for the Luxembourg meeting. The smaller countries are always inclined to press for the inclusion of detailed items. The European Council should only be a decision-making body in exceptional circumstances. It should be used for open and wide-ranging discussion between Heads of Government. The secretaries and notetakers should all be turned out. The Council of Ministers had a Secretariat of 2,000 which was ridiculous. Things were getting out of hand. The Prime Minister agreed.

The Prime Minister said that she hoped that there could be a general economic discussion dealing with the recession and other major problems. It should not have ten different sub-heads. There should also be a political discussion and a report from the out-going President of the Commission. Chancellor Schmidt did not dissent.

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EMS

Chancellor Schmidt said that he did not think it would be wise at a time of considerable monetary volatility to try to carry the EMS on to a new stage. M. Werner was keen to increase the degree of institutionalisation, but the German Government would be reluctant to follow him. They did not want to disturb the market or to attempt to pre-empt developments. They preferred to wait for things to calm down of their own accord. The EMS was doing well despite the problems experienced by the \$ and by sterling (which was much too high). The French were flattered by the thought that they were giving help to the DM. It was good that this sort of thing happened from time to time.

Re-structuring of the Community Budget

The German Government intended to make it clear that they would be arguing e.g. in June for:

- (a) a rigid adherence to the 1 per cent VAT ceiling;
- (b) a ceiling on all net contributions; and
- (c) ceilings for net recipients.

They knew that an approach on these lines would frighten the smaller members. Nonetheless it had to be brought out into the open. The Prime Minister said that the British Government would stand absolutely on 1 per cent. This was more important in the light of the accession of Greece. Chancellor Schmidt said that one day one might envisage some additional room within the ceiling being created for Greece. But this should be no more than an additional 3 or 4 per cent and should in any case not be considered in the near future. The Prime Minister said that a rigid adherence to the 1 per cent ceiling would require early decisions about the size of the CAP. The German Government had been very firm in their statement in June. Chancellor Schmidt said that the Community's expenditure on the CAP should increase at a rate 'considerably less' than that of the overall increase in the Community's revenues. The Prime Minister asked what would happen if there was then insufficient money to finance the CAP. Chancellor Schmidt said that agricultural prices /should be held

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should be held to the point where there was sufficient money to cover their cost. Consumers should be allowed to benefit from the prices which would result.

Chancellor Schmidt said that a number of principles governing the future development of the CAP had been worked out in the course of recent talks between the SPD and FDP. These principles, which had not been made public, were as follows:

- (a) The Federal Government would stress the necessity for agricultural policies to reflect more clearly the principles of the market economy;
- (b) The Federal Government would seek to ^{restored the} ~~have~~ the equilibrium of the market/by/production/lower surpluses. To this end they proposed to pursue three objectives:
 - (i) A more cautious price policy aimed primarily at restoring a balance between supply and demand;
 - (ii) Less rigid intervention mechanisms;
 - (iii) The bearing by producers of a greater responsibility, e.g. through super levies, for the financing of surpluses.
- (c) The Federal Government would stress the need to prevent the CAP placing additional strain on the European Community's trade and political links with the rest of the world, notably with the United States;
- (d) The Federal Government would insist on the 1 per cent ceiling and would assume that the ceiling would be reached in 1981. Thereafter, resources would only be placed at the disposal of the CAP at half the rate of the growth in the overall revenues of the European Community.

/Chancellor Schmidt

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Chancellor Schmidt said that, although this had not been put on paper, he and his colleagues did not believe that the price increases sought by France for next year, which were from 8 to 10 per cent, could be financed within the 1 per cent ceiling. The Prime Minister said that if the Federal Republic wanted lower price increases, it would be essential for the Commission's initial proposals to be lower. The British Government thought that 8 to 10 per cent was too high. They wanted significantly more severe price restraint. Chancellor Schmidt said that he was very glad to hear this. He had feared that, under pressure from the farmers, the British Government would opt for higher prices. He asked whether the Prime Minister was conscious of the impact of positive MCAs on British prices. The Prime Minister confirmed that she was. She repeated that she hoped the Commission proposal would be for significantly lower price rises than those which had been mentioned. She agreed with the Foreign and Commonwealth Secretary that co-responsibility levies were unsatisfactory from a British point of view and added that in any case they made it possible to escape the disciplines of the 1 per cent ceiling. Super levies, on the other hand, were acceptable.

The Prime Minister asked whether President Giscard would want the agricultural price fixing to take place before the French elections. Chancellor Schmidt said that he did not know. Herr Genscher said that he thought the French Government would insist on it. The Foreign and Commonwealth Secretary agreed. The Prime Minister noted that if the Community seemed likely to agree on a very low figure, the French Government might prefer to postpone the decision until after an election.

Aid

The Prime Minister said that although there seemed to be a good deal of agreement that too much aid was now being channelled to the developing world through multilateral organisations and too little through bilateral arrangements, nothing seemed to be done to reverse the trend. She asked about the current state of play in the Global Negotiations. The Foreign and Commonwealth Secretary described the situation. Chancellor Schmidt said that the Federal Republic would leave the International Monetary Fund if the General Assembly acquired authority over it. The Prime Minister made it clear that she felt

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equally strongly. Chancellor Schmidt said that Western Governments must be careful not to channel too much aid through the World Bank, the Lomé Convention and other multilateral instruments. The Prime Minister repeated that there seemed to be agreement on this as a principle but no clear view on how to implement it. Governments were concerned at the risk of appearing to reduce their aid effort and of appearing unsympathetic. Chancellor Schmidt said that he was becoming increasingly impatient of criticism from those who were being helped by the industrialised countries. He believed that donors should be rather more self-regarding. He wanted to see some political return for the efforts made by the Federal Republic. He intended to be very frank about this at the North/South Meeting in Mexico. He did not intend to use the meeting to exchange niceties. He "really meant it". Too many bishops had interested themselves in aid policy. He saw no need to pay too much attention to their preaching. Aid was not charity.

The Foreign and Commonwealth Secretary commented that the sums given in development aid were insignificant when compared with the consequences of the recent rise in oil prices. He hoped that some of the discussion in Mexico could be devoted to recycling and related problems. The Prime Minister said that the difficulty was that recycling was meaningless in relation to countries which had no credit. They would be no more able to repay in a few years time than now. Chancellor Schmidt agreed that recycling was ridiculous in these circumstances. He hoped that the kinds of comparison that the Foreign and Commonwealth Secretary had mentioned could be brought out clearly in Mexico. Nonetheless there would be some like President Nyerere who would never understand. Malcolm Fraser and Lee Kuan Yew were among the few Heads of Government who did understand. The difficulty with Mr. Lee Kuan Yew was that he was totally disliked in the Third World. The Prime Minister commented that Mexico ought probably to be a donor country. Chancellor Schmidt agreed and said that this consideration made it important not only that Mexico should be there but that Saudi Arabia, Nigeria and Algeria should also attend. The Prime Minister said that she expected the oil rich countries would nonetheless remain part of the Group of 77. Chancellor Schmidt said that the G77 had to be split up. The oil exporters did not belong in it.

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It was ridiculous that the G77 convoy should be led by the oil rich. He intended to make this clear in Mexico. The Prime Minister asked whether Chancellor Schmidt thought the Mexico meeting should take place before the Ottawa Summit. Chancellor Schmidt said that it should. The Prime Minister asked whether he agreed that it should not be a decision-making meeting. Chancellor Schmidt agreed emphatically. The Foreign and Commonwealth Secretary asked whether the United States was likely to come. Chancellor Schmidt said that they would have no choice.

Patriation of the Canadian Constitution

Chancellor Schmidt asked the Prime Minister for her assessment of the likely outcome of the present discussions on the patriation of the Canadian constitution. The Prime Minister said that it would be easy if the only question at issue was patriation. Unfortunately the Canadian Government also wanted a Bill of Rights. They were seeking this at Westminster because they would not be able to secure agreement for it in Canada. The British Government would have to respond positively to the Canadian request. Chancellor Schmidt said that Mr. Trudeau would be visiting Bonn in a few days. Mr. Trudeau was a personal friend of his. Chancellor Schmidt said that he followed Canadian problems closely but had begun to wonder whether Mr. Trudeau could steer Canada out of her present difficulties. In the western provinces Ottawa was talked of in the same terms as Europeans talked of the New Hebrides. In British Columbia the Atlantic provinces were "out of sight". Ontario was at odds with the rest of Canada. So was Quebec. They had the problems of OPEC versus non OPEC states in one country. Canada was a country with great troubles and great potential. The Foreign and Commonwealth Secretary commented that the difficulty with Canada was that it was three thousand miles long and one hundred miles wide. Too many parts of Canada felt a greater affinity with the neighbouring states in the United States than with the other provinces of Canada.

Nonetheless, Mr. Trudeau had done well so far and he had to be supported. It was a pity that he was making things difficult for the British Government by asking them to do something which he could not do himself. The Prime Minister repeated that we would have to stick to the strict constitutional position. Chancellor Schmidt

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asked whether Mr. Trudeau was aware of the Prime Minister's position. The Prime Minister said that he was. Chancellor Schmidt commented that Canada needed a more prominent role in international affairs than she enjoyed at present. Her self-esteem should be flattered. The Foreign and Commonwealth Secretary said that Canada had tended to lose out in recent years. Her prestige was far lower than it had been in the days of Mr. Lester Pearson.

Namibia

The Prime Minister described the Government's efforts on the one hand to persuade African states of the need not to press the South African Government too hard and, on the other hand, to persuade South Africa of the need to move faster. Unfortunately Mr. Pik Botha, on his recent visit to London, had taken a harder line on Namibia than had been expected. It was not yet clear whether she and the Foreign and Commonwealth Secretary had succeeded in persuading him to moderate his position. The Foreign and Commonwealth Secretary said that unfortunately the South African Government seemed to be relying on Governor Reagan to "take the heat off them". He thought that the Prime Minister and he had had some success in disabusing Mr. Botha of this illusion. But the result of the recent election among white voters in Namibia had not helped. The Nationalist Party had won at the expense of the DTA. This would make it more difficult for the South African Government to bring the internal parties along. The Foreign and Commonwealth Secretary described the negotiations to set up a pre-implementation meeting. It had been hoped that this would take place early in December, but the South Africans now seemed to be backing off, both as regards the timing, and as regards their own participation. He had spoken both to M. Francois Poncet and Dr. Kissinger, who had seen Mr. Botha recently, in the hope that they could persuade him to change his mind. If Mr. Botha stuck to his present line, there was a grave risk that sanctions would be imposed on South Africa before the end of the year.

Chancellor Schmidt asked whether the Five would stand united against sanctions. The Foreign and Commonwealth Secretary said that he did not know.

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/ Herr Genscher

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Herr Genscher said that the DTA were losing ground in Namibia. His contacts among the German settlers suggested there was growing interest in opening contact between them and Nujoma. There was a possibility of a meeting between representatives of the German community and SWAPO within the next two or three months. The German /were increasingly assuming that SWAPO would dominate Namibia eventually. They wanted therefore to forge links with SWAPO. The Foreign and Commonwealth Secretary commented that the success of the Nationalists in the recent election hardly supported this theory.

Chancellor Schmidt said that he had thought there were differences between the Five on the question of sanctions. The Foreign and Commonwealth Secretary said that it would be important to have an early discussion on this. A sanctions resolution would put the United Kingdom in a very difficult position indeed. The choice would be extremely awkward. Chancellor Schmidt said that clearly it was important to persuade the South Africans to move and that there was not much time (at this point he asked Herr von der Gablentz to take a careful note of the discussion on Namibia in order that he could raise the matter with Mr. Reagan's advisers later this week). He asked whether Mr. Botha had shown any signs of nervousness lest the West should fail to veto a sanctions resolution. The Foreign and Commonwealth Secretary said that Mr. Botha claimed not to care. He would rather have sanctions imposed on South Africa than have the Russians as neighbours. Chancellor Schmidt said that South Africa's fear of having Russians on their doorstep had hardly been borne out by events in Zimbabwe. The Foreign and Commonwealth Secretary agreed and commented that other Front Line States, particularly Mozambique, were adopting a sensible line. Only South Africa was failing to do so. The Prime Minister said that South Africa's neighbours knew that a sanctions resolution would hit them hard. She hoped that in the event of a sanctions resolution a number of countries would use the veto.

Chancellor Schmidt asked whether Mr. Mugabe was being successful. The Prime Minister said that he was doing as well as could be expected. It had always been apparent that there would be problems

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e.g. with the integration of the rival armies. Nonetheless Mr. Mugabe was showing more statesmanship than the South African Government. One example was his clear statement that Zimbabwean territory would not be used as a base for action against South Africa. Chancellor Schmidt asked about the situation in Angola. Was there any prospect of reopening the Benguela railway? The Foreign and Commonwealth Secretary said that there was no immediate prospect of this. However the Angolans were anxious to help in Namibia because they realised that peace in Namibia would enable them to get rid of UNITA and of Mr. Savimbi who were being supplied by the South African Government. The Prime Minister commented that while this might be true in the short term, a settlement in Namibia would only delay the day when African Governments would turn on South Africa. The difficulties for the West would always be very great because of South Africa's enormous strategic importance and because of the importance of her raw materials. Chancellor Schmidt agreed about South Africa's strategic importance but said that he expected alternative sources of raw materials would be found as time went by.

Middle East

The Prime Minister said that the Foreign and Commonwealth Secretary considered the reconnaissance initiated in the Venice declaration should be continued. At the same time it was important not to make things difficult for the United States. Herr Genscher said that Britain and the Federal Republic had a common view on this issue. Although the French Government would like to go further, the Venice position should not be changed. Chancellor Schmidt said that he thought that it was the Quai d'Orsay rather than President Giscard who were making the running in Paris. He had spoken to President Giscard and had urged him to be cautious. It was important to give Mr. Reagan time to work out his policy. The Foreign and Commonwealth Secretary said that the French Government had reacted very strongly to the recent headline in the New York Herald Tribune. They did not like the implication that the Community would do nothing. But this was the wrong time for a new plan. The Prime Minister said that the subject was bound to come up in Luxembourg. She was glad that the British and German Governments had a joint view.

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Inner German Relations

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Inner German Relations

In response to a question from the Foreign and Commonwealth Secretary, Chancellor Schmidt described the background to the present difficulties in relations between West and East Germany. He had cancelled his planned trip to East Germany in the summer because he was under the impression that there might have been a crisis in Poland during his visit which would have forced him to return home. Herr Honecker, for his part, had probably been equally afraid of a spill-over of events in Poland into East Germany. Following the cancellation of the trip, the East German Government had tried to show both their own population and the Russians how tough they could be. This had led to sharp verbal "position taking" in a number of fields. The Russians had denied responsibility for what had been said by the East German Government but it was obvious that there were many in Moscow who welcomed the present situation. There might of course be others in Moscow to whom it was unwelcome - conflicting views were known to exist there at present.

The West German Government had decided not to respond in kind to the East German statements. To do so would only make life more difficult for families who were divided. The new currency regulations had resulted in a 60% drop in visits by West Germans to East Germany. Although there might be some recovery in due course, Chancellor Schmidt said that he expected that the level of visits would stabilise at about half the previous figure. This development was deeply resented in West Germany. Nonetheless the Government intended to resist pressure from the Opposition for counter measures. They had done the same in 1974. They might however go slow on various negotiations making it plain that they would be willing to resume negotiations when the overall situation improved.

The Foreign and Commonwealth Secretary asked Chancellor Schmidt why the East Germans had attacked him personally. Chancellor Schmidt said that he thought there were two reasons. Firstly Herr Honecker had expected the Chancellor's visit to enhance his own position. No doubt some of his entourage had said "I told you so" after the cancellation. Secondly Chancellor Schmidt had remarked in the course of his own election campaign that West Germans had to

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"think and act" on behalf of their East German compatriots. He believed that this remark had been greatly disliked by Herr Honecker. Herr Honecker was a gifted political tactician but lacked self-assurance.

Herr Genscher said that East Germany was the "most unstable state in Eastern Europe". Chancellor Schmidt said that one should not underrate the stability of the police and army. Herr Genscher said the same had been said of the Shah's security forces. The fact was that East Germans had no identity other than as Germans. 85% of the population of East Germany received West German television. They were on the whole better informed than the population of West Germany. The Prime Minister commented that West German influence was, no doubt, growing all the time. Chancellor Schmidt said that the East Germans looked to the West. But they were, nonetheless, in a resigned frame of mind. Chancellor Schmidt said that supposing there was a break in East/West relations and in trading relations following a crisis in Poland, it would still be very difficult for West Germany to break with East Germany. The Foreign and Commonwealth Secretary asked whether the West Germans would try to differentiate between East Germany and the Warsaw Pact in these circumstances. Chancellor Schmidt said it remained to be seen whether this would be possible. In such a situation the leaders in East Germany might be forced to be more "Soviet" than the Soviet Union itself.

Security Council

The Foreign and Commonwealth Secretary said that he was very anxious about the possible enlargement of the Security Council. In a Security Council with 21 members, it would be virtually impossible to avoid the perpetual use of the veto. Western Governments would never be able to muster a simple majority. This would be a very bad situation. Herr Genscher said that he was not sure. The reaction of the membership of the United Nations to the invasion of Afghanistan had shown that attitudes in the Third World were changing. The Federal Republic would not play an active role in favour of enlargement. But, given their interest in membership of the Security Council, they could hardly be expected to oppose it. Chancellor Schmidt said that this was the first time he had heard any mention of the problem. He could see that the more

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members there were in it, the more difficult it would be to manage. But since the Federal Republic was not a member, it was difficult for them to comment. The Foreign and Commonwealth Secretary said that the Russians were opposed to enlargement and would no doubt use their veto. Herr Genscher said that if the United Kingdom used its veto, the Federal Republic would not make any criticism.

Defence

Chancellor Schmidt referred to his interview on Panorama due to be broadcast this evening. He said that in the interview he had deliberately given the impression that he expected to approach the 3% NATO target next year.

The discussion ended at 1100, it having been agreed that the next bilateral meeting would take place at Chequers in May next year.

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SUBJECT.

10 DOWNING STREET

J. Masfai M.C.

From the Principal Private Secretary

17 November 1980

PRIME MINISTER'S CALL ON PRESIDENT CARSTENS

The Prime Minister called upon President Carstens at 1500 today in his Office in Bonn. After a tête-à-tête conversation lasting 20 minutes, they joined their officials for a further 10 minutes. On our side Sir Oliver Wright was present.

Community Affairs

The Prime Minister said that she thought that the European Community was in fairly good shape, but of course it was facing the major problem of the restructuring of the Budget, and central to this was the question of the future of the CAP.

President Carstens said that he was very much alive to all the difficulties surrounding the CAP, not least because he had played a substantial part in the original negotiations in 1956-57 which had led to the establishment of the CAP. Then it had seemed that most of the industrial benefits from the creation of the European Community would go to Germany, and as a quid pro quo, France had insisted upon the introduction of the CAP. There were of course no surpluses then and the policy had seemed a sensible one. But it had since developed in a direction which could no longer be continued. The problem was how it should be changed.

He added that he fully supported the accession of Spain and Portugal. It would be politically wrong to exclude them, though their membership would pose another set of financial problems.

The Prime Minister said that she too was in favour of Spain and Portugal joining the Community. Membership would help to keep them within the democratic framework.

Poland

The Prime Minister said that recent developments in Poland were clearly incompatible with the existence of a Communist regime. But it was impossible to say this in public for fear that it might provoke Soviet intervention or make life more difficult for other East European countries. She wondered what the effect of Polish developments had been on East Germany.

/ President Carstens

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President Carstens said that he thought the recent measures which East Germany had taken to restrict contact with the FRG had been a direct result of developments in Poland. In 1979 8 million West Germans had visited East Germany, and the East German Government was plainly frightened of the effect of such extensive contact on their people. Now they seemed to want to isolate themselves once more from the Federal Republic.

There was one positive element in the present situation in Poland. The Communist Party, the free trade unions and the Catholic Church all had one common interest: they did not want the Soviet Union to intervene. Even Mr. Kania took that view. This united them and explained the compromise which had been reached between the Government and the trade unions. But the battle was not yet over. The Communist Party would try and regain the ground it had lost but it would not do so in such a way that would provoke a situation which might lead to Soviet intervention.

The Prime Minister said that she doubted whether the Polish Government could do much to reverse the situation. The changes in Poland had come from outside the Government, unlike those in Czechoslovakia in 1968, and were much more profound and long-lasting for that reason.

The Pope's Visit to Germany

President Carstens said that he had found the Pope a most impressive man. He had tried to impress upon him that the stability of the FRG depended on peace and cooperation between the Protestant and Catholic communities. One of Chancellor Adenauer's greatest achievements had been to bring both groups together in one political party. But in the last few months some of the old animosities had reappeared. Just before the Pope's arrival the Catholic Church had published a history of the Church in Germany which had said some astonishingly insensitive things about Luther. The Protestants had reacted by saying that their representatives would not meet the Pope during his visit. But he had made friendly overtures on arrival and, as a result, he was in fact seeing Protestant leaders that day.

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

G. A. WHITMORE

George Walden, Esq.,
Foreign and Commonwealth Office.

SUBJECT.

NOTE OF A CONVERSATION OVER DINNER IN THE FEDERAL CHANCELLOR'S RESIDENCE AT 2030 HOURS ON SUNDAY 16 NOVEMBER 1980

Present:

The Prime Minister	Herr Helmut Schmidt
The Foreign and Commonwealth Secretary	Herr Hans-Dietrich Genscher
Sir Oliver Wright	Dr Jurgen Ruhfus
Mr. C.A. Whitmore	Herr Otto von der Gablentz

* * * * *

THE FOREIGN AND COMMONWEALTH SECRETARY'S VISIT TO EASTERN EUROPE

In response to Chancellor Schmidt's invitation, the Foreign and Commonwealth Secretary reported on his recent visit to Eastern Europe. He said that he had found Mr. Kadar impressive and authoritative during his talks with him while he was in Hungary. (Chancellor Schmidt interjected that Mr. Kadar was a fine man.) Mr. Kadar had said it was most important that nothing was done to internationalise the crisis in Poland, for otherwise there would be a catastrophe. The Soviet Union had decided not to intervene, but if the West did something provocative, they might change their mind and go in. Mr. Kadar had said that he was not worried in the smallest degree about the possibility of the advent of free trade unions in Poland affecting Hungary. He had also said that the longer the West could keep Mr. Brezhnev in power, the better it would be: what came after Brezhnev would be worse.

when
Chancellor Schmidt said that he had seen Mr. Kadar in 1978 he had said something very different to him. His view then had been that Soviet policies were so established that a change of leadership would not matter.

The Foreign and Commonwealth Secretary said that he had gone on from Hungary to Poland where he had found Mr. Kania more reassuring than he had expected. Because of Mr. Kania's previous responsibility for internal security matters he had thought he

/ would be

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would be a hardliner. He appeared, however, to be open to reason and he made no pretence that what was happening in Poland was purely economic and not political as well. Nonetheless, he had appeared to be determined to overcome the political problems. He did not want any confrontation. He had said that the free trade unions were on the whole moderate but that they contained a minority which wanted to destabilise the system and bring it down, and if that happened there would be trouble. He did not seem to think, however, that events were likely at present to take such a turn. Mr. Pinkowski, the Polish Prime Minister, had taken a similar line.

The Foreign and Commonwealth Secretary said that his own assessment was that the Poles would sort out their political problems. They would, however, have much more difficulty in solving their economic problems. The potato crop had failed, and all round the country there were queues in the food shops. He doubted whether the Government would be able to satisfy the rising expectation of the free trade unionists for better food and more consumer goods. The Catholic Church was obviously much involved in recent events in Poland, but he thought that it was more in alliance with the trade unions rather than managing them from behind the scenes.

Herr Genscher said that he had thought that Mr. Walesa could control his trade unionists. He was a responsible and careful man, but there was no doubt that he was under considerable pressure.

Herr Schmidt said that he had asked the Pope the night before for his evaluation of the Polish situation. The Pope knew Mr. Kania and had talked approvingly of him. He did not believe, however, that the Polish authorities would be able to keep their economic promises. Herr Schmidt added that when he had suggested that trouble leading to Soviet intervention might flare up when disillusionment set in, the Pope had said that much depended on whether the people's dignity was being acknowledged and honoured by the Polish Government. If it was, they would be ready to accept hard decisions by the Government.

NATO

The Prime Minister said that she and the Federal Chancellor had discussed the state of the Alliance in their tete-a-tete before dinner. He had not shown himself unduly worried about NATO's military strength compared with that of the Warsaw Pact. But she felt strongly that the Alliance had lost its vigour and dynamism. She did not believe that we were getting maximum value for all the money that was put into our defence effort in NATO. The UK would have difficulty in making the 3 per cent target in 1981/82, but she doubted whether it was all that vital for members of the Alliance to reach the 3 per cent aim in a year of recession. What was much more important was to achieve an improvement in the collective effort to make the Alliance work and to get a maximum return on the investment of resources in our military capability. A big step in this direction would be to replace Dr. Luns with a new Secretary General who might infuse new energy and determination into NATO's activities. Another area where a big improvement should be made was in collaboration on equipment. The UK, France and the FRG would all need a new tank in the 1990s, and this offered a splendid opportunity to collaborate on producing a common tank. When the Warsaw Pact forces all used the same tanks, it made no sense at all for the Alliance to go on having 12 different tanks.

Chancellor Schmidt said that he agreed that Dr. Luns should go by August 1981 at the latest. But it was important to be clear that the Secretary General and the NATO bureaucracy were not the key to improving the condition of the Alliance. The answer lay with national governments.

As regards collaboration, all his experience made him sceptical about its value in the development of complex weapons. All too often such projects consisted simply of an amalgamation of national operational requirements and not a genuine synthesis of them. This usually made the final product much more expensive than it would have been if it had been developed and produced nationally. The Tornado was a good example. This was costing 60 million DM an

/ aircraft

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aircraft, and it might have cost 30 per cent less if it had been a national project. A more rational approach would be complete specialisation, so that, for example, the UK produced fighters for all members of the Alliance, the FRG tanks and so on.

The Foreign and Commonwealth Secretary said that he thought it would be very helpful if when Chancellor Schmidt saw Mr. Reagan's advisers in Washington later in the week he could put it to them that there was a need for a new dynamism in NATO which was not simply associated with the aim of 3 per cent annual increases in defence expenditure. He shared some of Chancellor Schmidt's reservations about collaboration: the failure of the UK and FRG to develop a common tank for the 1980s was an example of the inability of national military staffs to reconcile requirements. Nonetheless, we should not give up trying. We were facing a common enemy and one day we might be fighting the same war: that surely made it necessary for us all to have the same tank.

The Prime Minister said that she doubted whether it would ever be possible to achieve complete specialisation on the lines suggested by Chancellor Schmidt. Nor should we be too pessimistic about collaboration. The Tornado and the FH 70 gun had been successes, and she hoped that he was not saying that the FRG would not join in collaborative projects in future.

Chancellor Schmidt replied that he had only been expressing personal doubts. Officially he and his Government remained in favour of collaborating with their NATO allies. More generally, he was not too worried about NATO's total military capability. The FRG, for example, could put 1.25 million trained soldiers into the field in three days, and he had no "inferiority complexes" about Germany's forces, though he could not claim he was entirely free of anxiety about the Dutch and the Danes. Nonetheless, he was not saying that NATO was perfect and that it should be left just as it was. He accepted the need for a new Secretary General, and he thought that there should be much more give and take in discussion at Ministerial meetings which were now too formal and rhetorical. Above all, the Alliance needed two things which went together - leadership from the United States and much more consultation.

/ Herr Genscher

Herr Genscher said that much would be gained if NATO Foreign and Defence Ministers had private, informal meetings, such as the Foreign Ministers of the European Community had. He would like to see these taking place between the formal meetings in December and May. The need for NATO Foreign Ministers to meet the new US Secretary of State would provide a good pretext for a meeting of this kind in February 1981. The French, of course, would have difficulty in agreeing to such meetings, and the first step would be to discuss the idea with M. Francois-Poncet.

The Foreign and Commonwealth Secretary said that he doubted whether anything would come of Herr Genscher's suggestion but he thought it well worth a try, if only to get away from the formal stereotyped meetings which NATO Foreign Ministers had now.

Chancellor Schmidt said that if progress was to be made with Herr Genscher's idea, it would be important to let the initiative come from the French after it had been agreed privately by all concerned. His meeting with President Giscard the previous week had suggested that his mind too was moving in this direction. He was looking forward to more dependable American leadership. In his own view, too, if Mr. Reagan meant what he had said about his approach to NATO, there would have to be more consultation within the Alliance. The United States had not had a grand strategy for dealing with the Soviet Union since President Nixon left office, and it would be important to get over to Mr. Reagan's advisers that a new strategy of this kind was now the main need.

The Foreign and Commonwealth Secretary said that he hoped that Mr. Reagan would not say publicly that the United States was inferior to the Soviet Union in nuclear weapons and had to catch them up. If he took that line, the Russians would respond and this would be the beginning of a new arms race. In approaching the new Administration, we had to bear in mind that the Americans were feeling lonely. They believed that they were not properly supported, for example, over Iran and the Gulf. The new Administration was also likely to say that they were carrying a much bigger share of the defence burden than their European allies and that they wanted them

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to make a greater effort. There was a real possibility of a recurrence of Mansfieldism. For this reason the European allies should be considering now how best to influence Mr. Reagan's advisers over the next two months.

Chancellor Schmidt said that he did not believe that the United States was inferior to the Soviet Union in military capability but he feared that if there was an arms race, we should lose the Dutch and the Danes. There was a danger that underneath tough talk about the Soviet Union the United States would revert to a "Fortress America" mentality. The most sensible position Mr. Reagan could adopt publicly would be to say that the United States would be second to none in military strength.

The Prime Minister said that Mr. Reagan had been greatly underestimated and for this reason he was in danger of being misunderstood. It would be a very serious mistake if we antagonised him from the outset by trying to tell him what he should and should not do. Unless we handled our consultations with him very carefully, there was a real risk that Europe would not get off on the right foot with him and would be weakened as a result. Nonetheless, we should have to get over to him the complexity of relationships within the Alliance and the fact that all its members saw NATO from different perspectives.

Chancellor Schmidt said that there was no question but that Europe had to look to Mr. Reagan to provide American leadership in the political, economic and military fields. They had to exert this role by virtue of their sheer size and power. But this did not mean that their leadership was a kind of dictatorship and that their ideas and policies should not be questioned by their allies. When he was in Washington later in the week he would make it clear to Mr. Reagan's advisers that the Europeans were glad to have a firm and reliable leader but he would tell them that leadership had to embrace consultation. He would also impress upon them the need for the Americans to have what he had called a grand strategy in dealing with the Soviet Union. He would explain to them the importance of continuing the SALT process and in particular of the need for progress in the talks on limitations on missiles stationed in Europe, if the

/ adherence of

adherence of all the European allies to the decisions on TNF was to be sustained. He would also urge Mr. Reagan's advisers to listen to the Arab case as well as that of Israel; and he would try to discover what their approach to China was.

Herr Genscher added that he and Chancellor Schmidt would propose that Mr. Reagan ^{would} send a team of his advisers over to Europe shortly to consult the United States' allies. Firm leadership from his Administration would be all the more necessary since all the signs were that the Soviet Union was about to mount a major offensive on disarmament with a view to undermining the readiness of the West to defend itself. Chancellor Schmidt added that these considerations all emphasised how superficial it was for the Alliance to focus all its attention on whether or not member countries achieved a 3 per cent annual increase in defence expenditure.

MIDDLE EAST AND SOUTH WEST ASIA

The Prime Minister said that the UK would have to make up its mind about future arms sales to Iran once the American hostages were released. A further complication was that the Iranians were also holding four British citizens as prisoners. Britain had embargoed military equipment which Iran had paid for but ^{which} had not been delivered. The British Government was inclined to take the view that once the hostages had been freed, there was no reason for denying Iran civil goods but that as regards military equipment, each case should be looked at on its merits. One factor to be taken into account would be the effect of arms exports on Arab governments.

In reply to a question by Chancellor Schmidt, the Prime Minister said that the UK was not selling military equipment to Iraq at present but that we were to Saudi Arabia. We believed that it was right to build up the Saudi forces and we were hoping to sell them the FH 70 gun but we needed FRG consent for this. We also hoped to sell the RB 199 engine to Yugoslavia.

Chancellor Schmidt said that he was reluctant to see the RB 199 engine supplied to Yugoslavia for security reasons but he was ready to give German agreement for the sale of the FH 70 to Saudi Arabia, provided there were no objections from the Americans. More generally,

/ he thought

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he thought that European Foreign Ministers, including M. Francois-Poncet, should consider together whether it was in the joint interests of the West to supply weapons to the countries of South West Asia. This was the sort of problem on which we ought to have a concerted position with which we could then go to the Americans whose perspective in this area was likely to be different from our own because of their particular concern about Israel. He was particularly concerned about Saudi Arabia which he thought was feeling increasingly isolated. It must surely be in the interests of the West as a whole to stabilise Saudi Arabia.

The Prime Minister said that there were ^{really} only five Western countries concerned with this matter - the United States, the FRG, France, Italy and the UK. She doubted very much whether it would be possible to reach agreement with the United States and the French on a joint arms sales policy towards the countries of South West Asia, but she saw no harm in trying.

QUADRIPARTITE CONSULTATION

The Prime Minister continued that this was an example of the kind of problem which was best pursued through the quadripartite machinery, though there would often be occasions where it would be desirable for the three European allies to consult together first before approaching the Americans. If we were to give substance to the quadripartite forum, it would need a proper secretariat.

Chancellor Schmidt said that he agreed about the importance of the quadripartite forum, but he thought it important that it operated not just at official level but also at Foreign Minister level. There should be full-scale meetings of the four Foreign Ministers, if possible in secret. It was not good enough for the four of them to meet always in the margins of other occasions.

The Foreign and Commonwealth Secretary said that it would be important to get Mr. Reagan's advisers to understand quickly the importance of the quadripartite machinery in the spectrum of allied

/ consultation.

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consultation. There was of course a perpetual problem with the Italians over the use of the quadripartite forum. Their objections to it were understandable, particularly in view of the courageous decision they had taken over the stationing of United States cruise missiles.

Chancellor Schmidt said that Signor Forlani was anxious for an early meeting with him, and it was likely that he would come to Bonn for three or four hours of talks, including a working lunch, on 9 December. The Prime Minister added that she would be in Rome in a week's time for her regular six monthly meeting with the Italian Prime Minister.

/Arab/Israel

ARAB/ISRAEL

Chancellor Schmidt said that he was due to see the Israeli Foreign Minister the following day. He was under considerable pressure to agree to visit Israel but he did not want to go because if asked publicly, he would have to make it clear how profoundly he disapproved of Mr. Begin's policies. Yet it was difficult for him to reject outright the suggestion that he should go to Israel because of the obligation the FRG peculiarly was under to Israel due to the past. He retained great sympathy for the Israeli people but he was deeply afraid of the consequences of their Government's policies. If there was another Arab/Israel war, they would lose and this time find themselves without the support of the West.

The Prime Minister said that it was clear that it would not be timely for the Federal Chancellor to visit Israel in the near future. If he had to give a reason for not going, he might simply say that he would be glad to pay a visit but not yet. As regards Mr. Begin's policies, she wondered whether it was right that Israel would lose a future conflict with the Arabs. Egypt would not fight, and that left only Syria and Jordan, not a formidable combination.

The Foreign and Commonwealth Secretary added that while Egypt remained neutralised militarily - and they did not get back the rest of Sinai until 1982 - Israel would probably not be defeated. This no doubt accounted for Mr. Begin's arrogance, which was reinforced by Arab divisions over the Iran/Iraq war. But elections had to be held in Israel by November 1981 at the latest and this might lead to changes in the present short-sighted policies. In the meantime there should be no new initiatives, but this did not mean that M. Thorn's mission should not be followed up.

COMMUNITY AFFAIRS

The Prime Minister said that she was concerned not to do anything in the European Community in the next few months which would make things more difficult for President Giscard in the run-up to the French Presidential elections. This was why the agricultural price fixing was more of a problem than it might otherwise be. France

/wanted a large

wanted a large price increase, while the UK was in favour of very severe price restraint in products in structural surplus. We were absolutely determined not to break the 1 per cent VAT ceiling, and the higher the price increase the nearer we should get to the ceiling. A possible formula was, as the Germans had themselves proposed, to restrict the rate of growth of CAP expenditure to the growth of the Community's own resources. In addition to price restraint the UK would like to see a heavy supplementary levy on milk production.

Chancellor Schmidt said that in 4½ hours' discussions the previous week President Giscard had not once said that he must have a price settlement before his election, whereas he had repeatedly referred to the need to stay within the 1 per cent VAT ceiling. The German approach was similar: indeed, he would like to see agreement between the UK, France and the FRG that they would not consent to any policies which would result in the ceiling being breached. Moreover, he would go further than the formula suggested by the Prime Minister and argue that the cost of the CAP should increase by considerably less than the growth in own resources. He agreed about a supplementary levy on milk. He also believed that the Commission's interventions in the market should be less strict: this would involve removing from the farming communities the present floor guarantees. There should be a limit on the amount of money the Commission could spend in this way.

The Prime Minister said that the Community should solve the outstanding problem of New Zealand butter quickly. Only the French were holding out. This was a political issue: New Zealand was a friend of the West on the other side of the world and should be treated accordingly.

Chancellor Schmidt said that he understood the problem. But the butter surplus was too big. His Cabinet had recently decided, however, that the FRG should no longer agree to the sale of cheap butter to Russia. The Prime Minister added that the UK always voted against such sales in the Commission management committee but member countries had no veto.

/Chancellor Schmidt

Chancellor Schmidt said that political co-operation among the Nine should be far more important than everlasting strife about butter, sugar and so on. Political co-operation was going fairly well, but the Community was not doing enough to get this over to the public.

UK/FRANCE

Chancellor Schmidt said that it had been clear from what President Giscard had told him the previous week that the UK and France were now getting along much better both at the Governmental level and on a personal basis.

The Prime Minister said that that was a fair assessment. The improvement between France and the UK had only been possible because of the lead that had been given from the top on both sides. Both she and President Giscard had been determined that things should take a turn for the better. Her bilateral meeting with the President in September had been a very good one, and apart from New Zealand butter, all our problems with the French had been solved or were on the way to being solved. This was why she did not want to make difficulties for President Giscard before the French Presidential election.

SPAIN

Herr Genscher said that while he had been in Spain for the opening of the Madrid Conference, he had talked to the King, the Prime Minister and the Foreign Minister about the internal situation. All three of them seemed to be changing in their attitude to the Basque problem. Their difficulties were growing, and it was clear that they were under pressure from the Army to do something different. The ETA were now active throughout Spain: they had enough money and seemed to be getting all the training and arms they needed. They were supported by the majority of the Basque population, and their objective appeared to be a regime like that in Cuba. Senor Suarez was now in a dilemma. If he introduced much tougher measures against the terrorists such as martial law, there would be an outcry from every left wing party in Europe. People would think this was the beginning of a return of the past. Spain faced a crisis of democracy.

/PRESS CONFERENCE:

PRESS CONFERENCE: DEFENCE EXPENDITURE

In discussing the following morning's Press Conference, Chancellor Schmidt said that if he was asked about German defence expenditure, he would point out that hitherto the FRG had always honoured its NATO obligations. Defence expenditure in 1980 would increase by about 3 per cent in real terms. He was not prepared to speculate about 1981 but would tell questioners that they should wait until the end of the year to see what the increase in real terms was after the figure in money terms had been established and had then been deflated.

The conversation ended at 2330.

JWH.

17 November 1980

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Prime Minister.

Mr Garside (Planning Staff)

The Italian concern is understandable. But it cannot be allowed to undermine the effectiveness of the single most useful piece of consultation machinery that we have.

Quadripartite Consultations

Amk - 1/2

The Italian Ambassador called on the Secretary of State this morning at his own request in order to deliver the attached note reiterating the Italian Government's concern at the possibility of a quadripartite summit early next year.

Signor Cagiati said that, although Italian prestige was involved, the problem was one of substance for the Italian Government. The Italian Government's decision to accept cruise missiles on its territory had been difficult and courageous. There was a lot of domestic criticism. Such criticism would be reinforced if a summit meeting took place from which Italy was so conspicuously excluded. There was a real risk of the TNF decision becoming unravelled as a result. The Italian Government hoped therefore that the British Prime Minister could bear these concerns in mind when she saw Chancellor Schmidt this weekend. Sr Forlani would almost certainly raise the subject with her in Rome on the following weekend.

Lord Carrington said that he understood and sympathised with the Italians' concerns on this score: Signor Colombo had spoken very eloquently to him on the subject. The British Government had not been approached about any plan to hold a four power summit in the early part of next year and was not aware that the rumours about such a meeting had any substance. Lord Carrington wondered personally whether Mr Reagan would be keen on such an idea. The reasons for occasional four power meetings were known to the Italians: this was the only forum in which the French seemed prepared to consult frankly with their allies and it was clearly advantageous that such consultations would take place. Nonetheless, he would inform the Prime Minister of the Italians concern and the subject would no doubt come up during her talks in Bonn.

Paul Lever
(P Lever)
Private Secretary

14 November 1980

cc: PS
PS/LPS
PS/PUS

Mr Bullard
Mr Fergusson
Head of WED
Mr Alexander (No 10)

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SPEAKING NOTES

The Italian Government wishes to draw the attention of Her Majesty's Government to a question to which it attaches great importance.

According to rumours registered in French and German circles, President Giscard and Chancellor Schmidt might be considering the initiative of suggesting to the new American Administration a meeting, after January 20th, at the highest level between the United States, the United Kingdom, France and the FRG. The meeting would take place on the Island of Martinique and it would envisage a review of the world situation in its political, military and economic aspects.

Should these rumours be founded, the Italian Government would like to acquaint the British Government with the following considerations. As it was made clear bilaterally several times during the past years, the Italian authorities believe that the convening of such a restricted summit, following the pattern of the one held in Guadalupe, would be a serious mistake since it would weaken Western unity and Atlantic solidarity at a critical moment in international relations and create internal difficulties for the Italian Government.

A new "four powers" summit would cause surprise and indeed irritation in Italian public opinion and would be interpreted by Italian political parties as a serious lack of regard towards a country which has been among the first to accept its responsibility for the strengthening of Western defence in agreeing to the deployment of TNF on its territory. It is well known that Italy's

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decision last December was a determining factor in encouraging other Allies to take similar steps.

The Italian Government finds it difficult to believe however that the new American Administration should wish to start its international activity with such an initiative which would cause the Italian Government substantial internal problems as well as be likely to divide the Western world, both in its Atlantic and European dimension, at a moment when cohesion and trust are essential in order to face the uncertainties and dangers of the current international situation.

It is the wish of the Italian Government to acquaint the British Government with the above considerations in view of the friendly ties existing between the two countries, bilaterally, within NATO and the European Community, and to point out that the convening of the above mentioned meeting would inevitably reflect in a negative way on such relationship.

14th November, 1980.

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
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01-218 9000 (Switchboard)

MO 25/3/4

14th November 1980

Dear Minister,

ANGLO GERMAN SUMMIT

/ As a postscript to David Omand's letter to you of earlier today I should perhaps send you the enclosed copy of my minute about the TCA so that the Prime Minister is aware of what Herr Apel has said before she sees the German Chancellor.

Yours and.
Bm

(B M NORBURY)

M O'D B Alexander Esq

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SPRAF



Copy to:

PS/Minister of State
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 PS/CDP
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 DUS(Pol)(PE)
 DUS(P)
 AUS(IP)
 Head of DS12
 FCO (Defence Department)
 UK Del NATO

MO 26/11/9

Head of IP2GERMAN POSITION ON THE TCA

In a brief discussion with the Secretary of State this morning in the margins of NPG, the German Defence Minister told the Secretary of State that although a formal governmental position had not yet been reached he thought it unlikely that the Germans would, for budgetary reasons, be able to proceed with the TCA.

2. The Secretary of State said that we had our own budgetary problems and could well find difficulty in fitting the TCA into our own equipment programme but we were making real increases in defence expenditure and we had been working on the basis that examination of the TCA project should continue. He noted, however, Dr Apel's advice.

14th November 1980

(B M NOREURY)
 PS/S of S

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PERMANENT UNDER-SECRETARY OF STATE

DRK/80/1354 61/1/1

14 November 1980

Michael Alexander Esq
No. 10 Downing Street
London SW1

Dear Michael,

There was some discussion at yesterday's briefing meeting of problems over the sale of collaborative equipment. You may find helpful ... the attached note.

A copy goes to Paul Lever.

D R KING
Assistant Private Secretary

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SALES OF COLLABORATIVE PROJECTSA. FH 70

FH 70 is a towed 155 mm artillery howitzer; produced in collaboration by UK, FRG and Italy. Entered service in 1979. Production of components is divided between the three countries. Vickers making the gun carriage (40%), Rheinmetall in FRG the barrel/breech etc (40%) and Oto Melara in Italy the elevating mechanism (20%). But there is a final assembly line in each country.

Under the tri-national Memorandum of Understanding, signed in 1970, sales to third countries are subject to unanimous agreement. FRG will not agree to sales of FH 70 to several promising countries - especially in Middle East and Africa (eg Bahrain, Jordan, Tunisia, Saudi Arabia, Nigeria, also Yugoslavia).

Morocco. An order for 36 FH 70 guns is imminent - King Hassan expected to initial contract within days. Guns worth £28M (UK share £12M). UK ancillary equipment worth £15M. Total artillery package, which is critically dependent on FH 70, exceeds £100M. Germans were approached through UK Embassy in Bonn in mid-October but have not yet replied.

FRG understood to have agreed to sale of Franco/German Alpha jet (trainer/ground attack aircraft) to Morocco.

Saudi Arabia. Saudis interested in buying 100 FH 70 guns. In 1979 FRG refused agreement to supply. Under pressure they have allowed initial negotiations to proceed but have still not agreed to eventual supply.

Nigeria. Possible longer term interest in FH 70. FRG refused agreement to supply in January 1980. FRG has agreed to sale of Alpha jet - believed 12 on order for Nigeria (in competition with UK Hawk).

Going it Alone. Production of the entire gun in UK against FRG wishes would be neither feasible - Rheinmetall hold the detailed

design drawings for their components; nor economic - even if the designs were available, costs for setting up a production line in UK for the German elements would almost certainly be prohibitive.

B. Yugoslav Interest in RB 199 (Tornado Engine)

Yugoslavs interested in RB 199 to power new lightweight combat aircraft to be built locally. No other nations involved. Germans have refused release of information on security grounds. We believe it possible to devise arrangements to safeguard security since engines to 1980 standard will not be supplied before 1986/87.

C. Greek Interest in Tornado

Greek evaluation - to be completed by end December - is considering Mirage 2000 (French), F 16, F 18 and F 17 (all American) along with Tornado. Nine evaluation flights offered on each of the other aircraft. Greeks asked for 6 on Tornado but Germans will only allow 1. Ostensible reasons:

a. Disruption to Tornado programme.

b. Greeks not really interested in expensive aircraft anyway. German attitude may be influenced by aim to sell Leopard tanks to Greece, helped by military aid. Defence Ministers have twice written to Germans stressing need for positive attitude to marketing Tornado and stressing that disruption to programme minimal.

D. German Sales to Countries UK would not Supply

Chile. Germany sold 2 helicopters to Chilean Naval Air Force in 1978. Understood to be negotiating sale of 2 submarines and torpedoes.

Argentina. UK has refused sales of sub-machine guns on human rights grounds and mortars, assault ships and aircraft cannon because of Falkland Islands. German firm may supply machine guns. FRG has made a large sale of frigates to Argentina. (UK firms are supplying some of the equipments).

Rheinmetall. Press reports that German State Prosecutor is investigating Rheinmetall for illegal arms sales to South Africa, South America and Middle East (including Saudi Arabia).

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*original filed in
Guro P.O.: CAP, Pt B.*

Ref. A03548

MR. ALEXANDER

A Ceiling on Community Agricultural Expenditure

The Chancellor of the Exchequer's minute of 12th November raises the question of what would be an effective ceiling on agricultural expenditure in 1981. This is relevant to the Prime Minister's forthcoming talks with Chancellor Schmidt. The conclusion of OD on 3rd November on this issue was that there should be no increase in the proportion of the Budget spent on agriculture. But OD did not establish a point of reference for calculating this proportion.

2. The Chancellor lists three possible formulations:-

(a) No increase in the proportion of the Budget spent on agriculture

- but because the draft Budget for 1981 already shows a substantial drop as compared with 1980 (mainly because of our Budget refund) this would not be at all restrictive. Even if this formulation were applied to any supplementary Budget it would leave too much scope for price increases.

(b) Restrict the rate of growth of CAP expenditure to the growth of the Community's own resources

- This is basically what the German Government proposed in June (copy attached) and depending on how you define it (given the entry of Greece) could leave scope for price increases of about 5 per cent.

(c) Treat the provision in the draft 1981 Budget for agriculture as a cash limit beyond which no supplementary provision would be possible

- this would be in line with the recent resolution of the European Parliament but would seem to rule out any CAP price increases unless they were funded by savings or co-responsibility levies which we would not like.

3. The Chancellor favours (c), but, in his letter of 13th November, the Minister of Agriculture rejects it for the reasons given and proposes a variant of (a):-

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Expenditure on the CAP could only be increased by the same proportion of what is left within the 1 per cent ceiling ("headroom") as agriculture represents in the total 1981 Budget once it is established. This would leave room to spend about 540 meua more in 1981 compared with 280 meua under formula (b)."

4. It is unlikely that Chancellor Schmidt will want to get into detail and he will be conscious of the problem for Giscard if he takes too tough a line on financial constraints (or on prices). The French have been very active in ensuring that the Budget arrangements for 1981 leave the maximum room for doing what they want on prices. On the other hand, Schmidt will not be insensitive to the value of putting financial constraints on Agriculture Ministers and will see that the European Parliament's resolution gives him a useful weapon. The trouble is the Germans are prepared to square the circle by increasing the milk co-responsibility across the board and we are not.

5. The best thing would probably be for the Prime Minister to sound out Schmidt on the lines of (c) but be ready to accept something like (b) if she can get Schmidt to put his name to it, although this means going further than Mr. Walker is prepared to agree.

(D. J. Wright)

13th November 1980

EXTRACT FROM GERMAN CABINET STATEMENT OF 5 JUNE 1980

The Federal Government emphatically agrees with the necessity expressed in the EC decision to correct existing imbalances in the budget of the Community by structural changes. It underlines in this connection the necessity that the EC Commission should in the suggestions which it has to put forward by 1 June 1981 provide effective means for inter alia the elimination of agricultural surpluses: the increase in agricultural expenditure should be held below the increase in own resources of the EC. Other changes in the Community's expenditure structure must be made in good time (in the budget proposal for 1982), so that they can become effective from 1982 at the latest.

The Federal Republic believes that these measures bring about a sharing of the burdens in the Community in such a way that burdens are not put unilaterally upon a few members, while at the same time states in just as good an economic position receive net contributions from the Community. In this connection the question must be put and discussed, whether a maximum limit should be arranged for the net contribution of any individual Member State and whether a similar principle should be applied to Member States that are net beneficiaries.

The Federal Government addressed itself with these expectations to the Council, European Parliament and the Commission.

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FM BONN 131150Z NOV 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 841 OF 13 NOVEMBER

INFO ROUTINE WASHINGTON, PARIS, UKDEL NATO, UKREP BRUSSELS

ANGLO-GERMAN CONSULTATIONS

1. FROM MY ROUNDS OF THE CHANCELLOR'S OFFICE AND FOREIGN MINISTRY THIS WEEK, I WOULD JUDGE THE LOCAL CLIMATE PARTICULARLY PROPITIOUS FOR THE PRIME MINISTER'S VISIT. THE CHANCELLOR SEEMS TO BE BACK ON FORM, WITH THE BRITISH BUDGET PROBLEM OUT OF THE WAY, AT LEAST FOR THE PRESENT, THE SCENE IS SET FOR A BROAD DISCUSSION ON THE WAY AHEAD IN THE ALLIANCE AND THE COMMUNITY AND ON WORLD PROBLEMS IN GENERAL IN THE LIGHT OF THE AMERICAN ELECTIONS AND THE EAST/WEST PICTURE. CERTAINLY THE CHANCELLOR IS GLAD THAT HE WILL HAVE SEEN BOTH GISCARD AND MRS THATCHER BEFORE HIS VISIT TO THE UNITED STATES AND SO HAVE A CLEAR SENSE OF EUROPEAN THINKING.
2. UPPERMOST IN SCHMIDT'S MIND WILL BE THE PROSPECT OF REAGAN AND THE PROSPECTS FOR POLAND. SECOND THOUGHTS HERE ABOUT REAGAN ARE AN IMPROVEMENT ON THE FIRST THOUGHTS, PARTICULARLY AFTER THE PUBLICATION OF THE NAMES OF SOME OF THE PEOPLE CONCERNED WITH THE TRANSITION. PEOPLE LIKE SCHULZ, HAIG, KISSINGER AND SCOWCROFT ARE WELL KNOWN: SCHULZ IS HIGHLY REGARDED AND THE OTHERS ARE PREDICTABLE, A GREAT VIRTUE LOCALLY. BUT IT IS REALISED THAT ALL KEY APPOINTMENTS ARE STILL TOTALLY OPEN AND THAT UNTIL THEY ARE MADE WE SHALL NOT KNOW WHERE WE STAND. AND AREAS OF POSSIBLE FRICTION STILL ABOUND.
3. THE CHANCELLOR WANTS IF AT ALL POSSIBLE TO AVOID A REPETITION OF WHAT HAPPENED AT THE START OF THE CARTER ADMINISTRATION IN 1977, WHEN NEW POLICIES WERE PROMULGATED IN ALL DIRECTIONS WITHOUT PRIOR CONSULTATION WITH AMERICA'S ALLIES. THE SCHMIDT-CARTER RELATIONSHIP NEVER RECOVERED FROM THIS INITIAL SETBACK. SCHMIDT DOES NOT WANT TO GO ALL THROUGH THAT AGAIN. HE MAY OR MAY NOT, PROBABLY NOT, MEET REAGAN ON HIS NEXT TRIP, BUT HE AND HIS PARTY WILL TRY TO MEET AS MANY AS POSSIBLE OF THE TRANSITIONAL TEAM TO GET ACROSS THE SIMPLE MESSAGE: PLEASE CONSULT ON WHAT YOU WANT TO DO BEFORE YOU DO IT. ACCORDING TO VAN WELL, THE CHANCELLOR AND GENSCHER WILL ALSO TRY TO PERSUADE THE REAGAN TEAM TO SEND AS MANY OF THEIR EXPERTS AS THEY LIKE AND CAN TO EUROPE, TO DISCUSS WITH THE MAJOR ALLIES THE WHOLE RANGE OF ALLIANCE SUBJECTS - TNF MODERNISATION, SALT, MBFR, CSCE ETC AND OTHER SUBJECTS WHICH GREATLY CONCERN EUROPE - THE MANAGEMENT OF THE SUPER-POWER RELATIONSHIP, THE MIDDLE EAST, NORTH-SOUTH ETC. SCHMIDT HAS BEEN TOLD THAT GISCARD IS ASKING BARRE TO GO TO WASHINGTON AND ESTABLISH CONTACT AND HE WILL NO DOUBT BE INTERESTED TO KNOW WHETHER HMG HAVE SIMILAR PLANS. A PRESENTATION ON THE HEALTH OF THE ALLIANCE WILL THEREFORE BE MOST TIMELY.

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4. SCHMIDT IS IN NO DOUBT ABOUT THE PROBLEMS AHEAD: VON STADEN MENTIONED FIVE IN PARTICULAR: DEFENCE: THE CONTINUATION OF THE SALT PROCESS: THE MIDDLE EAST: POLAND AND NORTH/SOUTH. SCHMIDT WANTS TO AVOID UNNECESSARY DISSENSION ABOUT THE NATO 3 PER CENT TARGET: IT IS STUPID TO HAVE AN ARGUMENT AT THE BEGINNING OF 1981 WHEN YOU DO NOT KNOW WHAT THE 1981 OUTTURN WILL BE. HE FEELS NO NEED TO FEEL ASHAMED OF THE SIZE AND EFFECTIVENESS OF THE GERMAN ARMED FORCES AND THINKS THAT, ON THE RECORD OF THE LAST 10 YEARS, IT WILL BECOME THE UNITED STATES TO PREACH TO THE FRG. ON POLAND, SCHMIDT WANTS TO GO BEYOND A CHECKLIST OF THINGS TO DO IF THE RUSSIANS INVADE: RATHER THE OBJECT SHOULD BE TO CONVINCE THE RUSSIANS THAT THE WHOLE OF DETENTE WILL BE AT AN END IF THEY DO. ON THIS VON STADEN TOOK A SOMEWHAT DIFFERENT LINE FROM VAN WELL. VAN WELL SPECIFICALLY SAID THAT FOR THE FRG, EAST/WEST RELATIONS COULD NOT BECOME A QUOTE AREA OF ASSERTIVENESS UNQUOTE AND WENT ON TO STRESS THE IMPORTANCE OF OBSERVING THE EASTERN TREATIES. THE DIFFERENCE MAY ONLY BE ONE OF TIME SCALES: VAN WELL CONSIDERING THE PRESENT SITUATION, VON STADEN THE POSSIBLE FUTURE. ON SALT, THE GERMANS ARE ANXIOUS TO ENSURE QUOTE THE CONTINUITY OF THE SALT PROCESS UNQUOTE. THEY RECOGNISE THAT THE RATIFICATION OF SALT II IS NOT ON, BUT THEY WILL WANT TO POINT OUT THAT THERE WILL BE TROUBLE IN EUROPE OVER LRINF MODERNISATION IF THE PROCESS IS NOT CONTINUING. THEY HOPE THAT SOME FORMULA WILL BE FOUND AND TAKE COMFORT FROM REPORTS THAT SCOWCROFT AND OTHERS ARE VISITING MOSCOW. ON THE MIDDLE EAST, THE GERMANS THINK THAT PRESIDENT REAGAN MAY NOT BE AS COMMITTED TO ISRAEL AS WAS CANDIDATE REAGAN. THEY HOPE HE WILL TAKE A LONG TIME TO STUDY THE PROBLEMS OF THE AREA BEFORE MAKING UP HIS MIND ON POLICY. SCHMIDT IS AGAINST A PUBLIC DECLARATION ON THE MIDDLE EAST AT THE NEXT EUROPEAN COUNCIL: HE IS FOR THE EUROPEANS TALKING WITH ONE VOICE IN WASHINGTON ON THE MIDDLE EAST PROBLEMS.

5. ON THE COMMUNITY AND ITS REFORM, THE GERMAN CABINET HAVE NOT YET HAD ANY COMPREHENSIVE DISCUSSION LET ALONE TAKEN ANY DECISIONS. SCHMIDT WILL HOWEVER, SO DOHNANYI TELLS ME, LISTEN ATTENTIVELY TO ANY BROAD IDEAS WHICH THE PRIME MINISTER MAY WISH TO DEPLOY. DOHNANYI HOPES THAT MRS THATCHER WILL CONVINCE HIM OF THE NEED TO KEEP TO THE AGREED TIMETABLE AND DEPLOY THE BRITISH POLITICAL AS WELL AS GENERAL REASONS. SCHMIDT TAKES THE VIEW THAT IT IS LUDICROUS FOR THE DANES AND THE DUTCH TO BE NET BENEFICIARIES TO THE EXTENT THAT THEY ARE. BOTH CHANCELLOR'S OFFICE AND FOREIGN MINISTRY HAVE STRESSED THE IMPORTANCE OF THE 1 PER CENT VAT LIMIT, BOTH TO IMPOSE DISCIPLINE AND ALSO BECAUSE IT MAKES NO POLITICAL SENSE TO LOOSEN BELTS IN THE COMMUNITY WHEN BELTS ARE EVERYWHERE BEING TIGHTENED AT HOME. BUT THEY SEE THAT GISCARD NEEDS HIS 1981 FARM PRICES TO ENSURE HIS RE-ELECTION. STRICT VIRTUE MAY THEREFORE BE A LITTLE DELAYED IN PRACTICE.

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6. FOR THE REST, SCHMIDT WILL NO DOUBT WISH TO TELL THE PRIME MINISTER HOW SATISFACTORILY THE EMS IS PERFORMING. DESPITE THE D MARK'S CURRENT PROBLEMS, THE CURRENCIES IN THE EMS HAVE BEEN REMARKABLY STABLE OVER THE LAST 12 MONTHS: IT IS THE DOLLAR, THE YEN AND STERLING WHICH HAVE YO-YO'ED. ON FISHERIES, DOHNANYI RECOGNISES THAT WE ARE BEING COOPERATIVE. THE GERMANS WILL NOT BE ABLE TO GIVE THE NAME OF THEIR SECOND COMMISSIONER; IT HAS BEEN OFFERED TO THE OPPOSITION WHO HAVE NOT YET MADE UP THEIR MINDS WHETHER TO ACCEPT. DOHNANYI SAYS THAT THE CHANCELLOR WILL BE INTERESTED TO LEARN OF THE STEPS WE HAVE TAKEN TO RESTRUCTURE THE STEEL INDUSTRY. SCHULMANN TOLD ME THAT THE DECISION TO INCREASE THE PETROL TAX BY 7 PFENNIGS A LITRE WAS TAKEN PRINCIPALLY ON ENERGY SAVING GROUNDS, ALTHOUGH IT HAS A USEFUL FISCAL BONUS AS WELL.

7. IN GENERAL, THE MORE THE PRIME MINISTER CAN SPEAK FROM A EUROPEAN POINT OF VIEW WITHIN THE ALLIANCE, THE BETTER THE CHANCES OF A MEETING OF MINDS. AND, AS SEEN FROM BONN, THERE MAY BE A NEED AND AN OPPORTUNITY FOR US TO DO SOME HONEST BROKING OF EUROPEAN VIEWS TO THE UNITED STATES IN THE MONTHS AHEAD, OF WHICH YOUR SPEECH TO THE COUNCILL ON FOREIGN RELATIONS WAS ONE PUBLIC EXAMPLE.

WRIGHT

FCO|WH
WED

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Foreign and Commonwealth Office

London SW1A 2AH

p/w Bonn briefs.

12 November 1980

Dear Michael,

Federal German Elections: Despatch from H M Ambassador in Bonn

You may wish to have, in view of the Prime Minister's forthcoming visit to Bonn, an advance copy of a despatch from Sir O Wright about last month's Federal German Elections.

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

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BRITISH EMBASSY, LIAISON OFFICE

NOV 1980

3 November 1980

The Right Honourable The Lord Carrington KCMG MC
Secretary of State for Foreign and Commonwealth Affairs
London SW1

My Lord,

ELECTIONS IN THE FEDERAL REPUBLIC OF GERMANY:
THE CAMPAIGN AND THE RESULTS

1. The final official results of the Federal German elections held on 5 October were published on 23 October. They show only marginal changes from the provisional figures announced on 6 October. The distribution of seats in the ninth Bundestag, which meets for the first time on 4 November, is as follows (1976 figures in brackets):

Social Democratic Party (SPD)	218 (214)	} Government:
Free Democratic Party (FDP)	53 (39)	
Christian Democratic Union (CDU)	174 (190)	} Opposition:
Christian Social Union (CSU)	52 (53)	

The two Government parties thus gained 18 seats and will govern with a majority increased from 10 to 45.

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The Campaign

2. This was without any doubt one of the most boring democratic elections in the history of modern Germany. When the CDU/CSU elected Franz-Josef Strauss as their Chancellor-Candidate on 2 July 1979, I reported that life had returned to German internal politics, that the adrenalin was flowing, and that the battle lines had been drawn for the 1980 election campaign. Strauss was hailed as the only German politician of stature enough to take on the Chancellor with a chance of winning. But his challenge failed to materialise: and three days before polling day the election was front page news in only one of the nation's four main serious newspapers.

3. There were two main reasons for this. The first was that the result was never seriously in doubt. The second was that there were no real issues.

4. Throughout the campaign the message carried by the opinion polls was tediously constant. At no stage between Strauss' nomination as Chancellor-Candidate and polling day did the polls put the CDU/CSU ahead of the SPD/FDP. The Government's lead was consistently estimated at over 5%. In the FRG, with a system of proportional representation and with a relatively low proportion of floating voters, this is a virtually unassailable position. One opinion

/poll



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poll taken about three weeks before the election recorded that 69% of voters expected the Schmidt/Genscher team to be returned. And some 60% of the electorate, when asked during the campaign whether they would prefer Schmidt or Strauss as Chancellor, regularly opted for the former. In the run-up to polling day I did not meet anyone in the SPD who thought that they would lose, or anyone in the CDU/CSU who thought that they could win; and there were few who doubted that the FDP (despite, or perhaps because of, their unexpected failure in the North-Rhine-Westphalia Land elections in May) would obtain the 5% of the vote necessary to achieve representation in the Bundestag.

5. The events surrounding Strauss' nomination inevitably strained relations between the CDU and CSU. Although differences between them receded as the campaign progressed coordination remained poor, and there were several occasions in the run-up to polling day when the Union found itself speaking with two voices on one issue or another. Moreover the Opposition had the unenviable task of finding chinks in the armour of a Government whose track record was impressive in both foreign and domestic policy fields - a Government led by a widely respected Chancellor who had developed into a statesman of world stature. Spurred on by the crisis in Afghanistan the CDU/CSU first tried to take Schmidt on on his own chosen ground, that of foreign and security policy. The Soviet invasion proved, they argued, the correctness of

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their theory of Russian expansionism and put in question the whole philosophy of Ostpolitik, which had been the major achievement of ten years of Social/Liberal coalition. But the electorate was not convinced. Rather than turning to Strauss the "strong man" they preferred in a time of crisis to stick with Schmidt the proven crisis manager. The Chancellor's visit to Moscow in June paid off handsomely in electoral terms. The Soviet agreement to TNF negotiations which he obtained in Moscow almost certainly set the seal on the electorate's conviction that he was the right man to isolate the problems of South-West Asia and prevent them from spilling over into Europe, thus threatening their material security and well-being and their psychological desire for peace and quiet.

6. Foreign policy remained a theme throughout the campaign, particularly for the Government parties, and would perhaps have retained a central position if Schmidt's planned meetings with Gierek and Honecker had not been swept off the agenda by events in Poland. But by the Summer the Union had in any case decided to change its tack. Frustrated by the clear popular vote of confidence in the Government's policy towards the East the Opposition attacked on the domestic front, criticising specifically the high (for the FRG) level of state indebtedness and the government's policy on pensions. Yet here again they were able to make little impression. The German citizen was not prepared to believe that his Government, headed by a formidable ex-Minister of Finance, was borrowing

/irresponsibly.



irresponsibly. And the Opposition's attack on the Government for having failed to fulfil its pensions promises during the previous election carried little weight with an electorate who had seen pensioners' standard of living rise to an all-time high under the Social/Liberal coalition.

7. In the absence of real issues much attention focussed on the degree of invective being bandied about in the campaign. The language was, by British standards, distinctly unparliamentary. Typical of the Opposition's rhetoric was their description of Schmidt as a "pensions swindler". Typical of the Government's was a remark by Schmidt himself allegedly describing Strauss's statements on worker co-determination as "like a bull pisses - now this way, now that way". I should perhaps add for the benefit of the sensitive, that Germans and the German language are robust in their references to bodily functions and such remarks would not normally bring a blush to the cheek of a young German person. The role of the buttock in German humour is also worth a modest monograph. A watch-dog committee chaired by a retired Bishop was set up before the campaign, as part of an election agreement signed by the major parties in which they committed themselves to campaigning without character defamation and personal insults. But the committee failed to censure many of the more extreme statements; its role was abused and exploited by all sides, and its existence served merely to magnify the impact of the language it was designed to check.

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8. Religion also entered the campaign. For the first time in over ten years the Catholic Bishops' pre-election pastoral letter singled out for critical comment certain issues (notably state-indebtedness) which the Opposition had also been criticising. By using language similar in places to that of the Opposition they gave the impression of endorsing the CDU/CSU and encouraging Catholics to vote for them. The SPD, including Schmidt himself, reacted angrily and suggested that the Bishops' "intervention" was likely to do long-term damage to relations between Church and Government. The SPD Minister-President of Hessen, Börner, told me that the repercussions would be felt for ten years. It may indeed have done some damage: the strained relations between the Catholic Bishops and the Government showed themselves in the long and drawn out negotiations over the arrangements for the visit of The Pope later this month.

The Results

9. The detailed results of the election are enclosed as an Annex. They show that, in comparison with 1976, the CDU/CSU vote fell by 4.1%, the SPD's rose by 0.3% and the FDP's by 2.7%. The small parties increased their share of the vote from 0.9% to 2.0%, thanks largely to the 1.5% polled by the Greens (environmentalists); but the 5% hurdle has prevented any of them from being represented in the Bundestag.

/10.



10. There was a certain amount of regional variation, particularly between North and South. Whilst the CSU managed to keep its losses to 2.4% in Bavaria the overall CDU vote (ie excluding Bavaria) dropped by 4.5%, with the sharpest reduction in the two most northern Länder, Schleswig-Holstein (-5.2%) and Lower Saxony (-5.9%). As expected, Strauss became steadily less popular the further North he campaigned. In Schleswig-Holstein the SPD managed for the first time to win all the constituencies on the first vote, which meant that under the Federal Electoral law, an extra seat for the Land had to be created in the Bundestag. The FDP did well everywhere, but particularly so in the North where they clearly picked up a great number of second votes from the CDU.

11. The CDU/CSU are the clear losers of the elections. Their performance was their worst for over thirty years and their second worst ever. Their task was clearly an uphill one from the start. Very few in the Union camp ever believed they had a real chance of toppling a Chancellor who was at the height of his popularity. And the nomination of Strauss had the inevitable effect of alienating the young (less than 30% of first-time voters voted for the Union) as well as the more liberal elements of CDU opinion, particularly in the North of the country. But there were two crumbs of comfort for Union supporters. First the CDU/CSU remains the largest party in the Bundestag, a result which in the early Summer had looked in doubt. And second, having now exorcised the

/spectre



spectre of Strauss, they have cleared the path for a more attractive leader in 1984, by which time the political constellation may well have changed in their favour.

12. For the SPD the result was undoubtedly a disappointment, despite the return to power of the coalition they lead. With Schmidt at their head and the pivot of their election campaign they had expected to reap a substantial "Chancellor bonus". But they scarcely improved their position at all. A number of explanations have been put forward for their relative lack of success. There is certainly something to the view that they were knocked out of their stride by the cancellation of Schmidt's meetings with Gierek and Honecker. They may also have lost some ground as a result of the Opposition's attacks on state debt and pensions. But the most significant factor in the stagnation of their performance was, I suspect, that in the early Summer they looked like sweeping the board and gaining an absolute majority. This bred over-confidence, and undoubtedly led to a number of party supporters simply failing to vote because they were sure of the result in advance. Moreover the prospect of an overall SPD majority was worrying to a considerable number of voters who feared that Schmidt would be unable to keep his left wing in check if the SPD were allowed to govern by itself. Whilst they wanted Schmidt as Chancellor they wanted Schmidt plus Genscher rather than Schmidt alone, and used their second votes accordingly.

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13. If the CDU/CSU were the clear losers of the election there is equally little doubt as to the main winners: the FDP, who achieved their best result for nearly 20 years. It had been evident for some time that the Free Democrats would draw support from two sources: from those in the CDU/CSU camp who could not stomach Strauss and from those in the SPD ranks who were concerned at the prospect of a Social Democrat absolute majority. Their whole campaign was directed at these two blocks of opinion. Few people, least of all the FDP themselves, expected it to be so successful. As Genscher himself has stressed, the electorate voted for a strengthening of the centre of German politics, rejecting both the right as personified by Strauss and the left as personified by the left wing of the SPD.

14. As expected the small parties did badly. The Greens (environmentalists) failed to repeat their success at regional level over the past couple of years. For the time being at least they appear to have shot their bolt. Both the right-wing NPD and the various Communist splinter parties failed to achieve the 0.5% required to qualify for financial aid from the State.

15. The new Bundestag will be much like the old. The only significant change from its predecessor is that a number of the new SPD members are known to be further to the left than the deputies they replace. It remains to be seen what effect this has on voting discipline. Of the 497 elected members 139 are new, a rather higher turnover than in 1976. The number

/of women



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of women in the Bundestag, although still low, has increased by two to 44 (including two from Berlin) or 8.5% of the total. As before the largest single group in the Bundestag, some 36% of the members, will be civil servants. If party and trade union officials are added to these, nearly half of the Bundestag will consist of functionaries of one sort or another.

Conclusions

16. The elections tell us a lot about the nature of democracy in this country. The Germans are fundamentally an unpolitical people and there is a broad consensus among people on this side of the inner-German border about the sort of place they want the Federal Republic to be: a social market economy, where private enterprise creates the wealth and where the taxation and insurance systems provide good defence and good social services. And a country which is firmly anchored in the Western Alliance and the European Community, but with a face open to the East. Above all the Germans want security, within and without: in the intervals between elections they expect the politicians to conduct their business efficiently and leave ordinary people to get on with theirs.

17. Schmidt and Genscher now have the task of providing that security and of proving that they can conduct their business efficiently for the next four years. I shall examine in a further despatch shortly the programme which they agree in

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the current coalition negotiations, and the prospects for the new Government.

18. I am sending copies of this despatch to Her Majesty's Ambassadors in Washington, Moscow, EEC Posts and East Berlin, to the UK Permanent Representative to the North Atlantic Council, to the UK Permanent Representative to the European Communities, to the UK Permanent Representative to the Council of Europe, to the Commanders-in-Chief BAOR and RAF(G), to the General Officer Commanding Berlin, and to Her Majesty's Consuls-General in the FRG.

I have the honour to be,
Your Lordship's obedient Servant

A handwritten signature in cursive script, appearing to read 'Cherwell as', written in dark ink. The signature is written over a horizontal line.



FEDERAL ELECTIONS 1980: FINAL OFFICIAL RESULTS

	<u>1980</u>	<u>1976</u>
Registered voters	43,231,741	42,058,015
Turn-out	38,292,176	38,165,753
%	88.6	90.7

Second Votes

	<u>1980</u>	<u>1976</u>	+ -
SPD	16,260,677 (42.9%)	16,099,019 (42.6%)	+ 0.3%
FDP	4,030,999 (10.6%)	2,995,085 (7.9%)	+ 2.7%
CDU	12,989,200 (34.2%)	14,367,302 (38.0%)	- 3.8%
CSU	3,908,459 (10.3%)	4,027,499 (10.6%)	- 0.3%
Greens (environ- mentalists)	569,589 (1.5%)	- (-)	} +1.1%
Others	180,057 (0.5%)	313,599 (0.9%)	

First Votes

(Constituency Candidates)

	<u>1980</u>	<u>1976</u>	+ -
SPD	16,808,861 (44.5%)	16,471,321 (43.7%)	+ 0.8%
FDP	2,720,480 (7.2%)	2,417,683 (6.4%)	+ 0.8%
CDU	13,467,207 (35.6%)	14,423,157 (38.3%)	- 2.7%
CSU	3,941,365 (10.4%)	4,008,514 (10.6%)	- 0.2%
Greens (environ- mentalists)	732,619 (1.9%)	- (-)	} + 1.3%
Others	135,999 (0.4%)	374,969 (1.0%)	



GERMAN TELEVISION
LONDON BUREAU

DIADEM HOUSE
10-12 GREAT CHAPEL STREET
LONDON W1V 3AL

Interview with the Prime Minister - Margaret Thatcher -
Wednesday, 12th November 1980.

Q.: Prime Minister, forty years ^{ago} this week German bombers
raided Coventry. You were then a teenager and I wonder,
are these early experiences still in the back of your mind
when you go to Germany now as Prime Minister?

A.: No, I think the lesson from that time is that one must
stay strong if you were to keep the peace. I believe the
whole British people have learned that lesson and that's why
we put so much emphasis on defense and why recently for example
we took part in the Crusader 80 exercise which I hope demonstrated
the professionalism of the British soldier, the speed with which
we could reinforce, and our total dedication to keeping the
peace in Europe and I really think that it is just inconceivable
now to most British people that the nations of Western Europe
would ever quarrel with one another again in such a way that it
led to war.

Q.: Of course Great Britain and Germany now cooperate in a lot
of fields, amongst them the Common Market. Now the Labour Party
has recently recommended to pull out of the Community. Does this
worry you?

A.: Yes, it does worry me a bit. It was so futile, such a
ridiculous thing to say and you know if they ever got back to
power, I don't believe they would do it. Our future now is
inextricably bound up with the Common Market. The greater part of
our trade is being orientated now towards Europe. Most of our

political cooperation is bound up with Europe. And ^{in the end} it would just be so damaging to jobs and employment here. So I don't really believe they will do it. And it would split the Labour Party. So, yes in the back of my mind it bothers me but I don't think it would ever come about.

Q.: Recent public opinion polls ^{thoroughly} seem to indicate that the majority of the British people seem to support the idea of pulling out. Doesn't that make your position as a Pro-Marketeer more difficult?

A.: I think that most of the public opinion polls were against the background when Britain had not resolved some of her problems with the Common Market and really was having rather an unfair deal. Now since then, most of our problems between us and France have been sorted out and the Budget question has been sorted out & we shall soon get returns from that. Don't forget that although Germany is very much the largest contributor to the Budget, the second biggest net-contributor is still Britain. But by no means ⁱⁿ like such a large amount as we were previously contributing. And as some of those problems get sorted out so opinion will turn.

Q.: Community matters will of course be discussed whilst you are in Germany. Where do you seek improvements?

A.: Oh, very much where Germany seeks improvements. We really have to look at the structure of the Budget. Having been through this as a country which we thought was unfairly treated, I understand fully the resentments of a country like Germany who says ^{are} we contributing most, but a lot of what we are contributing goes to countries which are even better off in some ways than some of the people of Germany. And that's not fair, it's just not right. And that has to be sorted out. You could never have in a partnership one country feeling it's being unfairly treated and in fact being unfairly treated. There is also the agricultural question we have to sort out. It just doesn't make sense for the greater part of the money we all contribute to

go building up big surpluses. It doesn't make sense from Europe's viewpoint nor from the rest of the economies of other countries in the world. Because when those surpluses are sold off cheaply to other nations it upsets the agricultural economies of some other nations that are our friends.

Q.: Of course Germany would like you to join the EMS. Is there any hope?

A.: At the moment I don't think it would be quite right. As you know we are a Petro-currency. We also have a very very strong balance of payments. These two things keep the level of our currency well above the level of our manufacturing performance. We never quite know whether it's going to go up or come down. There is another factor: We haven't yet got the money supply under as strict control as we would wish. This is because we are still trying to slough off some of the old controls that were on it and get it very much freer and to be able to control it in that condition. Until we have done that we really shall not be able to think of joining the EMS.

Q.: Since your last meeting with Helmut Schmidt, of course America has elected a new President. You have met Mr. Reagan. How would you characterize him?

A.: He's very determined, he is very straightforward, he is very sensible. He has taken a great deal of trouble to get very experienced advisors and he is very confident and I think he will be prepared to give the lead.

Q.: There are fears in Western Europe and especially in Germany, that the election of Mr. Reagan may jeopardize East-West Detente, that the political climate may change again. Do you personally foresee a new cold war period?

A.: Well I think Mr. Reagan will make a very direct assessment of the threat. So must every other Western leader make a calculated assessment of the threat we face, after all, that's why we defend ourselves. And

that's absolutely right. But you know the troubles we are having at the moment aren't due to the West. It wasn't the West that marched into Afghanistan, it isn't the West that been making difficulties over the preparations for the conference at Madrid. It is indeed the Eastern Bloc. Now you can't just put blinkers on and ignore that, it's there. It's a fact of life. We are willing to have detente, indeed we want it but it's a two way business and in that respect you can neither ignore Afghanistan, you can't ignore the fact that under the Helsinki Agreements we understood that the Eastern Bloc were prepared to allow much freer movement of ideas and travel of people and they are not doing it. We can't in fact ignore the fact that particularly in the last two years since Helsinki there have been some of the most oppressive things in the Soviet Union: Political persecution, persecution of people just because they have religious beliefs. It's not us that's doing it, it's the Eastern Bloc.

Q.: Your Foreign Secretary Lord Carrington has just returned from Poland. How serious, would you say, is the danger ^{there} of another Afghanistan?

A.: We were very anxious for Lord Carrington to visit some of the countries of the Eastern Bloc. We felt we hadn't quite been enough, and he had a most interesting visit to Hungary and also of course he was the first Western Foreign Minister to go to Poland since the troubles. I think the stance that the West has taken up has shown enormous restraint and we have been absolutely right to say that Poland's troubles are a matter for Poland to sort out and there must be no intervention from anywhere. And the fact that the West has taken up that stand very decisively, very determinedly I think may effect what the Soviet Union does.

Q.: Prime Minister, let me now, if I may, return to the United Kingdom. Mr. Healey has predicted three million unemployed next year. He has even spoken of social unrest. Are you afraid of social unrest as a result of unemployment?

A.: I am always concerned about unemployment, very concerned. The fact is that if we were able to produce the goods that people want to buy

in sufficient quantity we should have less unemployment than we have now. I don't believe that there will be social unrest. There's been a recent poll which indicates that people really are backing our economic policies. They know what's wrong. They know that in the past people have been demanding out more in pay than they have been putting in in effort. They know that we can't carry on going that way. And I believe they understand they got to have a Government which insists on putting things right and will continue with those policies; if you like it's like the beginning stages of when you take a medicine, when you have been ill. For a time you are suffering both from the illness and from the medicine. But if you want to get back to health and strength you don't stop taking the medicine, because that is the way that will give you life and vigour again. That's what we are doing.

Q.: Nevertheless, your anti-inflation-policies have come under fire from many quarters: trade unions, employers, your own backbenchers, even the church. This united phalanx of opposition must worry your partners in Europe. What is your message to them when they read about so much gloom and decline in Great Britain?

A.: A number of things. First: Inflation is coming down and coming down quite rapidly and if it weren't they would be desperately worried. Because you can't build a sound economy if you got inflation piled on top of inflation, so they know that's working. The balance of payments is good and Sterling is strong, certainly part of it is because we are a Petro-currency, part of it is because people know we are determined to put things right. Thirdly: There are new attitudes emerging in industry. Management is managing very much better than it used to, very much more vigorously. There is a new attitude of reality on the shop floor. They knew we couldn't go on like that and they are responding. All of those things are working. Yes, there is rising unemployment and I think what people haven't fully realized is that there is nothing that one Government can do to overcome world recession. Germany is suffering from world recession, France is, Italy is. In the United States the big car manufacturers are loosing enormous amounts of money and there are nearly a million people thrown out of work, comparatively recently, out of the car industry alone. This is because of the OPEC-countries' sharp increase in the price

of oil. There is nothing I can do to overcome that in Britain. And added to that we have a high exchange rate which has hit some industries badly. But of course it's been a benefit to others and a benefit to falling inflation. So naturally when people see unemployment which we all hate, we want to do as much as we can to alleviate. They naturally tend to hit out at the Government. I wish we could just overcome world recession quickly. We can't. It will be overcome in the same way as the last one was, gradually we shall manage to expand our industries again. But the intervening period is very difficult. So my task is one of explanation but there is no, no way of helping British industry or the British people by giving up the fight against inflation. We have to win that first. We have to see that this change of attitudes outlasts the existing circumstances, which it will, and then - my goodness - Britain really has a future. You know, we still export 30 % of our national income, more than Germany, more than the United States, more than Japan. So, that shows we have got strength, ingenuity, initiative, salesmanship, in quite large parts of Britain and you add to that oil, gas, good coal. When we got rid of these problems we will be a formidable country.

Prime Minister, thank you very much indeed.

ANGLO-GERMAN CONSULTATIONS
16-17 NOVEMBER 1980

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LIST OF BRIEFS TO BE ISSUED IN THE PMVE(80) SERIES R. P. S. W. M. 23/3/11

1. STEERING BRIEF
Brief by Foreign and Commonwealth Office
2. EUROPEAN COMMUNITY QUESTIONS
 - a. STEERING BRIEF ON THE EUROPEAN COMMUNITY
Brief by Foreign and Commonwealth Office
 - b. RESTRUCTURING OF COMMUNITY BUDGET AND 1981 CAP PRICES
Brief by Foreign and Commonwealth Office
 - c. FISHERIES
Brief by Foreign and Commonwealth Office
 - d. ENLARGEMENT
Brief by Foreign and Commonwealth Office
 - e. EXTERNAL COMMUNITY QUESTIONS (INCLUDING POCO, EC/JAPAN, EC/
UNITED STATES)
Brief by Foreign and Commonwealth Office
 - f. OTHER INTERNAL COMMUNITY QUESTIONS
Brief by Foreign and Commonwealth Office
3. REGIONAL QUESTIONS
Briefs by Foreign and Commonwealth Office
 - a. AFGHANISTAN/PAKISTAN
 - b. MIDDLE EAST
 - c. SOUTHERN AFRICA
 - d. TURKEY
4. UNITED STATES POLICIES FOLLOWING THE PRESIDENTIAL ELECTION
Brief by Foreign and Commonwealth Office
5. EAST-WEST RELATIONS (INCLUDING INNER-GERMAN RELATIONS AND BERLIN)
Brief by Foreign and Commonwealth Office
6. DEFENCE MATTERS
Brief by Ministry of Defence
7. ARMS CONTROL
Brief by Foreign and Commonwealth Office
8. INTERNATIONAL ECONOMIC AND FINANCIAL QUESTIONS
 - a. WORLD ECONOMIC PROSPECTS (INCLUDING IN UK AND FRG)
Brief by HM Treasury
 - b. INTERNATIONAL MONETARY QUESTIONS
Brief by HM Treasury
 - c. NORTH-SOUTH DIALOGUE
Brief by Foreign and Commonwealth Office
 - d. INTERNATIONAL ENERGY QUESTIONS
Brief by the Department of Energy
9. UNITED KINGDOM/FRG RELATIONS
Brief by the Foreign and Commonwealth Office
10. FRG POLITICAL AND ECONOMIC SCENE
Brief by Foreign and Commonwealth Office
11. UNITED NATIONS SECURITY COUNCIL ENLARGEMENT

MT

SECURITY BRIEF

VISIT OF PRIME MINISTER AND LORD CARRINGTON TO BONN
FOR ANGLO-GERMAN CONSULTATIONS - 16-17 NOVEMBER 1980

1. There is ample evidence of hostile espionage action aimed at West Germany by the Soviet bloc and it is always possible that these hostile agencies, in particular the DDR, will try to gather as much intelligence as possible during a major bilateral meeting at Ministerial level.
2. Delegates accompanying the Prime Minister and Foreign Secretary should bear in mind the threat of eavesdropping attack. All sensitive discussion should, so far as possible, take place in the appointed conference area and/or the delegated areas of our Embassy. Hotel rooms, restaurants, cars and residences are not safe for discussion of sensitive subjects. Telephone conversations should especially be avoided for sensitive matters.
3. A recent JIC assessment of the terrorist threat in West Germany from PIRA/INLA and local terrorist organisations concluded that the threat remains high. The local security authorities will certainly provide a high standard of protective security.
4. Please do not take this or the attached copy of Security Rules overseas with you.

SECURITY DEPARTMENT
11 November 1980

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SECURITY RULES FOR DELEGATES TO CONFERENCES AND VISITS OVERSEAS

The Espionage Threat

1. It is not easy to express the full extent of the threat in a series of short rules. At need a fuller threat assessment will be provided. There are some basic facts which are listed below.
2. Wherever communist countries are represented the threat of espionage attack is high. A sizeable proportion of the staff of communist embassies can be expected to have an intelligence role.
3. The UK is likely to be high on the list of hostile intelligence service targets and at least one intelligence officer is probably tasked to report on British bilateral and multi-lateral interests.

Technical Attacks

4. It must be assumed that any telephone circuit is insecure unless it is wholly under the control of the Mission. Except in an emergency, therefore, do not discuss classified information or personal matters on the telephone.
5. Hotel rooms and residences may well have permanent eavesdropping installations. They, together with restaurants, even cars and aircraft, are also vulnerable to semi-permanent or quick-plant eavesdropping devices.
6. With these points in mind, discuss, dictate and type classified subjects with care, and, for highly classified or sensitive subjects, preferably within designated areas of the Mission itself. The same applies to play-back of dictated tapes.

Document Security

7. Classified material must be transmitted by scheduled bag services, or by a documented casual courier in a sealed bag accompanied by a waybill.
8. DS premises provide facilities for safe storage. Use them.
9. Exceptionally, safe storage facilities can be provided for Private Offices elsewhere. Use these facilities.
10. Waste paper is a valuable source of information; remember to collect all papers from conference tables; ensure that classified waste is destroyed under secure arrangements.

The Terrorist Threat

11. It is the responsibility of the host government to provide protective security arrangements. Comply with instructions given by the security authorities.

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12. Take note of instructions about aircraft security, baggage checks etc.

General

13. Protective security measures applied in the UK must be maintained abroad.

14. Consult the Conference Officer (where there is one) or the Head of Chancery, about any queries on protective security arrangements.

15. Office passes should be left in a security container in the Office before departure.

16. These rules should be destroyed as classified waste.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 835 OF 11 NOVEMBER

FOR PRESS OFFICE, 10 DOWNING STREET

MY TELNO 782: PRIME MINISTERIAL INTERVIEW WITH GERMAN TELEVISION

1. I AM VERY GLAD THAT THE PRIME MINISTER HAS AGREED TO GIVE THIS INTERVIEW. I GATHER YOU WOULD WELCOME MY VIEWS ON SUBJECTS MRS THATCHER MIGHT RAISE, OR ABOUT WHICH SHE MAY BE ASKED. MUCH OF MY TELEGRAM NO 236 OF 13 MARCH REMAINS VALID. I HOPE THE FOLLOWING ADDITIONAL THOUGHTS MAY HELP.

2. UK ECONOMY

THE GERMANS KNOW THAT THE PRIME MINISTER IS FIGHTING INFLATION AND SEEKING TO RESTORE A COMPETITIVE ENVIRONMENT. THEY GREATLY ADMIRE THIS. BUT THE MEDIA HERE TAKE THEIR TONE FROM OURS. BRITISH DIFFICULTIES WITH THE MONEY SUPPLY AND PSBR ARE WIDELY REPORTED.

THE GERMANS SEE A DIFFICULT WINTER AHEAD FOR THE UK AND, DRAWING ON THEIR OWN INNER FEARS, ASK WHETHER THE SOCIAL FABRIC CAN STAND IT. IT WOULD BE VALUABLE IF THE PRIME MINISTER COULD STATE THE OBJECTS OF HER POLICIES AND POINT TO THE EVIDENCE OF THEIR SUCCESS.

SHE MIGHT WISH TO UNDERLINE THAT AN ECONOMIC QUICK FIX WAS NOT EXPECTED. THE GERMANS NEED REMINDING THAT WHATEVER THE TASTE OF THE MEDICINE THE COURSE WILL BE MAINTAINED. SHE WILL BE ABLE

TO SAY THAT THE GERMAN ECONOMY TOO IS FEELING THE EFFECTS OF OIL PRICE RISES AND PUBLIC OVER SPENDING: AND TO POINT TO SIGNS OF PROGRESS IN THE UK ECONOMY, SIGNS OF REALISM IN PRIVATE SECTOR

PAY NEGOTIATIONS AND THE GOVERNMENT'S DETERMINATION TO CONTROL PUBLIC SECTOR PAY. IT WILL BE PARTICULARLY USEFUL HERE IF SHE WILL REITERATE THE GOVERNMENT'S REJECTION OF PROTECTIONISM.

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3. COMMUNITY.

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THE COMMUNITY STEEL CRISIS AND THE COST OF GERMAN MEMBERSHIP HAVE INCREASED THE GERMAN FEAR THAT THEIR SUPPORT FOR THE COMMUNITY IS TAKEN FOR GRANTED. THEY ARE DEEPLY CONCERNED BY SIGNS OF UNRAVELING. THE VIEWS OF THE LABOUR PARTY HAVE MADE A BIG IMPACT HERE. THE GERMANS SEE NO FUTURE FOR THE UK OUTSIDE: EQUALLY, THEY BELIEVE THAT THE COMMUNITY NEEDS BRITAIN. SHE MAY WISH TO STRESS HMG'S TOTAL COMMITMENT TO THE COMMUNITY AND THE CONVICTION OF SENSIBLE PEOPLE THAT IT IS ECONOMICALLY IMPRACTICABLE FOR BRITAIN TO LEAVE AND LESS SO THAN EVER IN THE HAZARDOUS '80S. SHE MAY WISH TO MENTION THE LARGE MUTUAL STAKE IN INVESTMENT, THAT THE FRG IS OUR BIGGEST EXPORT MARKET AND THAT 43 PER CENT OF OUR TOTAL TRADE IS NOW EUROPE ORIENTATED. SHE MAY WISH TO ADD THAT THE COMMUNITY CAN ONLY PROSPER IF ITS SUPPORTERS CAN POINT TO AN EVEN SPREAD OF BENEFITS AND A BETTER BUDGETARY BALANCE. SHE MIGHT ALSO LIKE TO STRESS THE POLITICAL IMPORTANCE AND POTENTIAL OF THE COMMUNITY AS REPRESENTING AN INCREASINGLY UNITED EUROPEAN VOICE IN WORLD AFFAIRS, AND THE UK'S DETERMINATION TO MAKE A POSITIVE CONTRIBUTION, IN CONSULTATION WITH THE FRG AND OUR OTHER COMMUNITY PARTNERS, IN THE COMMUNITY'S POLITICAL EVOLUTION.

←

4. DEFENCE. THE SUCCESS OF THE AUTUMN EXERCISE CRUSADER 80 HAS GREATLY ENHANCED NOT ONLY THE REPUTATION OF OUR FORCES STATIONED HERE BUT CONFIDENCE IN OUR ABILITY TO REINFORCE THEM QUICKLY IN TIMES OF TENSION. I HOPE THE P.M. WILL GIVE A WELL-DESERVED PUFF TO RHINE ARMY AND ROYAL AIR FORCE GERMANY, STRESSING THEIR PROFESSIONALISM AND HIGH STATE OF TRAINING. BUT THERE IS ALREADY MOUNTING DISCUSSION ABOUT DEFENCE EXPENDITURE IN NATO, AND IN PARTICULAR WHETHER COUNTRIES SUCH AS FRG AND UK CAN CONTINUE TO INCREASE DEFENCE EXPENDITURE BY 3 PER CENT PER ANNUM IN REAL TERMS. THE SIGNS ARE THAT THE FRG FIGURE FOR 1981 WILL BE SUBSTANTIALLY LOWER (ALTHOUGH THIS IS CONTESTED WITHIN THE COALITION AND GENSCHER SEEMS TO BE PRESSING FOR THE 3 PER CENT TARGET TO BE MAINTAINED). THE PRIME MINISTER MAY WELL BE ASKED ABOUT THE BRITISH GOVERNMENT'S INTENTIONS. I HOPE SHE WILL FEEL ABLE TO REAFFIRM THE GOVERNMENT'S INTENTION TO REACH 3 PER CENT NEXT YEAR. THE PHRASEOLOGY SHE USED RECENTLY IN THE HOUSE OF COMMONS WILL SERVE. IN ANY CASE, AN ASSURANCE THAT ANY TRIMMING OF PLANNED EXPENDITURE WILL NOT AFFECT THE STRENGTH OR CAPABILITIES OF BRITISH FORCES GERMANY WOULD CERTAINLY GO DOWN WELL.

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/5. EAST/WEST

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5. EAST-WEST RELATIONS. THE PRIME MINISTER MAY WELL BE ASKED ABOUT RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE IN THE LIGHT OF AFGHANISTAN, POLAND AND THE LATEST GDR MEASURES AGAINST THE FRG. WHILE THERE IS SOME CONFUSION HERE ABOUT HOW BEST TO RESPOND TO THE LATEST DEVELOPMENTS, MOST GERMANS HAVE A DEEP-ROOTED CONVICTION THAT TEN YEARS OF OSTPOLITIK HAVE BROUGHT BENEFITS, AND THAT THE DIALOGUE WITH THE EAST MUST CONTINUE COME VIRTUALLY WHAT MAY. A REFERENCE TO HMG'S INTEREST IN RELATIONS WITH EASTERN EUROPE, AS EXEMPLIFIED BY THE FOREIGN SECRETARY'S VISITS TO HUNGARY AND POLAND AND MR BLAKER'S TO THE GDR, WOULD BE WELL RECEIVED. SO WOULD ONE TO THE LORD PRIVY SEAL'S RECENT VISIT TO BERLIN - THE FIRST VISIT BY AN ALLIED MINISTER TO THE CITY SINCE THE POLISH CRISIS - AS EVIDENCE OF OUR CONTINUING COMMITMENT TO BERLIN AND THE DEFENCE OF EUROPE. BUT SHE MIGHT ALSO STRESS THAT THE WEST CAN ONLY CONDUCT RELATIONS WITH THE EAST FROM A POSITION OF MILITARY EQUALITY AND THAT WE STILL HAVE TO WORK OUT TOGETHER HOW TO PREVENT SOVIET OPPORTUNISM FROM ATTACKING WESTERN INTERESTS VIA THE BACK DOOR.

6. RELATIONS WITH FRG, AND THE US. THE PRIME MINISTER MAY WISH TO SAY THAT SHE LOOKS FORWARD TO CONTINUING TO WORK WITH SCHMIDT AND GENSCHER. THIS WILL NOT HOWEVER MAKE HEADLINES HERE: MOST GERMANS HAVE CONFIDENCE IN THE RELIABILITY AND EXPERIENCE OF THE GOVERNMENT TEAM THEY HAVE JUST RE-ELECTED AND ASSUME OTHER COUNTRIES' LEADERS FIND THEM WORTH TALKING TO. QUESTIONS WHICH THE PRIME MINISTER IS LIKELY TO BE ASKED ABOUT PRESIDENT DESIGNATE REAGAN AND THE LIKELY COURSE OF US-EUROPEAN RELATIONS WILL BE RATHER MORE POINTED. THIS IS A HOT SUBJECT HERE AT THE MOMENT. MANY GERMANS ARE WORRIED THAT HE MAY BRING A DANGEROUSLY HARD-LINE APPROACH TO EAST-WEST RELATIONS. THE LINE TO TAKE, I SUGGEST, IS THAT WE EUROPEANS HAVE A DOUBLE INTEREST: FIRST IN DEVELOPING A COMMON EUROPEAN RESPONSE TO EVENTS IN WHAT AFTER ALL IS OUR CONTINENT; AND SECONDLY, IN ENSURING THAT THAT RESPONSE IS IN ALL RESPECTS COMPATIBLE WITH THE AMERICAN MANAGEMENT OF THE SUPER-POWER RELATIONSHIP AND THE EUROPEANS NEED FOR AMERICA'S COMMITMENT TO EUROPE'S DEFENCE.

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[COPIES SENT TO NO 10 DOWNING STREET]

PRIME MINISTER

cc. Mr. Alexander ✓

West German Television

You have agreed to give a short interview to the West German TV channel ARD at 0945 tomorrow as a curtain-raiser to your visit to Bonn.

The interview, which will last a maximum of 12 minutes, will be shown on a current affairs programme "Tagesthemen" at 10.30 p.m. on Thursday, 13 November. It will also be trailed on the main evening news at 8 p.m. that evening.

Mechanics

The interviewer will be Rolf Seelmann, ARD's London Correspondent, who speaks good English. The interview will be voiced over in German for transmission and ARD will take particular care to ensure that the English and German voice levels are not competing with one another.

A make-up girl will be available, should you need her, from 0900 tomorrow morning.

Content

The interview offers you the opportunity to put across your views on major international and Community matters of interest to the German public. It also offers a chance to express your confidence about the long term prospects for the British economy which is of considerable importance since West Germany has now overtaken the United States as our No. 1 export market.

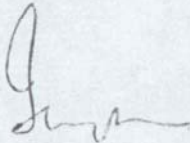
Questions

I attach the questions ARD wish to put to you. They are straightforward and we have not therefore commissioned any special briefing beyond that already prepared for your visit to Bonn.

/There

There may not be time for Mr. Seelmann to put all these questions to you in a 12-minute interview. If time runs out, he proposes to drop the last two questions. He is also entirely flexible on the order of the questions.

There will be an opportunity to go over the questions and what you might say at the oral briefing at 0900 tomorrow before the interview takes place.



B. INGHAM

11 November, 1980



GERMAN TELEVISION
LONDON BUREAU

DIADEM HOUSE
10-12 GREAT CHAPEL STREET
LONDON W1V 3AL

10th November 1980

Questions to the Prime Minister

Interview to be recorded Wednesday, 12th November, 09.45 Hours
Transmission: Tagesthemen, 13th November, 22.30 Hours
Interviewer: Rolf Seelmann-Eggebert

A The UK and Germany

1. Forty years ago this week German bombers raided Coventry. Almost one third of the city's houses were made uninhabitable. You were then a teenager. I wonder, are these early experiences still in the back of your mind when you go to Germany now as Prime Minister?

B Common Market

2. Great Britain and Germany nowadays are close partners in many fields of international cooperation amongst them the Common Market. The Labour Party has recently recommended to pull out of the Community. Does this worry you?

3. Recent public opinion polls seem to indicate that a majority in this country supports the idea of pulling out. Doesn't that make your position as a Pro-Marketeer much more difficult?

4. Community matters will be one of the subjects to be covered in your talks with the Federal Chancellor. Where do you seek improvements?

C New American President

5. Since your last meeting with Helmut Schmidt America has elected a new President. You have met Mr. Reagan. How would you characterize him?

6. There are fears in Western Europe, especially in Germany, that the election of Mr. Reagan may jeopardize East-West-Detente, that the political climate may change again. Do you personally foresee a new cold war period?

D Events in Poland

7. Your Foreign Secretary Lord Carrington has just returned from Poland. How serious, would you say, is the danger of Soviet intervention there?

8. At the time of the Afghanistan invasion it was thought in many quarters that the reaction of the West was too weak and came too late. Do you feel that in a similar event the West would now be better prepared?

E Anti Inflation Policy

9. Let me now, if I may, return to the United Kingdom. Mr. Healey has predicted three million unemployed next year, has foreseen that all of the North Sea Oil revenue will be eaten up by unemployment benefits, has even spoken of social unrest. Are you afraid of social unrest?

10. Nevertheless, your anti-inflation-policies have come under fire from many quarters: trade unions, employers, your own backbenchers, even the church. This united phalanx of opposition must worry your partners in the Community, who would like to see

a stable and healthy economy in Great Britain. What then is your message for those partner countries who read so much about gloom and decline in Great Britain?

11. You said in Brighton: The Lady is not for turning. Hasn't the turning begun now with the 6 % pay policy?

12. Mr. Len Murray said at the time: If she is not for turning, I hope, she is for learning. What would you say do you regard as your most important experience after 18 months in office?

Ref. A03490

MR. ALEXANDER



①

Prime Minister: No other Ministers
but all, or most, of the officials?

Yes no

Print 7/x

Anglo-German Consultations: 16th-17th November 1980

The Prime Minister will wish to decide who should attend the briefing meeting which has been arranged for Thursday, 13th November at 4.30 pm.

2. Only one Minister, the Foreign and Commonwealth Secretary, is to accompany the Prime Minister to Bonn and she may not therefore think it necessary for other Ministers to be invited to take part in the preparatory meeting. If other Ministers than the Foreign and Commonwealth Secretary were to take part, it would probably only be necessary to include the Chancellor of the Exchequer and the Minister of Agriculture. The Prime Minister might also wish to invite the following officials: Sir Robert Armstrong and Mr. Franklin (Cabinet Office), Sir Kenneth Couzens (Treasury), Sir Michael Palliser, Lord Bridges and Mr. Bullard (Foreign and Commonwealth Office), Sir Brian Hayes (MAFF), Sir Donald Maitland (Department of Energy), Sir Frank Cooper (Ministry of Defence) and Sir Kenneth Clucas (Department of Trade). Sir Oliver Wright should also be included.

(D.J. Wright)

7th November, 1980

CONFIDENTIAL

Setman

Cabinet Office
70 Whitehall
London, SW1

K. V. W.

PS(80) 25

3rd November 1980

Dear Private Secretary,

Anglo-German Consultations: 16th-17th November 1980

This letter sets out the briefing arrangements for the Anglo-German consultations, which are to take place in Bonn on 16th - 17th November.

The objectives for the Summit, 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. Those preparing briefs should note carefully the details on the format of briefs set out in Annex C, particularly b. on the structure of briefs.

60 copies of each brief should be sent to the Cabinet Office as soon as they are ready, and should in any event arrive no later than 12 noon on Friday, 7th November. They should be addressed to Mrs. M. 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 Wess, Sir Frank Cooper, Sir Peter Carey, Sir Kenneth Clucas, Sir Donald Maitland, Sir Brian Hayes, Sir Peter Preston, Sir Kenneth Couzens and Mr. Robin Ibbs, and to Michael Alexander, No.10.

Yours sincerely,

(Signed) D. J. WRIGHT

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ANGLO-GERMAN CONSULTATIONS: 16-17 NOVEMBER 1980

UNITED KINGDOM OBJECTIVES

1. Following the success of the Anglo-French Summit, to convince Chancellor Schmidt of the Government's determination to co-operate fully in the Community's development and in Europe's response to external political and economic problems.
2. To align British and German views on how to handle current crises (the Gulf, Afghanistan, Poland) including their implications for the world economy, East-West relations, defence/arms control and Western consultation mechanisms.
3. To use the exchange of views on restructuring the European Community Budget and reform of the CAP (including 1981 agricultural prices) to establish close and continuing informal co-operation with the Germans on these issues.
4. To reach a common assessment of the international economic and monetary situation, including energy prospects and policies and our relationship with developing countries.
5. To convince Chancellor Schmidt of the importance of the British contribution to Western collective defence.
6. To strengthen the Anglo-German relationship at the top level.

PROBABLE GERMAN OBJECTIVES

1. Against the background of deteriorating political and economic conditions and of the need for the major Western allies to devise a joint strategy in the face of the world problems of the 1980s, to put the differences of the past behind us and to reach the widest possible measure of agreement on:-
 - (a) the probable policies and attitudes of the new United States Administration and their implications;
 - (b) current world political issues (especially Arab/Israel, Iran/Iraq, Poland, security issues) and
 - (c) current world economic issues e.g. North/South, OPEC surpluses, inflation, unemployment, growth, etc.

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2. To assess for themselves the prospects for the United Kingdom economy and for the success of Her Majesty's Government's economic policies.
3. To encourage Her Majesty's Government's positive attitude to the European Community, without getting drawn into the detail of unresolved Community issues (except to ensure that Her Majesty's Government continues to oppose any breach of the 1 per cent VAT ceiling).
4. To make it clear that Her Majesty's Government's contribution to defence in the Central Region is appreciated, and encourage its continuance at at least present levels.
5. To develop a closer relationship with Britain over a broad front, with the object of promoting, with France and the United States stability in relationships in Europe and across the Atlantic.

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ANNEX B

LIST OF BRIEFS FOR ANGLO-GERMAN CONSULTATIONS
16th-17th NOVEMBER 1980

<u>PMVE(80)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO	as appropriate
2.	European Community Questions		
	(a) Steering Brief on the European Community	FCO	as appropriate
	(b) EC Budget Restructuring (including the CAP)	FCO	Treasury MAFF Cabinet Office
	(c) Fisheries	MAFF	FCO Cabinet Office
	(d) Enlargement	FCO	as appropriate
	(e) External Community Questions	FCO	as appropriate
	(f) Other Internal Community Questions	FCO	as appropriate
3.	Regional Questions		
	(a) Afghanistan/Pakistan	FCO	as appropriate
	(b) Middle East	FCO	as appropriate
	(c) Southern Africa	FCO	as appropriate
	(d) Turkey	FCO	as appropriate
4.	United States Policies following the Presidential Election	FCO	as appropriate
5.	East-West Relations (including Inner-German Relations and Berlin)	FCO	as appropriate

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<u>PMVE(80)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
6.	Defence Matters	MOD	FCO
7.	Arms Control	FCO	MOD
8.	International Economic and Financial Questions		
	(a) World Economic Prospects (including in United Kingdom and FRG)	Treasury	FCO
	(b) International Monetary Questions	Treasury	FCO
	(c) North-South Dialogue	FCO	Treasury
	(d) International Energy Questions	Energy	Treasury FCO
9.	United Kingdom/FRG Relations	FCO	as appropriate
10.	FRG Political and Economic Scene	FCO	as appropriate

ANNEX C

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 pay particular attention to ensuring that the following instructions are fully observed:

Content

- 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 with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.

Layout

- 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. As shown in the specimen at Annex D, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (eg PMVE(80) 7) with the date of production below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- f. At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- g. Briefs should be reproduced throughout on white paper, with each page bearing a security classification at top and bottom (as in Annex D). Care should be taken that the reproduction method employed results in clear readable copies.
- h. It is important that on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered - and ready for immediate circulation.

Updating

i. If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the form described at e. above, with the brief number (eg PMVE/80) 10 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. Revised briefs and corrigenda should be similarly treated.

j. 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

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVE(80) [Serial No. as specified in ANNEX B] COPY NO [in red]

[Date of production]

ANGLO-GERMAN CONSULTATIONS
16-17 NOVEMBER 1980

[SUBJECT] [Insert subject in capitals]

[Leave 1½"
margin]

Brief by [name of originating Department, eg Foreign and
Commonwealth Office]

[At the foot of the last page:-]
[left hand side]

[Originating Government Department, eg Foreign and Commonwealth Office
or Department of Industry, not a subordinate section or division]

[Date of origin]

[CLASSIFICATION]

CONFIDENTIAL



File

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

ANGLO-GERMAN CONSULTATIONS: 16/17 NOVEMBER

The Prime Minister has seen your minute to me of 30 October on this subject and has approved the annexes attached to it.

Mr. Whitmore had a word with the Prime Minister before she read your minute and informed her of your views on the composition of the party to travel to Bonn. She has, however, minuted that she does not think it worth your while to come to Bonn. She has noted that the trip will be a short one and that Mr. Franklin may be needed for discussions on the CAP and Budget technicalities.

M. O'D. B. ALEXANDER

3 November 1980

CONFIDENTIAL

DP

PERSONAL

Prime Minister.

010
I am to the do later
for many reasons/lets
along that. I am of very
short. Next one
is enough.
af.

Ref. A03401

MR. WHITMORE

I am afraid that Sir Robert Armstrong
has returned to the charge on the general
issue of who should go with you from the
Cabinet Office on overseas visits.
My own view is that the
continues to be you that only one Cabinet official
should accompany, though this may be true
then it would be desirable for both Sir R. Armstrong
& Mr. Franklin to go - i.e. the reverse of Sir R. Armstrong
formula of X / Minister. Agree?
Paul Shi.

I am minuting Mr. Alexander separately about briefing and attendance for
the visit which the Prime Minister and the Foreign and Commonwealth Secretary
are to make to Bonn on 16th and 17th November.

2. This raises once again the general question who from here should
accompany the Prime Minister when she goes on bilateral visits to Community
Heads of Government.

3. The Prime Minister has made it a general rule that she should be
accompanied by only one official from the Cabinet Office; it has been left to us to
decide whether it should be I or Mr. Franklin who comes for any particular visit.

4. I very much sympathise with the Prime Minister's desire not to trail a
cloud of witnesses on such visits, not just as a matter of economy but also as one
of style. But there are positive reasons - not just reasons of amour propre -
why I think that it would be advantageous for both Mr. Franklin and me to
accompany her as a general rule, at least on visits to Paris and Bonn (and
perhaps also Rome):

- (1) The range of business covered during such visits covers not only
Community affairs, in which Mr. Franklin has both expertise and a
special position in his own right, but also international political and
economic (including "summit") affairs.
- (2) Both of us have our own relationships on our different levels and subjects
in the Elysée and the Federal Chancellery, and even if one or other of us
is not with the Prime Minister for her talks with her colleague, such
visits provide very useful opportunities to talk to our vis-a-vis.
- (3) Because both of us are in the Cabinet Office, we are both seen as being
close to the Prime Minister; we derive strength from that, and it is
important and valuable that both of us should be demonstrably seen in
Europe to enjoy the Prime Minister's confidence. Our being members
of her party for these visits is a significant indicator of that confidence.
In this respect we are in a different position from members of any other
Department, including the Foreign and Commonwealth Office.

PERSONAL

PERSONAL

5. I say "as a general rule": there will be exceptions, when there is good reason for only one of us to go. I think that the forthcoming visit to Bonn is one such: it is going to be a curtailed visit, both in time and attendance. Perhaps I could discuss with you which of us it should be on this occasion. But I should like to think of that as an exception to a new general rule.

6. Similar considerations apply to meetings of the European Council. There will be occasions (like Dublin last December and Luxembourg in April) when it is advantageous for us both to be there. There may be other occasions like Venice in June, when the nature of the business makes it appropriate for me to come on my own. There may be others when it will be appropriate for Mr. Franklin to come on his own. I think that the occasions when it may be appropriate for only one of us to accompany the Prime Minister may be rather more frequent with meetings of the European Council than with bilateral visits to Bonn and Paris. But I should like to think that the norm, from which we should be ready to deviate as appropriate, should be that both of us should come.

REA

ROBERT ARMSTRONG

31st October, 1980

PERSONAL



HER MAJESTY THE QUEEN
SECRETARY OF STATE FOR
FOREIGN AFFAIRS AND
COMMONWEALTH AFFAIRS

McC
Mr. Jones
Mr. Williams
Mr. Kelly
Mr. Howland

Germany

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

01 211 431

La
P
231 Oct 3/x

Dear Michael,

ANGLO-GERMAN CONSULTATIONS : 16/17 November 1980

I should like to support the suggestion in Ken Clucas' letter of 24 October that "US/EC trade - the energy price differential" should be included in the agenda of the forthcoming discussions in Bonn.

If the Community is to make effective representations to the Americans about their low price for gas and oil the sooner this is done the better. A German voice, in support of our own, could help to move the Community in this direction. In any case I should judge that the Germans are no less concerned than we are, given the importance of the German Chemical industry.

I do not imagine that discussion between the Prime Minister and the Chancellor on this issue need be long or detailed. The point would be to express our hope that the Germans will support Community representations to the Americans.

I am copying this letter to Ken Clucas, Robert Armstrong and Clive Whitmore.

Yours ever,

Donald

Sir Michael Palliser GCMG
Foreign and Commonwealth Office,
Downing Street West,
London SW1.

Not worth
Robert Camp - it
is a very short and
"small" visit.

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①

Ref. A03398

MR. ALEXANDER

Prime Minister

(a) Agree brief A, C & D. (on the basis set out in para 5).

Mr. Franklin may be needed for C & D
subject to consultation with Bullard

(b) I suggest that you take Mr Franklin & Mr Bullard rather than Sir R. Armstrong & Sir N. Palliser on this occasion. Agree?

Anglo-German Consultations: 16th-17th November

And 20/11

The next in the series of six-monthly Anglo-German consultations between the Prime Minister and the Federal Chancellor are now to take place in Bonn on Sunday and Monday, 16th and 17th November. Because of the domestic political pressures on the Chancellor we have agreed on a consultation that will be curtailed both in time and size. The two Heads of Government will be accompanied only by their Foreign Ministers.

2. I understand that the programme for the meeting is still under discussion. It is, however, likely to involve the Prime Minister and her party arriving in Bonn at about 6.00 pm on Sunday, 16th November. She and Lord Carrington would then dine separately with Chancellor Schmidt and Herr Genscher respectively. | Talks will follow dinner and will continue the following morning. These will probably be tete-a-tete (although this has yet to be finalised), with plenary talks being held from about 10.00 am on. There would be a Press conference at the end of the morning, and the Prime Minister and her party would leave Bonn after a lunch which the Ambassador will be giving for her and some leading industrialists.

3. Since it is not intended that the Prime Minister should be accompanied by any Ministers other than the Foreign and Commonwealth Secretary for this visit, the party can I think be kept small. I would recommend that the Prime Minister might take with her either me or Mr. Franklin from the Cabinet Office, together with the No. 10 staff. The Foreign and Commonwealth Secretary will be accompanied by a Private Secretary and either Sir Michael Palliser or Mr. Bullard. The only other officials to take part in the talks which are not tete-a-tete would be Sir Oliver Wright and the Minister in our Bonn Embassy.

4. The British and German objectives for these talks are listed at Annexes A and B. These were first compiled before the programme for the talks had to be rearranged. Although there will now be less time to pursue

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these in detail, I think that they still represent a useful assessment of the two sides' aims. It seems very likely that Chancellor Schmidt and Herr Genscher will be hoping for a broad discussion of how the Alliance and the Community are to cope with the growing political and economic instability of the 1980s. They will also want to consider the results of the United States elections and their implications for United States policy on transatlantic and East-West relations. The talks will come at a useful time for both their own and our work on issues such as restructuring.

5. A final agenda has not yet been prepared. The Embassy in Bonn have discussed with the Germans ways of reducing the agenda originally drawn up in order to make best use of the limited time now available, but the Germans have been reluctant to confine themselves to an exclusive agenda since the nature of the consultations is such that they provide an opportunity for Heads of Government and their Foreign Ministers to discuss whichever from a wide range of international topics are either of most pressing importance at the time or those which they themselves consider most merit discussion. I attach at Annex C a list of likely subjects for discussion which errs on the side of comprehensiveness at the request of the Germans and which also reflects their format in bracketing together East-West and defence questions and in picking out German questions as a separate item. This list attempts, however, to differentiate between those subjects which the Prime Minister and the Chancellor will wish to discuss and those which are primarily for discussion between Lord Carrington and Herr Genscher.

6. A list of suggested briefs is at Annex D. As in the past, these will be co-ordinated by the Cabinet Office and I would aim to arrange for them to reach you by Friday, 7th November. I imagine that, as in the case of the briefs for the Anglo-Italian consultations, the Prime Minister will wish the briefs to be kept short. However, I hope she agrees that we should aim to ensure that the briefs are along the lines of those prepared for the Anglo-French Summit and not of the rather more summary nature of the briefs prepared for the Greek and Yugoslav visits. I should be grateful if you could let me know if the Prime Minister is content with the above arrangements.


RA

ROBERT ARMSTRONG

30th October, 1980

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ANGLO-GERMAN CONSULTATIONS:
BONN, 16 - 17 NOVEMBER 1980

UNITED KINGDOM OBJECTIVES

- (a) Following the success of the Anglo-French Summit, to convince Chancellor Schmidt of the Government's determination to cooperate fully in the Community's development and in Europe's response to external political and economic problems.
- (b) To align British and German views on how to handle current crises (the Gulf, Afghanistan, Poland) including their implications for the world economy, East-West relations, defence/arms control and Western consultation mechanisms.
- (c) To use the exchange of views on restructuring the EC Budget and reform of the CAP (including 1981 agricultural prices) to establish close and continuing informal cooperation with the Germans on these issues.
- (d) To reach a common assessment of the international economic and monetary situation, including energy prospects and policies and our relationship with developing countries.
- (e) To convince Chancellor Schmidt of the importance of the British contribution to Western collective defence.
- (f) To strengthen the Anglo-German relationship at the top level.



ANGLO-GERMAN CONSULTATIONS
BONN, 16 - 17 NOVEMBER 1980

PROBABLE GERMAN OBJECTIVES

1. Against the background of deteriorating political and economic conditions and of the need for the major western allies to devise a joint strategy in the face of the world problems of the 80s, to put the differences of the past behind us and to reach the widest possible measure of agreement on:-
 - (a) the probable policies and attitudes of the new United States administration and their implications;
 - (b) current world political issues (especially Arab/Israel, Iran/Iraq, Poland, security issues) and
 - (c) current world economic issues e.g. North/South, OPEC surpluses, inflation, unemployment, growth etc.
2. To assess for themselves the prospects for the United Kingdom economy and for the success of HMG's economic policies.
3. To encourage HMG's positive attitude to the European Community, without getting drawn into the detail of unresolved community issues (except to ensure that HMG continues to oppose any breach of the 1% VAT ceiling).
4. To make it clear that HMG's contribution to defence in the Central Region is appreciated, and encourage its continuance at at least present levels.
5. To develop a closer relationship with Britain over a broad front, with the object of promoting, with France and the United States stability in relationships in Europe and across the Atlantic.



ANGLO-GERMAN CONSULTATIONS: BONN, 16-17 NOVEMBER 1980

LIST OF SUBJECTS FOR DISCUSSION

(FM indicates subjects primarily for discussion by Foreign Ministers)

1. European Community Questions
 - Prospects for European Council
 - EC Budget Restructuring
 - Fisheries
 - Enlargement FM
 - EC external trade (including EC/Japan and EC/US (energy price differential)) FM
 - Other internal Community questions (eg internal liberalisation, steel)
 - Development of political cooperation machinery FM
 - The EC in UK public opinion

2. Regional Questions
 - Afghanistan and the situation in the region
 - Iraq/Iran (including internal situation in each country and Gulf security)
 - Arab/Israel (details of the Thorn mission, Euro-Arab dialogue, etc for Foreign Ministers only)
 - Southern Africa (especially Namibia) FM
 - Turkey

3. East-West and Security Questions
 - The USSR and her relations with current crisis areas
 - Poland
 - CSCE and détente FM
 - Conference for Disarmament in Europe FM
 - TNF and SALT negotiations
 - Burden sharing in NATO
 - Consultation procedures (with US and within Alliance, and among the Nine)
 - Defence procurement collaboration

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4. German Questions

- Inner-German relations
- the situation in and around Berlin

5. Economic Questions

- World economic prospects (including in UK and FRG)
- North-South Dialogue
- International energy policies (situation in oil markets, with particular reference to situation in the Gulf)
- EC Energy supplies

6. Bilateral relations

- Possibilities for thickening up relations (eg Civil Service exchanges)
- Anglo-German Foundation

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ANGLO-GERMAN CONSULTATIONS: BONN, 16-17 NOVEMBER 1980

PROPOSED LIST OF BRIEFS

1. Steering Brief
2. European Community Questions
 - (a) Steering Brief on the European Community
 - (b) EC Budget Restructuring (including the CAP)
 - (c) Fisheries
 - (d) Enlargement
 - (e) External Community Questions
 - (f) Other Internal Community Questions
3. Regional Questions
 - (a) Afghanistan/Pakistan
 - (b) Middle East
 - (c) Southern Africa
 - (d) Turkey
4. US policies following the Presidential election
5. East-West relations (including Inner-German relations and Berlin)
6. Defence Matters
7. Arms Control
8. International Economic and Financial Questions
 - (a) World economic prospects (including in UK and FRG)
 - (b) International monetary questions
 - (c) North-South Dialogue
 - (d) International Energy Questions
9. UK/FRG bilateral relations
10. FRG political and economic scene.



Pennie Minister

BRITISH EMBASSY,
BONN.

29 October 1980

C. M. Alexander
No 10

Print 3/11

J L Bullard Esq CMG
DUSS
Foreign & Commonwealth Office

① of Private Secretary -
(who may wish to send
a copy to No. 10)

PS / LPS

PS / PUS

Mr. Ferguson

MS

② W.E.D.

See below,

JN 3/11

CHANCELLOR SCHMIDT'S HEALTH

1. It is perhaps time we gave you an up to date report on this ever interesting subject, not least because the Prime Minister will be visiting Herr Schmidt here next month. There has been a certain amount of fairly discreet gossip going about recently in the light of the Chancellor's performance towards the end of the Federal Election campaign and the state of his health since.

2. Although the Chancellor performed well during the main part of the election campaign, addressing a series of large meetings and apparently catching the mood of his audience with great success (despite his alleged dislike for the hustings), it is common knowledge that he finished the course in a state of severe exhaustion. This may partly have been because he caught some kind of flu during the last week: we are reliably informed that he had a temperature of 41° during his television appearance with Genscher, Strauss and Kohl on the Thursday

/before



PERSONAL AND CONFIDENTIAL

- 2 -

before election day, when his constant fidgetyness and rather lack lustre showing (in contrast to Genscher, who did particularly well) were widely commented on. But his thyroid seems to have been playing up too. Bill Mader, the Time-Life correspondent, who accompanied him on the campaign trail, witnessed more than one explosion of the usual bad temper with the press and is convinced that Schmidt's irritability, protruding eyes etc, reflected a recurrence of thyroid trouble.

3. Noises coming out of the Kanzleramt since the election indicate that the Chancellor's performance continues to be affected by exhaustion and irritability. Already at the beginning of September Otto Gablentz was sucking his teeth in conversation with me about the state of the Chancellor's health (without being in any way specific) and last week another member of the Kanzleramt team commented to us that the Chancellor was not the man he had been at the start of the last legislative period. We know that his trip to the United States from 19-22 November has been extended by one day on medical advice.

4. I do not think there is anything dramatic in all this. Other leading politicians on both sides, with the exception of Genscher, seem to have found this election campaign

/exceptionally

PERSONAL AND CONFIDENTIAL



exceptionally exhausting. There is no evidence to suggest that Schmidt's health is on the point of breaking down. The current rumours have admittedly increased speculation that he may relinquish the Chancellorship during the forthcoming 4-year legislative period, as indeed he would be wise to do on political grounds if he is not, at the age of almost 60, going to lead his party into the 1984 Federal Election: any successor would need time to get his eye in. But he has been living with ill-health for some time. He has his ups and downs: he is having a down.

5. Whether Mrs Thatcher should be prepared on 17 November to find a Chancellor still not in his best form, time will tell. He may be on the mend by then.

Lowson,

A handwritten signature in cursive script, appearing to read 'Oliver Wright', written over a diagonal line.

Oliver Wright.



Foreign and Commonwealth Office

London SW1A 2AH

28 October 1980

Sir Robert Armstrong KCB CVO
CABINET OFFICE

La
And

Dear Robert,

ANGLO-GERMAN CONSULTATIONS: BONN, 16-17 NOVEMBER

1. Thank you for your letter of 21 October about the briefing for the Anglo-German Consultations.
2. The Embassy in Bonn have consulted German officials with a view to shortening the list of possible subjects for discussion at the Consultations. Although we have succeeded in picking out some items that might primarily (and perhaps only) be discussed between Foreign Ministers, it has not proved possible to agree on reductions as substantial as we would have liked. The nature of the discussions, which provide an opportunity for the Heads of Government and their Foreign Ministers informally to discuss whichever from a wide range of international topics are of most pressing importance at the time, makes the Germans reluctant to confine themselves to an exclusive agenda, and characteristically they have erred on the side of comprehensiveness. In addition, one or two candidates for removal (such as the items under Bilateral Relations) have been kept on the list of subjects, by agreement between the Embassy and the Auswaertiges Amt, with the specific aim that they should not be substantively discussed, but might merit mention in the press conference, in order to give them a ministerial boost. In these circumstances, while we fully recognise the case against amassing a thick and solid pile of briefs on the traditional pattern, you may think it is safer for our officials too to provide briefing erring on the side of comprehensiveness.
3. I attach a revised list of subjects for discussion, which mainly reflect the format adopted by the Auswaertiges Amt, for example in bracketing together East-West and Defence questions, and in picking out German Questions as a separate item. The revised list of briefs, however, which I also attach, remain similar to the lay-out of that sent in Michael Palliser's letter of 15 October, which probably fits more easily with our internal briefing requirements.

/4.



4. As for putting Departments to the trouble of preparing briefs, if the FCO take the EC brief, with assistance from, eg MAFF on Fisheries, only Defence (MOD) and Economic and Financial (Treasury) would seem to fall largely on other Departments in Whitehall. It would however be helpful to know into how much detail the Prime Minister would like the briefs to go; she commented on the summary and therefore very general nature of some of the briefing prepared for her visit to Athens and Belgrade. If on each item she would like less (or more) than was prepared for the Franco-British Summit, I am sure that you will let me know.

5. Since Michael Palliser wrote on 15 October we have been able to make some progress on the planned arrangements for the visit. The Germans expect the Prime Minister's party to arrive at about 1800; at about 1945 she and Lord Carrington would set out for the Chancellor's bungalow and Herr Genscher's official residence respectively, for separate dinners with talks to follow. Further separate Heads of Government and Foreign Ministers' talks would take place the next morning from 0900 until 1000, when a 'plenary' would be held in the Chancellor's office; to be followed by a Press Conference. The Prime Minister would leave Bonn after the Ambassador's lunch for leading industrialists; and then Lord Carrington would fly to Hamburg for his engagement with the Uebersee Club.

6. To help us and the Embassy firm up these arrangements, it would be useful to know which officials the Prime Minister envisages would accompany her. Apart from the talks that will be tête-à-tête (yet to be decided), we imagine that the Prime Minister might meet Chancellor Schmidt with a Private Secretary, Oliver Wright and yourself. In his talks with Herr Genscher Lord Carrington would have with him a Private Secretary, Michael Palliser or Julian Bullard, and David Goodall from the Embassy. I should be grateful if you would let me know the Prime Minister's wishes.

Yours ever

Teddy

Edward Youde

/cc:



cc: Sir Douglas Wass GCB
HM TREASURY

Sir Brian Hayes KCB
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

Sir Frank Cooper GCB CMG
MINISTRY OF DEFENCE

Sir Donald Maitland GCMG OBE
DEPARTMENT OF ENERGY

Sir Peter Carey KCB
DEPARTMENT OF INDUSTRY

Sir Kenneth Clucas KCB
DEPARTMENT OF TRADE

C A Whitmore Esq
10 DOWNING STREET



ANGLO-GERMAN CONSULTATIONS: BONN, 16-17 NOVEMBER 1980

LIST OF SUBJECTS FOR DISCUSSION

(FM indicates subjects primarily for discussion by Foreign Ministers)

1. European Community Questions
 - Prospects for European Council
 - EC Budget Restructuring
 - Fisheries
 - Enlargement FM
 - EC external trade (including EC/Japan and EC/US FM
(energy price differential))
 - Other internal Community questions (eg internal liberalisation, steel)
 - Development of political cooperation machinery FM
 - The EC in UK public opinion

2. Regional Questions
 - Afghanistan and the situation in the region
 - Iraq/Iran (including internal situation in each country and Gulf security)
 - Arab/Israel (details of the Thorn mission, Euro-Arab dialogue, etc for Foreign Ministers only)
 - Southern Africa (especially Namibia) FM
 - Turkey

3. East-West and Security Questions
 - The USSR and her relations with current crisis areas
 - Poland
 - CSCE and détente FM
 - Conference for Disarmament in Europe FM
 - TNF and SALT negotiations
 - Burden sharing in NATO
 - Consultation procedures (with US and within Alliance, and among the Nine)
 - Defence procurement collaboration



4. German Questions

- Inner-German relations
- the situation in and around Berlin

5. Economic Questions

- World economic prospects (including in UK and FRG)
- North-South Dialogue
- International energy policies (situation in oil markets, with particular reference to situation in the Gulf)
- EC Energy supplies

6. Bilateral relations

- Possibilities for thickening up relations (eg Civil Service exchanges)
- Anglo-German Foundation



ANGLO-GERMAN CONSULTATIONS: BONN, 16-17 NOVEMBER 1980

PROPOSED LIST OF BRIEFS

1. Steering Brief
2. European Community Questions
 - (a) Steering Brief on the European Community
 - (b) EC Budget Restructuring (including the CAP)
 - (c) Fisheries
 - (d) Enlargement
 - (e) External Community Questions
 - (f) Other Internal Community Questions
3. Regional Questions
 - (a) Afghanistan/Pakistan
 - (b) Middle East
 - (c) Southern Africa
 - (d) Turkey
4. US policies following the Presidential election
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6. Defence Matters
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 - (a) World economic prospects (including in UK and FRG)
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 - (c) North-South Dialogue
 - (d) International Energy Questions
9. UK/FRG bilateral relations
10. FRG political and economic scene.

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From the Permanent Secretary
Sir Kenneth Clucas, K.C.B.

Germany

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 3785
SWITCHBOARD 01 215 7877

24 October 1980

Sir Michael Palliser GCMG
Foreign and Commonwealth Office
Downing Street West
LONDON SW1

fn. Am.

Dear Michael.

~~ANGLO-AMERICAN~~ ^{GERMAN} CONSULTATIONS: BONN - 16/17 NOVEMBER

You copied to me your letter to Robert Armstrong of 15 October suggesting a list of subjects and briefs for the above occasion. I have since seen his letter to Edward Youde explaining that the timetable for the consultations has now been abbreviated and suggesting that the list of subjects and briefs should now be looked at again.

Within a short time UK Ministers will have to come to a decision on whether to seek Community renewal of the restrictions against US synthetic textiles (or indeed to try to get agreement to quotas on still other products). If they decide not to seek renewal, then the point disappears. If, however, they take the contrary decision, then we shall have a major controversy on our hands with the Germans. Whether we would want to raise the matter on our side is something which I think we could only decide nearer the time. But even if we did not raise it the Germans I am pretty sure would; and, even for this now abbreviated occasion, I think at a minimum a brief would be needed.

In addition, I understand that the Prime Minister has expressed a strong personal interest in the more general problem (which has been one of the factors, though not the main one, behind the yarn quotas) of the unfair advantage US exporters enjoy as a result of the energy price differential. My own Secretary of State feels strongly on the issue too. It is not one to which it is easy to see any very clear solution. Nonetheless, I think the Prime Minister might want to refer briefly to it if only to register our general concern.

I should be grateful therefore if the FCO could consider adding to both the subjects for discussion and the list of briefs the following: "US/EC trade - the energy price differential".



I am sending copies of this letter to Douglas Wass, Brian Hayes, Frank Cooper, Donald Maitland, Peter Carey, Robert Armstrong, Edward Youde and Clive Whitmore.

Kenneth Clucas

Ken

KENNETH CLUCAS

020

(File with C/W)

Ref: A03298

CONFIDENTIAL

①

MR. ALEXANDER

Yes no

Prime Minister.
May we agree to these revised
arrangements?
R.A.

Anglo/German Consultations

Herr von der Gablenz rang this evening to tell me that the Federal Chancellor was very happy to accept the proposals for curtailed consultations on the dates originally planned.

2. He proposes that the consultations should be confined to the Prime Minister and the Federal Chancellor; and the Foreign Secretary and the Foreign Minister. The talks would begin on the evening of Sunday 16th November, over separate dinners (the Chancellor would entertain the Prime Minister in his 'bungalow', where she had dinner last time she was in Bonn). The talks would be resumed on Monday 17th November at 9.00 am. They might start tete-a-tete and then Heads of Government might be joined after a time by the Foreign Secretary and the Foreign Minister. The meeting would end at about 11.00 am and would be followed immediately by a Press Conference.

3. As these would be curtailed consultations, the Chancellor proposes that they should be confined to Heads of Government and Foreign Ministers; but that would not be a precedent for future consultations, which should continue to include other Ministers as well, as in the past.

4. May I tell Herr von der Gablenz that we are happy to fall in with this revised plan?

5. I am sending a copy of this minute to Mr. Walden.

R.A.

(Robert Armstrong)

20th October 1980

CONFIDENTIAL



Ref. A03275

MR. ALEXANDER

Prime Minister's Visit to Germany

At 3.00 pm yesterday afternoon Herr Otto von der Gablenz rang from Bonn to say that the Federal Chancellor very much regretted that he had to propose to the Prime Minister that the Anglo-German consultations provisionally arranged for 16th and 17th November should be postponed.

2. As Herr von der Gablenz put it to me yesterday afternoon, it sounded as if the reason for the postponement of the visit was that the Chancellor had decided to visit the United States, beginning on 18th November, and found it necessary to put the Prime Minister off in order to prepare himself for that. We thought that this seemed pretty dismissive, and we agreed that I should go back to Dr. Schuler (on whose behalf Herr von der Gablenz said he was speaking), to make it clear that we did not think much of this sudden change.

3. I subsequently agreed with Mr. Whitmore that we should sound the Federal Chancellery about the possibility of a curtailed visit on 16th November. We thought that there was much force in the view expressed by the Foreign and Commonwealth Office that it was desirable that the Prime Minister should talk to the Federal Chancellor before the meeting of the European Council in Luxembourg on 1st and 2nd December.

4. Dr. Schuler is not in Bonn today, and Her von Staden is not available; I have therefore spoken again to Herr von der Gablenz. His rather fuller explanation of matters puts the affair into a slightly different perspective.

5. The Chancellor's visit to the United States from 18th to 21st November has been long planned and publicly announced. Its main purpose is not to see the President but to attend some medal-giving ceremony, though he will probably take advantage of the time to pay a brief visit to Washington towards the end of the time. He then returns to Bonn for a Cabinet meeting on Friday, 21st November, in preparation for the opening of the new Parliament on Monday, 24th November, when he has to make a Government declaration. After



the election the Chancellor had said that he intended to go ahead with the consultations arranged for 16th and 17th November, mindful of the fact that the Prime Minister received him in Downing Street only a very few days after she herself took office last year. He has only now come with great regret to the conclusion that it will not be possible for him to fit it in. The main reason is that, before the Government declaration can be prepared, there have to be extensive coalition talks, which are likely to bring him hard up against the week-end of 15th and 16th November.

6. I said that I would explain accordingly to the Prime Minister. I knew that she had been very much hoping to have a chance of talking with the Chancellor before they met at the European Council on 1st and 2nd December, and I wondered whether there was any possibility of the Chancellor being willing to consider a curtailed consultation at about the original date, so as to make that possible. I thought that, if the Chancellor was so willing, the Prime Minister might well be prepared to come over to Bonn on the afternoon of Saturday, 15th November, in order to talk to the Chancellor that evening and/or the following morning. If this possibility was of interest to the Chancellor, we should then have to consider how to dispose of the other events associated with the consultation.

7. Herr von der Gablenz said that he would like to put this to the Chancellor, who is at the moment on holiday; he will come back to me as soon as he has been able to do so and get a reaction.

8. If this is not possible, then (as I told you yesterday) the alternative dates proposed for the consultations are 15th and 16th December or (less good for the Germans) 8th and 9th December. The second dates are impossible because the Prime Minister has other plans for those two days; you thought that she could if necessary rearrange her plans to go on 15th and 16th December, but that that would not be very convenient, given her other commitments at about that time.

ROBERT ARMSTRONG

17th October, 1980



Germany
Mr. Lettison
Mr. Alexander (oe)

Paul
K.H.
23ix

Ref. A03054

MR. WHITMORE

When I was speaking to Dr. Manfred Schuler, the State Secretary in the Federal Chancellor's Office, yesterday afternoon, he said that the proposed dates for the next Anglo-German consultations at Head of Government level - 16th and 17th November - were acceptable to the Federal Chancellor. He asked me to regard this as provisional until after the German elections on 5th October, since it was possible that that date might clash with some event - I think he called it "Regionserklärung", though I may have misheard him - which is part of the constitutional process following an election.

I am sending a copy of this minute to Mr. Walden.

ROBERT ARMSTRONG

22nd September, 1980



Foreign and Commonwealth Office

London SW1A 2AH

13 August 1980

PRIME MINISTER

content to stay in Bonn long enough for Sir O Wright's proposed dinner - next day is a question day, King of Nepal may be arriving?

Dear Mike,

Anglo-German Consultations: November 1980

I enclose a copy of Bonn telegram 594, in which Sir O Wright suggests that the Prime Minister might like to attend a dinner he proposes to give in her honour after the conclusion of the Anglo-German Consultations due to be held in Bonn on 16-17 November.

MAD 13/8.

The Foreign and Commonwealth Secretary thinks it would be useful for the Prime Minister to meet leaders of German industry and commerce in the way proposed by Sir O Wright. It would be possible for her to attend the dinner and return to London late the same evening. I should be grateful if you could in due course let us know the Prime Minister's views. We are pursuing separately the other questions raised in paragraphs 4 and 5 of the telegram.

*So long as we return the same night.
not.*

Yours etc

Paul

(P Lever)

M A Pattison Esq
10 Downing Street

GRS 465
CONFIDENTIAL
FM BONN 051250Z AUG 80
TO ROUTINE FCO
TELEGRAM NUMBER 594 OF 05 AUGUST

CONFIDENTIAL

WRG 020 COPY		
RECEIVED IN REGISTRY NO. 13		
6 AUG 1980		
DESK OFFICER		REGISTR
INDEX	PA	Action Taken

ANGLO-GERMAN CONSULTATIONS: NOVEMBER 1980

1. I AM GLAD TO LEARN (TELECON GLADSTONE/HUNTER) IT HAS NOW BEEN PROPOSED TO THE GERMANS, THROUGH THEIR EMBASSY IN LONDON, THAT THESE CONSULTATIONS SHOULD RUN FROM DINNER ON 15 NOVEMBER UNTIL THE AFTERNOON OF 17 NOVEMBER. THERE ARE MINOR DISADVANTAGES ABOUT THESE DATES, FROM THE POINT OF VIEW OF MAKING AN IMPACT HERE. WE SHALL BE COMPETING FOR PUBLICITY WITH THE POPE, WHO IS EXPECTED TO BE IN THE FRG FROM 15 TO 20 NOVEMBER, AND THE NEED FOR THE PRIME MINISTER AND YOURSELF TO BE BACK IN LONDON ON 18 NOVEMBER LEAVES LITTLE TIME FOR OTHER ACTIVITIES IN THE CAUSE OF ANGLO-GERMAN RELATIONS. BUT I REALISE OF COURSE THE ACUTE PRESSURE ON MINISTERS' TIME. THE IMPORTANT THING IS THAT WE SHOULD MAKE THE MOST OF THE TIME AND OPPORTUNITY BY FIELDING A STRONG TEAM OF MINISTERS.
2. WE GATHER FROM OUR CONTACTS HERE THAT THE GERMANS ARE NOT LIKELY TO BE ABLE TO REPLY FOR SOME DAYS. GERMAN OFFICIALS, HOWEVER, SEE NO OBJECTION TO THE DATES PROPOSED.
3. MAY I AT THIS STAGE REPEAT A PROPOSAL WHICH I MADE INFORMALLY EARLIER? THIS IS, TO ASK IF THE PRIME MINISTER COULD FIND TIME HERE TO MEET SOME OF THE BANKERS, INDUSTRIALISTS, ETC WHO ARE RESPONSIBLE FOR THIS COUNTRY'S SUCCESS. IF MRS THATCHER WERE PREPARED TO STAY IN BONN FOR THE EVENING OF 17 NOVEMBER I COULD ARRANGE FOR HER TO MEET A REPRESENTATIVE SELECTION OF KEY PEOPLE OVER A MEAL AT MY HOUSE. I REALISE THAT THIS IS A DEMANDING PROPOSAL TO MAKE TO HER IN VIEW OF HER CROWDED SCHEDULE. IT COULD HOWEVER PROVIDE A BADLY NEEDED OPPORTUNITY TO GET OUR POINT OF VIEW ACROSS HERE TO LEADING FIGURES FROM OUTSIDE THE BONN POLITICAL MACHINE. IT WOULD ALSO OF COURSE BE A USEFUL MEANS OF LEARNING HOW THESE PEOPLE SEE THINGS. I SHOULD NATURALLY BE DELIGHTED IF SHE FELT ABLE TO STAY IN BONN FOR A SECOND NIGHT, BUT THE TIME DIFFERENCE WOULD BE IN HER FAVOUR IF SHE FELT SHE HAD TO RETURN TO LONDON AFTER DINNER THAT NIGHT.
4. THERE ARE ALSO OUTSTANDING INVITATIONS FOR YOU TO ADDRESS THE UEBERSEE CLUB IN HAMBURG (LETTER GOODALL/GLADSTONE, 10 APRIL) AND FOR THE DEFENCE SECRETARY TO ADDRESS THE DEUTSCHE GESELLSCHAFT FUER AUSWAERTIGE POLITIK HERE IN BONN (LETTER HUNTER/GLADSTONE, 25 JULY). BOTH WOULD PROVIDE ADMIRABLE OPPORTUNITIES FOR ENSURING THAT OUR CONTRIBUTION TO WESTERN STRATEGY AND THE DEVELOPMENT OF THE EUROPEAN COMMUNITY ARE UNDERSTOOD BY OPINION-FORMERS HERE. I WOULD HOPE THAT DESPITE THE TIGHTNESS OF THE PROGRAMME YOU WOULD FEEL ABLE TO FLY UP TO HAMBURG AFTER THE CONSULTATIONS AND THAT MR PYM WOULD ALSO FEEL ABLE TO ACCEPT THE INVITATION HERE IN BONN.

CONFIDENTIAL /5

CONFIDENTIAL

5. ONE FURTHER THOUGHT. MEETINGS OF THE FINANCE AND AGRICULTURE COUNCILS ARE SCHEDULED FOR 17 NOVEMBER IN BRUSSELS, AND I SUPPOSE THE CHANCELLOR OF THE EXCHEQUER AND MR WALKER (AS WELL AS THEIR GERMAN COUNTERPARTS) MAY HAVE TO ATTEND THESE. IF SO, WOULD THESE TWO MINISTERS BE PREPARED TO CONSIDER COMING TO BONN FOR BILATERAL CONSULTATIONS AND DINNER ON THE AFTERNOON AND EVENING OF SUNDAY 16 NOVEMBER? THEY COULD THEN SHARE AIRCRAFT TO BRUSSELS WITH THEIR GERMAN COLLEAGUES NEXT MORNING.

WRIGHT

LIMITED
WED
EED (E)
P+CS
PS
PS/LPS
PS/PUS
MR FERLUSON

THIS TELEGRAM
WAS NOT
ADVANCED

2
CONFIDENTIAL

CONFIDENTIAL



10 DOWNING STREET

Germany
Top copy on
France Pt 2
PM's visit to France
Sept 80. Fontevraud
Conference.

From the Private Secretary

8 July, 1980.

Anglo-French and Anglo-German Consultations

rd 7.7.80 The Prime Minister has seen the Foreign Secretary's undated minute (PM/80/50) to her on this subject. She agrees with the approach proposed by Lord Carrington. She also agrees with the list of Ministers suggested. The fifth Minister in her view should be either the Secretary of State for Industry or the Secretary of State for Trade: she would be inclined to favour the Secretary of State for Trade.

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

M. O'D. B. ALEXANDER

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

CONFIDENTIAL

9



PM/80/50

PRIME MINISTER

Anglo-French and Anglo-German Consultations

1. The Anglo-French and Anglo-German Summit meetings are due in September and November respectively and, with the Summer Recess approaching, it is perhaps not too early to start thinking about the form they should take. They are both 'away' fixtures and the wishes of your hosts will in the end prevail. The French and Germans have an elaborate pattern for their own periodic meetings under the Franco-German Treaty. Significant advantages have been derived on both sides from having a format which obliges departments to try to produce results for their Ministers to report to the periodic meetings of Heads of Government. The Germans will not start thinking seriously about our Summit with them until after the Federal elections in October; the Ambassador in Paris has reported that now would be a psychological moment to put forward any suggestions which we have since French thinking is still at a formative stage. Sir R Hibbert and Sir O Wright have both recommended we should field a strong Ministerial team in each case.

2. I myself think this is right. You took four Ministers with you to Bonn and ^{to the meeting with Giscard here} Paris last autumn and I suggest we aim for the same number, or perhaps one more in each case, this time. The main issues for discussion are already broadly discernible and I think that in order to ensure the clearest possible discussion of them - and incidentally to show our partners that we intend to discuss them in depth - it would be right to include in the party, beside myself, the Chancellor of the Exchequer; the Secretary of State for Defence; the Minister of Agriculture, Fisheries and Food; and one out of the Secretaries of State for Industry, Trade and Energy.

Extra industry or Trade, Tend to favour Trade

3. If you agree, I shall see that the Ministers concerned are alerted in good time so as to keep their diaries free.

4. I am sending a copy of this minute to Sir Robert Armstrong.

C

Foreign and Commonwealth Office

(CARRINGTON)

CONFIDENTIAL

Prime Minister

*Top copy on
Forma Pt 2
PM's visit to France
App 80. Fontevraud Conference*

*Do you agree the general approach? If
so we must decide on the precise composition of the
two parties a little nearer the time.*

(1) This not

Am - 7/5



Germany

~~B/E~~

H. J. Smith
- 15/6

Ref. A02304

MR. ALEXANDER

I have seen a copy of Mr. Lever's letter of 4th June about the Anglo-German consultations in the autumn.

2. We do not of course know who the German Agriculture Minister will be in the middle of November. Whoever it is, there will be something to be said for the presence of Agricultural Ministers, given that budget restructuring and CAP reform could be in the air, if not on the agenda, and that we might be at a critical stage of the fisheries negotiations.

3. I do not myself think that this means that we should propose a change in the dates; but in replying to the Germans we should perhaps indicate that it might be desirable to try to get the Agriculture Ministers back from Brussels in time to take at least some part in the bilateral consultations in Bonn.

RA

(Robert Armstrong)

10th June, 1980

RESTRICTED



Germany JS
cc thmt
MAFF
CO

10 DOWNING STREET

From the Private Secretary

9 June 1980

Kean Paul,

ANGLO-GERMAN CONSULTATIONS: AUTUMN 1980

The Prime Minister has seen your letter to me of 4 June on this subject. She agrees that we should accept the proposed dates, i.e. 17 and 18 November. She has commented that, while these dates are very suitable in diary terms, they mean that the meeting will coincide with the critical phase in the talks on the Common Fisheries Policy.

I am sending copies of this letter to Martin Hall (HM Treasury), Garth Waters (MAFF), and David Wright (Cabinet Office).

Yours ever

Richard Alexander

Paul Lever, Esq.,
Foreign and Commonwealth Office.

JS

870

1

RESTRICTED



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

From a diary point of view
there are very good sales. A week after the Lord Mayor's Banquet, ten days before the European Council. Apra?

4 June 1980

Dear Michael,

Yes but $\frac{1}{2}$ - $\frac{5}{6}$

The 'Jinking' etc. approved will be included at this time not.

Anglo-German Consultations: Autumn 1980

The FRG Embassy have telephoned us with instructions to propose dates for the next in the series of six-monthly Anglo-German consultations, due to be held in Bonn in the autumn. They have proposed 17-18 November. These dates clash with an EC Agricultural Council and (17 November only) a Finance Council; but we do not consider it essential that Agriculture Ministers should attend the consultations, and we hope it would be possible for the Chancellor of the Exchequer to plan to be represented by another Treasury Minister at the Council in order to be able to come to Bonn. Given the pressure on the Federal Chancellor's diary and the difficulty of finding dates that do not clash with one Council meeting or another, the Foreign and Commonwealth Secretary suggests that if possible we should accept these dates, and I should be grateful if you could let me know if they are convenient to the Prime Minister.

We have told the German Embassy that we assume they have taken account of other Ministerial commitments in Brussels when proposing these dates.

In explaining why there is a rather longer gap than usual between the spring and autumn consultations, (you will recall that the last one was in London on 28 March) the German Embassy have pointed out that it will be necessary to allow a reasonable settling-in period for the new government after the Federal elections on 5 October.

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

Yours etc

(P Lever)
Private Secretary

Michael Alexander Esq
10 Downing Street
London

RESTRICTED

Chancellor Schmidt
lets you that he
hoped you would
come to Hamburg
some time.

We saw the
date in
week of the!

PART

1

ends:-

7 December 1979.

PART

2

begins:-

4 June 1980.