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PREM 19/472

REPORT

FROM THE FEDERAL REPUBLIC OF GERMANY

Germany

April 6, 1981.

KÖNIGSWINTER UNIQUE, SAYS CHANCELLOR

Königswinter is unique, Federal Chancellor Helmut Schmidt said when he welcomed the 150 delegates to the 31st Königswinter Conference at a reception in Bonn on Friday (April 3).

The Chancellor said: "Do not be afraid that tonight I might deliver another political speech. I spoke about Europe in the Bundestag yesterday and I have no intention of repeating myself. Rather I shall be very, very careful in using words beginning with 's' and 'f' such as 'steel' and 'fish'.

"However, I feel so closely connected with the Königswinter Conference and through three decades I have so frequently participated in the conferences that I thought it would be best to come here in person and not just send you a cable of greetings. Also, I would like very much to use this opportunity to greet old friends and acquaintances.

"In particular, I want to greet Dame Lilo Milchsack [chairman of the Deutsch-Englische Gesellschaft, Düsseldorf]. She was instrumental in giving life to the idea of the Königswinter Conferences and she is still the soul and the life of those conferences. Every year she sees to it that they are held on a very high intellectual level, that they deal with very topical subjects and that outstanding delegates from both countries are present. Many thanks to Dame Lilo and a special welcome to Peter Blaker [Minister of State for Foreign and Commonwealth Affairs] and all the British participants!

"It has been said before but I want to repeat it: Königswinter is unique. Last year, when we met at St Catharine's College, Cambridge, I called it the Queen of Bingo -- where Bingo, of course, stands for Bi-lateral Non-Governmental Organisations. I am glad to see that the Bingo Queen has come back to Königswinter this year.

Best qualities

"Why are the British-German talks at Königswinter unique? I think it is because at these conferences there meet people from two countries which are very close to each other but which also differ in many ways. Here, at Königswinter, they present the best of their many qualities: the Germans their talent for organisation, the British their sociable manners and their disciplined and witty art of debating, developed over the centuries and by travelling all over the globe.

"If everybody everywhere did what he really knows best -- how could Europe look these days! In reality, however, and I do not want to mince words over that, we have problems inside the European Community. Some of the British participants here have explained to me why that is so. The reason is not illwill or incapability. What we see at work is a particular law, known as 'Murphy's Law', which consists of three parts and says:

- Nothing is as simple as it looks.
- Everything takes longer than expected.
- If anything can go wrong, it will go wrong.

"I was told that nobody really knows who this Mr. Murphy is who gave his name to this law. I suspect that he lives in Brussels in the EEC headquarters. It is my impression that this law is in effect in many places -- the European Community included.

"On the other hand, I am quite sure that there is a way to meet the unwarranted consequences of Murphy's Law in Europe -- that is by training double-agents.

"At this point, I assure our British friends that I have not read too much of Chapman Pincher or Bernard Levin. Rather I want to remind you that I was born in Hamburg and there an agent is somebody very decent -- a man who acts for others to bring certain commercial projects to life.

"A double-agent in this sense would be an Englishman working for his country as well as for Europe; a German working for his country as well as for Europe; in a general sense, somebody of one state of the Community who takes European interests at least as seriously as the interests of his own country.

"I think there are in principle no categorical conflicts of interest between the countries of the Community. If we do run into conflicts in our daily life routine, we must solve them in the interest of the Community -- which also means in the interest of every member-country; and also in the interest of the global balance of power in which, to be maintained, EEC has in the meantime become an indispensable factor. Forgive me for having made a serious remark after all. We Germans just can't help ourselves."





DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

Germany

London, April 17th, 1980

Mr. Pind

Her Prime Minister

I have the honour to transmit to you the enclosed original letter from Herr Helmut Schmidt, Chancellor of the Federal Republic of Germany, an advance copy of which had already been communicated to you in my letter of April 3rd, 1980.

I am, Her Prime Minister
yours sincerely
Jürgen Ruhfus

Jürgen Ruhfus

The Rt.Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister
and First Lord of the Treasury
L o n d o n

FILE

RH

Germany

11 April 1980

I enclose a copy of Chancellor Schmidt's letter of thanks to the Prime Minister for the hospitality he received during his visit to this country last month. Protocol and Conference Department may care to note the last sentence.

M. C'D. B. ALEXANDER

Paul Lever, Esq
Foreign and Commonwealth Office

Sd

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

London, April 3rd, 1980

Dear Prime Minister

Plus original
I have the honour to transmit to
you the advance copy of a letter from
Herr Helmut Schmidt, Chancellor of the
Federal Republic of Germany.

Yours sincerely,
Jürgen Rühfus

Jürgen Rühfus

The Rt. Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister
and First Lord of the Treasury
L o n d o n

Passed on to Chequers
10.00 4.4.80
AJ.

Advance copy of a letter dated 2/4/80

from Herr Helmut Schmidt,
Chancellor of the Federal Republic of Germany
to The Rt.Hon. Margaret Thatcher, MP,
Prime Minister

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T74^B/80

Dear Margaret,

Let me thank you most sincerely for your gracious hospitality at Chequers. You have created an atmosphere of friendly informal discussion which, I feel, has helped us very much to a deeper understanding of the grave international issues which confront us. I left your country convinced that we see eye to eye on them. This I regard as the most important result of our consultations.

You have set a very high standard by inviting me to your exquisite country home. May I, nevertheless, venture to suggest that, next time, we try to meet - at least for part of our consultations - in my private home in Hamburg.

Yours

signed Helmut Schmidt



PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T74B/80

Original.

BUNDESREPUBLIK DEUTSCHLAND
DER BUNDESKANZLER

Bonn, April 2, 1980

Dear Margaret,

let me thank you most sincerely for your gracious hospitality at Chequers. You have created an atmosphere of friendly informal discussion which, I feel, has helped us very much to a deeper understanding of the grave international issues which confront us. I left your country convinced that we see eye to eye on them. This I regard as the most important result of our consultations.

You have set a very high standard by inviting me to your exquisite country home. May I, nevertheless, venture to suggest that, next time, we try to meet - at least for part of our consultations - in my private home in Hamburg?

Yours
Helmut Schmidt

Her Excellency
The Prime Minister of the
United Kingdom of Great Britain
and Northern Ireland
Mrs. Margaret Thatcher

London

~~MCD3A(OR)~~

MESSAGE FROM CHANCELLOR SCHMIDT TO THE PRIME MINISTER

f.s.

Dear Margaret,

Let me thank you most sincerely for your gracious hospitality at Chequers. You have created an atmosphere of friendly discussion which, I feel, has helped us very much to a deeper understanding of the grave international issues which confront us. I left your country confident that we see eye to eye on them. This I regard as the most important result of our consultations.

You have set a very high standard by inviting me to your exquisite country home. May I, nevertheless, venture to suggest that, next time, we try to meet - at least for part of our consultations - in my private home in Hamburg.

Yours,

Helmut Schmidt.

4 April 1980

Ans

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PRIME MINISTER
MK

THE KÖNIGSWINTER CONFERENCE 1980

British Königswinter Steering Committee
Chairman: SIR FRANK ROBERTS, GCMG, GCVO
Organising Secretary: Mrs. MAXINE VLIELAND

to be held at Cambridge, March 27th - 30th.

CONFERENCE OFFICE:
The Hansard Society for Parliamentary Government,
16 Gower Street,
London, WC1E 6DP.
Telephone: 01-631 1540.

April 3rd, 1980

My dear Prime Minister,

May I thank you most warmly not only for honouring this year's Anglo-German Königswinter Conference with your presence but also for giving us such a splendid speech which left a deep impression on all the participants, German and British. I know I am speaking for all of them in saying how much we appreciated the fact that you added this visit to Cambridge to an already very tight programme during the Federal Chancellor's visit, and that you brought him along with you. This was the highlight of this year's 30th anniversary conference and also the highlight of the whole series of conferences. We are most grateful to you and to Helmut Schmidt.

Königswinter Conferences never end up with resolutions or agreed decisions. But the discussions on European Community problems and on East-West problems in the light of the Soviet invasion of Afghanistan were, I thought, particularly useful this year. Many of the Germans said they had not fully understood the strength of British views on each of these subjects and if only for this reason, I think, this meeting was very well worthwhile.

With renewed thanks and best wishes
yours sincerely
Frank Roberts.

Frank K Roberts

The Rt. Hon. Margaret Thatcher, MP
10 Downing Street
Whitehall
London SW1.



10 DOWNING STREET

THE PRIME MINISTER

3 April 1980

I was very glad to receive your letter of 31 March and sorry to learn that I had missed meeting you in Cambridge. I am glad that my speech had been well received by your fellow Königswinterers. We all greatly enjoyed having Chancellor Schmidt here. Anglo-German relations happily continue to be close and full of substance.

(sgd) Margaret Thatcher

Herr Karl-Gunther von Hase

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**.

Reference: CC (80) 15th Conclusions, Minute 2 (extract)

Date: 2 April 1980

Signed Wayland Date 14 April 2011

PREM Records Team



file 16

10 DOWNING STREET

From the Private Secretary

1 April 1980

I am sure that the Prime Minister will already have congratulated you on your contribution to the success of Chancellor Schmidt's visit on Thursday and Friday. However, since the chaos surrounding my departure prevented me having a word with you, I thought I would send you a note of thanks on my own behalf for everything that you did, both before and during the Chancellor's stay. I can assure you it was appreciated by your guests - including me. I am most grateful.

Perhaps you could pass on my thanks to all your helpers.

M. O'D. B. ALEXANDER

Miss Vera Thomas, O.B.E.

SP

DEUTSCH-ENGLISCHE GESELLSCHAFT E.V.

EHRENPRÄSIDENTEN: DR. KURT BIRRENBACH · PROF. DR. RALF DAHRENDORF · DR. MARION GRÄFIN DÖNHOF · DR. KATHARINA FOCKE
HANS V. HERWARTH · DR. W. ALEXANDER MENNE · PROF. DR. HANS REIF · WALTER SCHEEL · HELMUT SCHMIDT
DR. GERHARD SCHRÖDER · DR. RICHARD FRHR. V. WEIZSÄCKER

VORSTAND:

ERSTE VORSITZENDE:
LILLO MILCHSACK, DÜSSELDORF-WITTLAER
GESCHÄFTSFÜHRENDER VORSITZENDER:
STEPHAN THOMAS, BONN
SCHATZMEISTER:
FRIEDRICH SIMON, DÜSSELDORF

ALLE ANFRAGEN AN DIE HAUPTGESCHÄFTSSTELLE

AN DER KALVEY 11
4000 DÜSSELDORF 31-WITTLAER
TELEFON (0211) 40 1387

SEKRETARIATSLEITUNG:
ELKE BERGER U. JOAN SALIBA

1st April 1980

Dear Prime Minister,

May I express my sincerest thanks to you for the generous hospitality extended by your Government to the Königswinter Conference in Cambridge last Friday evening. It was a great honour for us and, indeed, for Königswinter.

Your presence on that occasion and what you said made a deep impression on us all and we appreciate the value you attach to these informal gatherings.

Needless to say, we are only too well aware of the seriousness of the present world situation which you described with such clarity; moreover, I particularly admire your personal efforts towards achieving an acceptable solution to your country's present problems in the European Community and the conviction with which you are pursuing these aims. We are also grateful to you for your firm assurance that Britain will remain a member of this Community despite these difficulties.

We are happy to think that the open and frank discussions at Königswinter Conferences over the years on this and other mutual problems may have contributed towards a better understanding of each other's points of view.

*With all good wishes
and kind regards*

Yours sincerely

The Rt.Hon. Margaret Thatcher, MP.,
10 Downing Street,
London S.W.1.

Lilo Milchsack

(Lilo Milchsack)

KARL-GÜNTHER VON HASE
INTENDANT DES ZWEITEN DEUTSCHEN FERNSEHENS
MAINZ AM RHEIN

Prime Minister ⁽²⁾



12/4 Mrs -

London, 31st Nov 1980

Dear Prime Minister,
I had hoped to meet you at
Königswinter in Cambridge, but
unfortunately my plane from Ger-
many was 3 hours late, due to
engine trouble. Our new Subaru-
car Herr Rühf's, who is a friend
of mine, has told me that you
very kindly asked about me.
We are having a holiday after
Königswinter with our daughter
in London and enjoy with
some nostalgia the old places.

What I wanted to tell you
is, how enthusiastic everybody
in Cambridge was about
the speech you made. Your
own fellow-countrymen as
well as all my German
friends. I want to congratu-
late you on this. I know
how critical the Frödings-winter
people can be, and you scored
a full success.

I wish you, dear Prince Mi-
nister some restful days over
Easter and remain respectfully

Yours very sincerely
Paul Jindra in ∇ ere.

CONFIDENTIAL

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FM PARIS 311804Z MAR 80

TO PRIORITY FCO

TELEGRAM NUMBER 333 OF 31 MARCH 1980

AND TO PRIORITY UKREP BRUSSELS

AND TO ROUTINE BONN

INFO ROUTINE BRUSSELS DUBLIN ROME LUXEMBOURG COPENHAGEN AND
THE HAGUE

ms.

FRENCH PRESS IN THE WAKE OF THE ANGLO-GERMAN SUMMIT

1. BECAUSE IT IS WIDELY RECOGNISED HERE THAT GERMAN SUPPORT IS INDISPENSIBLE IF FRANCE IS TO PREVAIL, THE HOPEFUL OUTCOME OF THE ANGLO/GERMAN SUMMIT HAS HELPED TO SOBER FRENCH MEDIA COMMENT ON THE COMMUNITY DISPUTES SEPARATING BRITAIN AND FRANCE. A MOVEMENT TOWARDS COMPROMISE IS DETECTED, MORE PARTICULARLY ON THE BRITISH SIDE. MRS THATCHER'S CONCILIATORY TONE AT THE PRESS CONFERENCE AND THE REMARKS FROM BOTH SIDES ABOUT IMPROVED PROSPECTS FOR THE EUROPEAN COUNCIL AND THE RELATIONSHIP BETWEEN THE DIFFERENT ISSUES HAVE BEEN HIGHLIGHTED. CHANCELLOR SCHMIDT'S DISCLAIMER OF A MEDIATING ROLE IS NOTED, BUT HIS ROLE IS NONETHELESS REGARDED AS CRUCIAL. THERE ARE FRESH HINTS THAT HE URGED MODERATION ON PRESIDENT GISCARD WHEN THEY LAST MET.

2. THE FRENCH GOVERNMENT IS HAVING TO TAKE ACCOUNT OF THE CONTINUING GROUNDSWELL OF AGITATION BY FARMERS ALL OVER FRANCE. THIS IS NOT PRIMARILY ABOUT SHEEP MEAT (AN ISSUE ABOUT WHICH ONE IS BEGINNING TO SEE SOME SERIOUS OBJECTIVE ANALYSIS IN THE PRESS) BUT ABOUT THE SQUEEZE ON AGRICULTURAL INCOMES WHICH ARE NOT KEEPING PACE WITH INFLATION. THE DEVALUATION OF THE GREEN FRANC HAS DONE LITTLE TO DEFUSE THE SITUATION. FRENCH FARMERS STILL WANT A FURTHER INCREASE OF 7.9 PER CENT IN THE AVERAGE COMMON PRICE AND REMAIN ALARMED OVER THE RECENT TURN OF EVENTS IN THE EUROPEAN AGRICULTURAL COUNCIL AND THE EUROPEAN PARLIAMENT. THE PRESS IS INCREASINGLY REPORTING THAT THE FRENCH POSITION HAS NOT RECEIVED SUFFICIENT SUPPORT. M. MEH-AIGNERIE, WHO REMAINS THE TARGET OF MUCH CRITICISM, HAS PUBLICLY FORECAST A POSSIBLE 5 PER CENT INCREASE IN THE AVERAGE COMMON PRICES.

3. THE FRENCH MEDIA ARE ALSO BECOMING AWARE OF THE EXTENT OF CRITICISM IN THE US AND ELSEWHERE OF FRENCH POLICIES GENERALLY. A SIGNIFICANT ARTICLE IN TODAY'S FIGARO BY THEIR WASHINGTON CORRESPONDENT IS HEADED QUOTE THE AMERICANS CRITICISE GISCARD, SCHMIDT AND EVEN MRS THATCHER UNQUOTE. WHILE PROFESSING THAT US CRITICISM IS DIRECTED TOWARDS EUROPE AS A WHOLE, THE ARTICLE MAKES IT VERY CLEAR THAT THE BITTEREST AND MOST SUBSTANTIAL CRITICISM IS RESERVED FOR FRANCE. THE FRENCH PRESS HAVE ALSO

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CONFIDENTIAL

PRINTED A NUMBER OF EXTRACTS FROM CRITICAL ARTICLES IN THE BRITISH PAPERS ESPECIALLY THE DAILY EXPRESS AND GUARDIAN. HENRI PIERRE IN SATURDAY'S LE MONDE MAKES THE POINT, HOWEVER, THAT ANTI-FRENCH SENTIMENT IN BRITAIN IS NOTHING LIKE AS ACUTE NOW AS AT THE TIME OF DE GAULLE'S VETO OF BRITISH MEMBERSHIP. THERE HAS ALSO BEEN MORE COVERAGE OF THE INTERNAL POLITICAL PRESSURES ON BRITISH MINISTERS OVER E.C. ISSUES.

4. THERE IS STILL MUCH SLANTED REPORTING AND COMMENT ON E.C. MATTERS, BUT THE TRUMPETS SOUND A BIT LESS CERTAIN, NOT TO SAY LESS ARROGANT, THAN THEY HAVE BEEN IN RECENT WEEKS. IF FRANCE WAS NOT FRANCE AND BRITAIN NOT BRITAIN, ONE MIGHT BE TEMPTED TO THINK THAT THE EXISTENCE OF ANOTHER SIDE TO THE CASE MIGHT BE ABOUT TO BE DISCOVERED.

HIBBERT

FCO/WHITEHALL DISTN.
WED

[NOT ADVANCED]

2

CONFIDENTIAL

BY BAG

SAVING TELEGRAM

UNCLASSIFIED

FROM BOINI

TO FCO

TELEGRAM NO 11. SAVING TO FCO

My. telno 287: Anglo-German Summit.

1. There is further press comment today on Britain's relations with the Community and the prospects for a solution of the Budget problem, repeated particularly in the context of the Königswinter Conference in Cambridge.
2. Gillessen, writing in The Frankfurter Allgemeine Zeitung, says that in the European discussion, the German participants felt how deep British annoyance with the EC went. The debate was between on the one hand Labour anti-marketeters and Labour and Conservative supporters of British membership who were dissatisfied with the EC's present policy, and on the other Germans of all camps who had more or less come to terms with the EC's deficiencies. A large number of the British of both camps considered EC finance rules to be not just absurd but unjust, a 'tax on British history'. It is necessary to be confronted at first hand with this rage in order to understand why the Prime Minister must get a decent correction.....Sir Frank Roberts had joked: the British used to chide the Germans for having no Ostpolitik. Now they chide them for having too much. The Germans used to chide the British for not joining the Community. Now they ask why they don't get out. Exaggerated, yes, especially the second half, but crossness at Bonn's East-West role and Britain's EC role was marked.
3. Die Welt (Kemna) suggests that Schmidt's speech expressed consoling goodwill towards Mrs Thatcher. The 'helpfully organised coincidence' of the Chequers talks with the Königswinter conference

/BROU&HT

brought a flash of light at the end of the tunnel, although there is no magic formula. Schmidt had toned down the conflict in order to defuse it, to give Britain and the Community a chance. He was no Blücher. There was no common path leading to Waterloo. The red thread running through the conference was the fact that Britain needs Europe and Europe needs Britain. Despite all the critical and self-critical assessments of the European situation, the basic tenor was comforting, and indeed was expressed by the British anti-marketeters: the Community does not work and not only because of the CAP, but "it is the best Community we have". There was bitterness expressed about France. For the British, Giscard stood before Waterloo and open doubts were expressed about his understanding for Britain's need. Schmidt, who knew it, made a point of speaking of Giscard at the very beginning of his speech as a friend with whom he gets on well but in English.

4. The Süddeutsche Zeitung thinks that "it was not only due to the candlelight" that the speeches by Schmidt and Thatcher gave the impression of trusting cooperation, not clouded by varying views. Thatcher's formula that each problem should be discussed on its own merits gives cause for hope, even though not of spectacular summit results. Thatcher told the conference: "I believe in Europe" and one believes her.....The first mistake was that Britain did not join the EC at the beginning. The second mistake was that she entered at a time when the firm got into the red and the third mistake was that Britain depended on the EC's driving force, although she was not in a position economically to make use of this advantage....The British trade unions might suggest one day that Britain would be better off without the EC if they cannot assert their ideas of European 'industry policy' and protectionism. No one can forecast today what anti-EC feelings Thatcher's unbelievably courageous, restrictive anti-inflation policy could arouse.

5. According to the Stuttgarter Zeitung, the Germans at the conference were inclined to go on with the European Community as it is, and this prompted Prof Dahrendorf to observe that if this was so, there would soon be no more Community. A European Community without Britain was unthinkable. The newspaper quoted the Prime Minister's declaration of belief in Europe and Britain's determination to remain in the Community. In the newspaper's opinion, the fact that this affirmation was necessary was in itself politically significant.

WRIGHT

F.CO | WHIT DISTN
WED

THIS TELEGRAM
WAS NOT
ADVANCED

~~SECRET~~

cc Iran (Sit) Pt 5.



File B
9. Germany

10 DOWNING STREET

From the Private Secretary

31 March 1980

VISIT BY CHANCELLOR SCHMIDT

I enclose records of:-

See
Iran (Sit) Pt 5.

- (a) the Foreign and Commonwealth Secretary's telephone call with the French Foreign Minister about Iran late in the evening of Thursday, 27 March;
- (b) the Prime Minister's telephone conversation with President Carter early on the morning of Friday, 28 March;
and
- (c) the discussion between the Prime Minister and Chancellor Schmidt late in the morning of Friday, 28 March.

Unfortunately, owing to the quality of the line, no one was able to listen in to the Foreign and Commonwealth Secretary's second telephone conversation with M. Francois Poncet on Friday, 28 March in the mid-morning. This is referred to in the first paragraph of the record of the discussion between the Prime Minister and Chancellor Schmidt.

I have classified the main record "SECRET" because of the outspoken comments made by Chancellor Schmidt about the American Government. I should be grateful if the record could be given a very limited distribution.

I am sending copies of this letter, together with the record of the discussion between the Prime Minister and Herr Schmidt to Brian Norbury (Ministry of Defence) and to David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

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

SECRET

8.

SECRET



10 DOWNING STREET

From the Principal Private Secretary

28 March 1980

Dear George,

I attach the record of the Prime Minister's tête-à-tête meeting with Chancellor Schmidt held earlier today at Chequers.

I am sending copies of this letter and of the record to John Wiggins (HM Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

Yours ever,

Alvin Kinnear

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

SECRET

File

7

cc Envo PSI, Budget PTA.



10 DOWNING STREET

From the Principal Private Secretary

28 March 1980

Dear George,

Visit of Chancellor Schmidt

I attach a copy of the record of the Prime Minister's tête-à-tête meeting with Chancellor Schmidt held on Friday 28 March.

As you will see, there was some considerable discussion of who might put forward figures which might lead to the resolution of the budget problem, but this point is not taken to a conclusion. In fact Chancellor Schmidt suggested to the Prime Minister that if the Commission failed to come up with figures, one way forward might be for the personal representatives of the Nine Heads of Government to meet privately for as long as was necessary with instructions to come back with proposals for a package deal covering not only the budget but all the other outstanding issues. It would have to be understood that the personal representatives would make proposals on their own responsibility and that they might find that the Heads of Government disowned them. This was how the Secretariat of the Economic Summit had worked originally, and it had been much more effective in its early days than it was now.

Chancellor Schmidt said that he had mentioned this idea to Herr Genscher but to nobody else. He hoped that the Prime Minister would not pass on his suggestion to anybody other than Lord Carrington. If she concluded that she could not take it up, it should be forgotten.

In reply the Prime Minister said that she would consider Chancellor Schmidt's suggestion with the Foreign and Commonwealth Secretary and then let him know what their conclusion was.

I will be in touch with you to arrange for Lord Carrington to have a very early word with the Prime Minister about this. In the meantime, I should be grateful if Chancellor Schmidt's request that nobody else other than Lord Carrington should be told of his proposal could be strictly observed. With this in mind I am copying this letter only to Robert Armstrong.

Yours sincerely,

John White

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

SECRET

6.

cc Master Set
cc Euro PSI, Budget Pt 7
cc Extracts CAP + Sheepment Euro PSI Pt 4
" EMS Euro PSI, June 79, and Fishing Industry Pt 2
RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND CHANCELLOR SCHMIDT
HELD AT CHEQUERS AT 0945 ON FRIDAY 28 MARCH 1980

Present: Prime Minister Chancellor Helmut Schmidt
 Mr. C.A. Whitmore Herr Otto von der Gablentz

* * * * *

Reform of the CAP

The Prime Minister said that the problem of the UK's net contribution to the Community budget had grown worse since Dublin. The more the total of Community expenditure rose, the greater was the disproportionate increase in the British net contribution. For this reason the UK would stand absolutely firmly on the 1% VAT ceiling. It was in our own national self-interest that we should do so, but it was also in the interest of the Community as a whole that we should take this line, since some elements of the CAP were absurd. There was no hope that the Community would develop the will to reform the CAP until it was brought up against the necessity for change; and that would happen when the 1% VAT ceiling was reached. Chancellor Schmidt said that he agreed completely.

The Prime Minister continued that she knew that Chancellor Schmidt would like the UK to take the lead on CAP reform. But she was very concerned that if we were to do so, the UK would be accused of being non-communautaire and other members of the Community might attempt to use such action on our part against us. She was therefore reluctant to see the UK take the lead on this. Rather, she hoped that it would be possible for all members of the Community to agree upon the need to change a policy which was so outdated and out-of-tune with reality.

Chancellor Schmidt said that he hesitated to agree with what the Prime Minister had ^{just} said. Much would depend on the way in which the reform of the CAP was brought up in the Community. He had had it in mind for years that reform would be brought about only on the initiative of the UK. He took this view because the British agricultural system was such that the UK was better placed than any other member of the Community to give a lead. Most continental

/ members

SECRET

members have much stronger vested interests which were opposed to the reform of the CAP. Nonetheless, he did not believe that those countries would criticise the UK for raising the issue of reform. He had mentioned this when talking to President Giscard two days previously. He had put it to the President that the question of medium-term reform of the CAP would need to be included in any package designed to solve the problem of the UK's net budgetary contribution. President Giscard had said that he thought that procedural reform of the CAP would have to be included in any package, though he had gone on to point out that it would not be possible to say very much about the substance of reform in a deal that had to be struck this Spring. He had said that to give the issue of reform concrete substance would take much more time. President Giscard had suggested that it might be possible to ask Agriculture Ministers or the Commission to come forward with firm proposals on how to proceed, perhaps in time for the meeting of the European Council in Venice.

Chancellor Schmidt continued that he had mentioned his conversation with President Giscard to show the Prime Minister that there was not a general reluctance within the Community to consider reform of the CAP. He was sure that, as well as Germany and the UK, France, Denmark, Holland and perhaps Italy would all agree at the level of Heads of Government that reform was necessary, in particular in order to be able to reduce expenditure on the CAP. He believed that President Giscard would stick to the 1% VAT ceiling and the President had implied to him that he accepted the need to limit agricultural expenditure.

The Prime Minister said that she was encouraged to hear what Chancellor Schmidt had said. She had been concerned by some French statements which suggested a rather different attitude. Nonetheless, she remained concerned that if the UK took the lead on CAP reform we should be charged with being non-communautaire and we would then have to retreat very quickly. She would prefer to see the UK, France and Germany taking the initiative together.

/ Community Budget

SECRET

- 3 -

Community Budget

The Prime Minister said that reform of the CAP was for the longer term, but the UK's budget problem was immediate and urgent. The increase in our forecast net contribution which had taken place since Dublin showed the speed with which the problem was running away from us.

Chancellor Schmidt said that he agreed that the matter was urgent. But it was important to look at it not only from the British point of view, but also from the standpoint of each of the other eight members of the Community. When he had seen the Prime Minister of Denmark recently, he had told him that he thought that the Community was in a very serious situation over the UK's budget problem. He had asked him to consider what it would mean for Denmark if the UK withheld its contribution to the budget or even left the Community altogether. If either of those things happened, the Commission would immediately stop all financial outlays. The Eight would then have to fill the gap or would have to accept an absolute cut in Community expenditure. He had told Mr. Jorgensen that the effect might well be more than the Danish economy could bear. The same was probably true of Italy and Holland. He recognised that the UK could not make this kind of point to its partners since it would imply a threat to leave the Community, but he was ready to draw the attention of his partners to these worst case possibilities. He had done so recently with President Giscard. The President's reply had been that he did not think that the UK would interrupt its payments to the Community because he believed what the Prime Minister had said about the UK's commitment to Europe. He had, however, told President Giscard that he was less confident in the light of British public opinion at present.

The Prime Minister said that Chancellor Schmidt was right to be concerned about British public opinion. The feeling that the UK was not getting a equitable deal was growing stronger and stronger. One hundred and twenty backbench Members of her own Party had signed a motion calling for the withholding of Britain's VAT contribution if a reasonable settlement of the budgetary problem was

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not reached. Moreover, Mr. Callaghan had recently challenged her twice in the House of Commons to say that she would ^{be} ready to withhold VAT. In reply to him she had had to agree that in the last resort we would indeed have to consider withholding our VAT contribution. If she had not said this, the implication would have been that she was not fighting hard enough for the UK. She accepted, however, that it would be clearly illegal for the UK to withhold its levies.

Chancellor Schmidt said that to withhold levies would indeed be flagrant breach of Community law, but he accepted that VAT was different and that the UK might be able to claim that it was unable to transfer its contribution.

The Prime Minister said that now that the meeting of the European Council had been postponed, it was even more important to be in a position to reach an accord by the end of April than it had been by the end of March. We had only three or four weeks in hand and we must make the very best use of this time. She recognised that President Giscard wanted other outstanding problems settled. She believed that these issues and the problem of the budget had to be settled on their respective merits, though she accepted that, with the probable exception of fish on which matters were going ahead rather more slowly though still steadily, they might all be solved within the same time scale.

The Prime Minister continued that any settlement of the budget problem had to be one that would endure. She did not want to have to come back to her partners again in 2 or 3 years time and ask for yet another settlement. They would accuse the British of coming back a third time and would understandably find it that much more difficult to be sympathetic on the issue. We needed a solution that would endure as long as the problem of our contribution itself lasted.

/Chancellor Schmidt

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Chancellor Schmidt said that it was quite clear that all the Community's major outstanding problems would have to be solved at the same time. If they were not, he saw no hope of resolving the budget issue. He accepted that the UK case was just and sound, but the plain political fact was that when it was resolved, the other Eight partners would have to be able to take something home to their own Parliaments and public and show that they too had obtained something. It would be impossible for any of the other Heads of Government, especially himself and President Giscard, to return home empty-handed, saying that they had agreed to pay more to the Community budget in order to help Britain. There had to be a semblance of a quid pro quo. In saying this, he asked the Prime Minister to bear in mind that if the Eight were each to find its contribution to the solution of the UK problem, they would all have to make substantial sacrifices and reduce important programmes. None of them had made provision for such changes, and the political difficulties they would cause were plain. There therefore had to be a package deal which would be such that all nine governments left the battle scene with an equal feeling of dissatisfaction. If that did not happen and one country was able to emerge claiming a victory, the compromise that had been achieved would not be workable.

As regards duration, he did not believe that it would be possible to bring about a solution to the UK's budgetary problem that would stick for a number of years. In the short term it would be possible only to find a compromise made up of gimmicks, gadgets and tricks to improve Britain's receipts, but such an arrangement would not be in true accord with the Community's basic regional, social and agricultural policies as they existed today. The kind of compromise he foresaw might last 2 or 3 years but no longer. If a solution was to stick the basic policies would have to be revised. He agreed with the Prime Minister's views that some of these policies were absurd, but we had to reckon with the inescapable fact that they had been developed by first the Six and then the Nine over 20 years.

/In particular

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In particular, there were some very powerful agricultural lobbies on the continent which were politically much more important than the British farming lobby. Nonetheless, as he had already made clear, he was convinced that the CAP had to be reformed. He thought that an essential element in the package deal he was envisaging would be a declaration that agricultural policies had to be changed so that expenditure in this area ceased to grow disproportionately in relation to the total budget but might, for example, be limited as a proportion of the growth of GNP of the Nine members. He knew that all the Agriculture Ministers of the Nine would oppose some part of the set of principles for reforming agricultural policies which the package deal would have to contain, and for this reason the declaration he had in mind could come only from the Heads of Government. It might similarly be necessary to lay down in the package a set of principles for settling the problem of fish.

The Prime Minister said that although Chancellor Schmidt understood the political pressure which she was under to reach an equitable settlement of the budget problem, she was not so certain that the other members of the Community really grasped her difficulty. She saw the difficulties facing the other members of the Community and she hoped that they equally would put themselves in her shoes. She agreed that there would be no lasting solution to the budget problem unless the underlying policies were changed. For example, every time the Commission proposed changes in the cost of the CAP, the burden fell unduly heavily on British farmers because they were large and efficient, whereas the smaller and less efficient farms of the Eight escaped. At the same time, because of the structural surpluses, our farmers were denied export opportunities despite their greater efficiency.

Chancellor Schmidt said that he agreed that the best possible use needed to be made of the time between now and the postponed meeting of the European Council. He did not propose, however, to offer himself as a mediator. He could not carry his own party if he volunteered himself to settle a problem whose solution was bound to lead to Germany paying more. Moreover, he had been

/criticised

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criticised by the French and Dutch after Dublin for putting forward precise figures too soon. But someone had to come forward with figures because otherwise there would be no solutions. There were three possible sources. The first was the Commission. The Treaty of Rome required the Commission to make proposals in this kind of situation, and he had tried to convince Mr. Jenkins that it was his duty to take the initiative. But he had not done so, perhaps because he was inhibited because he was British. Second, one might normally expect the Presidency to put forward solutions. But the fact was that Signor Cossiga was in a weak position to do so because of his domestic problems: nobody could dance at two wedding parties simultaneously. Third, the country seeking a solution, in this case the UK, could offer a solution. Of these three possibilities, he believed that the Commission should be pressed to propose solutions to the present critical situation.

The Prime Minister said that she believed that Mr. Jenkins would like to solve the problem, but because he was British, he was reluctant to make the attempt. She did not want to put forward figures herself. She had already moved away from asking for broad balance and her position now was that she was ready to be a modest net contributor, even though in terms of average GNP per head there was a perfectly good case for asking that the UK should be a net beneficiary. If the UK now came forward with figures, these would be negotiated down, just as in any industrial pay dispute.

Chancellor Schmidt said that however figures were eventually put forward, the amount that the Community settled upon would be much lower than the UK had been seeking in Dublin. Broad balance was impossible. If that was the principle of the eventual settlement all nine countries would want it: it would, for example, give Germany an enormous sum of money.

/Sheepmeat

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Sheepmeat

In response to a question by Chancellor Schmidt, the Prime Minister said that the issue of sheepmeat was of considerable domestic importance in the UK. Just as it would be unconstitutional to interfere with the transfer of levies to the Community, so the interruption of the free movement of goods within the Community - which was what the action being taken by the French on sheepmeat amounted to - was also illegal. In the UK's view the French were in clear breach of the Treaty. Britain was the biggest producer of mutton in the Community, and if there were to be any benefits available, we should receive them. We did not want an intervention regime for sheepmeat. We could not see why the French could not provide financial assistance nationally for their sheep farmers.

Chancellor Schmidt said that he did not pretend to understand the details of the sheepmeat problem. He agreed with what the Prime Minister had said about the unconstitutional nature of the action taken by the French, though he understood President Giscard to claim that there was a provision in the Treaty which allowed a country to apply to the European Court twice on any particular issue and that the Court's first ruling was therefore not yet final. But he agreed that it was dangerous if any country defied a ruling of the Court, even though the problem of sheepmeat was in itself a small one. He did not believe that the rest of the Community understood what the argument about sheepmeat was all about and he thought that if the UK and France could reach an agreement between them, the other members would accept it (though he added that he did not wish this to be quoted in Community circles). It would be psychologically very good for the Community if France and the UK could pull an agreement out of their pockets and say the problem of sheepmeat was solved.

Chancellor Schmidt continued that one way of dealing with the disposal of the present surpluses might be to make food from them available to Third World countries and to use the Community's Development Aid Budget to meet the cost. This might sound absurd but it made political sense and he thought the possibility should be explored. The Prime Minister agreed.

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/Fish

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Fish

Chancellor Schmidt reverted to his suggestion that any package deal should include a series of principles for solving the fisheries problem. He doubted whether it would be possible to put together a package, if there was no mention in it of fish. Fish was becoming an urgent political problem not only in the UK but also in Germany, Denmark and France.

The Prime Minister said that discussions on fish, particularly with the French, were going ahead satisfactorily, though slowly. We had not, however, yet reached the point of talking about figures, and this would be when the difficulties really started. She doubted whether we were in a position to include fish in any package of the kind the Chancellor had in mind. Fish was the only resource which was designated under the Treaty as a common resource, and the UK contributed 60 per cent of the Community's waters and 72 per cent of its fish. The UK was therefore contributing massively to the Community's resources. Fish was a highly political issue in the UK, and we had to have an acceptable settlement. When she had talked about solving problems on their merits she had meant that she could not enter a bad permanent agreement on fish in order to get a temporary agreement on the budget.

EMS

Chancellor Schmidt repeated that the UK could not declare that it had certain vital national interests and simply ignore the fact that her eight partners also equally had such interests. Whether the Community would be able to solve the problem of the budget and the other outstanding issues was a question of political will and whether that will would develop would be strongly affected by the UK's readiness to solve the other issues such as fish and energy. He accepted that we were not going to join the EMS at the present moment, but it was a pity that we had missed the chance to demonstrate, by joining the EMS, our will to settle other issues.

/The Prime Minister

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The Prime Minister said that the UK would like to join the EMS when we had established clearly that we had the money supply under control.

The International Context

Chancellor Schmidt reiterated that France and Germany did not want the UK to make all the sacrifices while everybody else benefited. President Giscard was as aware as he was that in the present world situation we could not allow the Community to break up because of the problems now facing it. He knew that the UK had to do something about its budget problem: he understood the pressures on the Prime Minister. But he did not want the UK to do something which would prevent the Community, and in particular France, Germany and the UK, holding together.

said
The Prime Minister/that she agreed. It was the political significance of the Community which was our main reason for joining it.

The meeting ended at 1145 hours.

JMS.

28 March 1980

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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY, HERR HELMUT SCHMIDT, AT CHEQUERS ON FRIDAY 28 MARCH AT 1145 HOURS

PRESENT

Prime Minister
 Foreign and Commonwealth Secretary
 Sir Michael Palliser (for part of the discussion)
 Mr. J. L. Bullard (for part of the discussion)
 Mr. M. O'D. B. Alexander (for part of the discussion)
 Mr. G. G. H. Walden (for part of the discussion)

Herr Helmut Schmidt
 Herr Genscher
 Herr Blech (for part of the discussion)
 Herr Von Der Gablentz (for part of the discussion)

Iran

The Foreign and Commonwealth Secretary said that he had just spoken to the French Foreign Minister on the telephone. M. François Poncet had seen President Giscard and had discussed with him the joint UK/German document, setting out the elements of a reply to President Carter's message about Iran, which had been sent to him overnight. M. François Poncet said that the French Government would go along with the proposed line. However, they thought that it was a little weak and contained too much criticism of what the United States had done so far. The French reply therefore would be rather vaguer and cast in more general terms. They agreed with the final paragraph. They did not think that the American policy was likely to be effective but considered that the European response should, nonetheless, avoid appearing too reluctant. In the ensuing discussion one or two minor changes to the Anglo/German text were suggested. But it was agreed that the text should remain broadly as drafted pending the outcome of the discussion in Rome, later in the day.

Chancellor Schmidt commented that President Giscard's attitude probably reflected two considerations:-

- (a) he considered that since American lives were in danger, the American Government had the responsibility of determining the policy it wished to pursue; and
- (b) President Giscard was conscious of the potential gravity of the present situation. He did not wish to strengthen suspicions that existed in Washington about the attitude of France.

Afghanistan

The Foreign and Commonwealth Secretary said that British and German officials had been discussing how to reply to President Carter's proposal that a NATO Summit meeting should be held to discuss the situation in the wake of the Soviet invasion of Afghanistan. They had recommended that the best answer might be to suggest that the President should visit the NATO Headquarters in Brussels during his trip to Europe for the Venice Summit. A NATO Council meeting could be held on that occasion. It would discuss other subjects besides Afghanistan. Herr Genscher pointed out that this would not resolve the problem about the NATO Foreign Ministers' meeting in Turkey. The Foreign and Commonwealth Secretary said that we should avoid exciting too many expectations in Turkey about contributions to their economy. Chancellor Schmidt remarked that this was not a problem for the Germans, but for the British whose contribution seemed rather poor. The Prime Minister pointed out we were contributing in other directions. In her view we could not possibly cancel the Foreign Ministers' meeting in Ankara, but should have a special Summit meeting in Brussels as well.

Chancellor Schmidt said that the American Agenda for the meeting consisted largely of a reiteration of points for the consumption of US public opinion. But there were also other points which were not agreed within the Alliance. For example the statement that there should be no business as usual with the Russians had been discussed only bilaterally. The mention of the 3 per cent increase in NATO budgets was an attempt to push the allies into spending more on defence. It could also be a screen for a proposal to speed up TNF. The proposal to talk about the Persian Gulf raised serious problems. In German constitutional law, German forces could only be used in the defence of Germany. He would therefore be very reluctant to participate in such a discussion. President Carter was aware of this problem. The Arabs would react against such a discussion too. The idea was naive. However, we had to accept the proposal of a Heads of State meeting.

The Foreign and Commonwealth Secretary said that we would not wish to exclude discussion of Afghanistan altogether. The American proposal to discuss this was after all an indication of their awareness of the need for greater consultation. Chancellor Schmidt agreed but said that the discussion must be properly prepared. Delegations should not be too big. But even Heads of State, Foreign Secretaries, Defence Secretaries, the General Secretary and the Commanders would add up to

/a mass meeting

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a mass meeting of more than 60 people. The only purpose of such a meeting would be to demonstrate to Carter's domestic audience what he was doing in Iran. The East could misunderstand such a meeting, and view it as some sort of threat. The Foreign and Commonwealth Secretary pointed to the danger that public opinion might forget all about Afghanistan by May or June.

Chancellor Schmidt said that the more Giscard thought that war was a possibility, the more concerned he would be to be seen to be taking his own decisions. The Prime Minister asked whether the French would not consider coming fully into NATO if the situation were sufficiently serious. Chancellor Schmidt said that there was no chance of this; the French Communist Party, the Socialists and M. Chirac would form a coalition against him and the President would be defeated in the Assembly.

The Prime Minister said that she would be willing to consider the possibility of attending a meeting in Washington. Chancellor Schmidt said that it was important that any meeting which was held should appear to be as nearly routine as possible. This pointed to a meeting in Ankara. It was essential that the meeting should not turn out to be another step in the process of escalation. He saw parallels between the present situation and July 1914. There was an air of inevitability about present developments which was typified by the fact that while it was difficult to see any point in the proposed meeting, one could not refuse the American proposal. It would probably lead to a similar meeting of the Warsaw Pact countries. The importance of the meeting should be played down. The Prime Minister asked whether it would not be possible to hold a mixed meeting of Heads of Government and Foreign Ministers. The Foreign and Commonwealth Secretary thought that this would be difficult. The Prime Minister commented that no NATO meeting attended by Heads of Government could pretend to be routine.

Chancellor Schmidt said that the American proposal did not appear to have been thought through. There was, for instance, no common position at present on the boycott of the Olympics. The effort to get one might well be prejudiced by the inclusion of the matter on the American Agenda. The Prime Minister commented that in any case the 24 May deadline would have passed before the meeting took place. Chancellor Schmidt said that the American proposal for an extension of the COCOM restrictions had great faults. It was directed against all

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/Warsaw

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Warsaw Pact countries and was in conflict with the principle that the Eastern European States should not be punished. The American proposal to limit contracts with the Soviet Union to a maximum figure of \$100 million was ridiculous. German trade with the Soviet Union was eight times the size of that of the United States. It was mostly composed of very large deals. He would not accept any limitation of the kind suggested. If the Americans were to re-introduce conscription, that would be an indication that they were taking the Afghan crisis seriously. But the present Administration would not do so because of its concern with the election. Until they had done so, they could not be taken seriously. Chancellor Schmidt said that he had recently discussed the American reinforcement capability with the Commander in Chief, Central Europe. He had been told that the first American reinforcement division could arrive within a few days; the second within a few weeks; the third in "not less than 30 days"; and the fourth at some indeterminate time. The Americans were not in a position to meet the guarantees they had made to Europe and to the Gulf States. They had exaggerated their conventional capability. They did not intend to go to war and they would not convince the Russians that they intended to do so. They were merely making a show of action. In doing so they were building up tension without meaning to do so.

The Prime Minister said that if a NATO Summit were to be assembled and no agreement were to be reached, the effects would be very damaging. The Foreign and Commonwealth Secretary said that he expected the participants would succeed in agreeing, but that the agreement would be empty of content. Chancellor Schmidt said that the reply to the Americans might contain the following elements:-

- (a) a welcome for the proposal as a step towards closer co-operation within the West;
- (b) a suggestion that more attention should be given to the position of the Turkish Government who were already organising a meeting of the North Atlantic Council in Ankara;
- (c) a suggestion that the question of French participation would need careful consideration. It would be important that President Giscard should attend; and
- (d) comments on the proposed Agenda.

/Chancellor Schmidt's

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Chancellor Schmidt's own comments on the Agenda were as follows:-

- (a) many of the points were reiterations of old issues and added little to the existing framework of co-operation;
- (b) he had doubts about the formulation of the fourth point (on business as usual);
- (c) the fifth point (the Olympic boycott) would be obsolete by the time the meeting took place;
- (d) the sixth point (about COCOM) was too vague. There would have to be a differential between the Soviet Union and the other Warsaw Pact ^{members}. Discussion of this issue would need careful preparation;
- (e) the tenth point (the long-term defence programme and the NATO infrastructure programme) would need detailed consideration. It might mean no more than accelerating TNF modernisation. But if it had further significance the German Government would only be prepared to put up extra money, e.g. for infrastructure, if the Americans introduced conscription;
- (f) the eleventh and final point (the Persian Gulf) raised grave difficulties. It would also create constitutional problems for the Federal Republic. If the Alliance were to declare that the Gulf was a vital interest, the reaction of the Gulf States would be severe and adverse and the West's efforts to contain the Russians would be damaged. He had grave doubts about it.

Chancellor Schmidt said that President Giscard would not go to Brussels or Washington. He might perhaps be prepared to go to Ankara. But to hold the meeting in Venice would be the best way to secure his participation. However, cancellation of the Ankara meeting would be a grave blow to the Turks. The Prime Minister said that she and Chancellor Schmidt wanted to show solidarity with the United States but were concerned that a NATO Summit might result in an escalation of the present situation. They agreed that the proposed Agenda created difficulties but recognised that it would be damaging if nothing came out of the NATO Summit other than generalities. They questioned the wisdom of the proposal but felt it necessary to support President Carter. This was the circle which had to be squared. Chancellor Schmidt repeated that the proposal represented another rung in the ladder of /escalation.

escalation. No one knew where the ladder was leading. The meeting might well result in a meeting of the Warsaw Pact which would be used to impose stricter discipline on the East Europeans. Messrs. Gierek, Kadar and Ceausescu had so far been extremely reluctant to commit themselves to support the Soviet Union. Even Herr Honeker had said privately that he did not mean what he had been saying publicly. The Prime Minister said that it was important that Moscow should not be allowed to doubt the resolve of the West.

The Foreign and Commonwealth Secretary suggested that transformation of a routine North Atlantic Council meeting into a Heads of Government meeting was in some ways the most spectacular gesture the West could make. It might keep a meeting in a lower key if it were to be held in Brussels. The Chancellor said that special meetings at Heads of Government level had only been held on two occasions and both had been, in a sense, emergency occasions. To hold a special meeting in Brussels would be a clear signal of present danger. The Prime Minister asked whether it would be possible to use a meeting in Brussels to underline the need for closer co-operation between the EEC and NATO. Chancellor Schmidt pointed out the difficulties arising from the lack of common membership. The Foreign and Commonwealth Secretary said that there would be considerable difficulties in trying to associate or link the two organisations in present circumstances. Sir Michael Palliser said that, while the objective was clearly desirable, it would be better to try to move towards it at a time of diminishing rather than of growing tension.

The Foreign and Commonwealth Secretary suggested that perhaps President Carter's proposal should after all be rejected. Sir Michael Palliser said that the reply to President Carter could propose taking his suggestion in two stages: first a meeting of a number of NATO Heads of Government in Venice and then a meeting of Foreign Ministers in Ankara to take the matter a stage further. Chancellor Schmidt recalled that it had already been agreed that political talks should be held on the first day of the Venice Summit. The Foreign and Commonwealth Secretary said that he thought the combination of a Summit in Venice followed by the Foreign Ministers' meeting in Ankara was the right way to proceed. Six Foreign Ministers would, of course, attend the discussions in Venice and would then go on to Ankara to explain to their colleagues who had not been present what had been agreed. It would be important that the reply to President Carter should not appear

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negative and should stress that the Prime Minister and Chancellor Schmidt shared the President's objective. Chancellor Schmidt said that he agreed with the Foreign and Commonwealth Secretary's proposal. The combination of the political discussion at Heads of Government level in Venice (which he warmly welcomed) with the routine North Atlantic Council meeting in Ankara was the best way to help the French and the Turks. It would, of course, need careful preparation and consultation.

The meeting ended at 1300 hours.

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31 March 1980

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

27 March 1980

M.O'D.B. Alexander, Esq.,
No.10, Downing Street

Dear Michael,

CHANCELLOR SCHMIDT'S VISIT : EEC BUDGET CONTRIBUTION

I understand that it was decided yesterday at the Prime Minister's briefing meeting for Chancellor Schmidt's visit that the Prime Minister should have available a simple table on our net contribution to the EEC budget, which she could hand to him if she so decided. I attach a table and explanatory notes. The Prime Minister will wish to know the basis of the figures, but the table could be handed to Chancellor Schmidt with or without the notes, as she judged best. She could also describe this material as part of her own briefing, rather than as something expressly prepared for Chancellor Schmidt if she preferred.

yours ever

John Wiggins

A.J. WIGGINS

- cc: Paul Lever, Esq., FCO
- M.J. Richardson, Esq., FCO
- Sir Michael Palliser, GCMG) FCO
- Lord Bridges, CMG)
- G. Waters, Esq., MAFF
- Sir Brian Hayes, KCB, MAFF
- W. Burroughs, Esq., Dept. of Energy
- D. le B. Jones, Esq., CB., Dept. of Energy

EFFECT ON COMMUNITY PARTNERS OF CHANGE IN UK NET BUDGETARY SITUATION

The Table attached:

1. Starts from the latest Commission estimates of net contributions to the 1980 Community Budget. If the total Budget is larger than in the latest Community proposals eg because of higher agricultural expenditure, the UK net contribution is likely to be larger.
2. Uses the "importer benefits" treatment of MCA's, although the UK still considers the "exporter benefits" basis the correct one. The previous Commission figures of September 1979 for the net UK contribution were 1552 meua (importer benefits) or 1814 meua (exporter benefits). The corresponding figures are now 1683 and 1813 meua.
3. Assumes a new UK net contribution which is about 70% of the French contribution, after allowing for the effect on the French contribution of the redistribution of part of the UK net contribution. UK GNP is about 70% of French GNP.
4. Assumes that the reduction of the UK net contribution is achieved through the reformed Financial Mechanism and increased Community expenditure on approved purposes in the UK under an Article 235 regulation of the kind proposed by the Commission. But about 250 meua of the difference between 1683 meua and a revised net UK contribution may be due under existing Community regulations because of a UK claim under the Financial Mechanism as it now stands.
5. Assumes that all eight countries contribute to reduce the UK net contribution.

NET CONTRIBUTIONS TO 1980 BUDGET
(Importer Benefits basis for MCA's)

	<u>March Commission Estimates</u>	<u>Revised Net Contributions</u>
UK	-1683	- 269
Germany	-1116	-1677
France	+ 41	- 382
Italy	+ 754	+ 568
Netherlands	+ 358	+ 254
Belgium	+ 469	+ 392
Denmark	+ 388	+ 344
Ireland	+ 502	+ 482
Luxembourg	+ 287	+ 284

Unfaxed to deques

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Foreign and Commonwealth Office

London SW1A 2AH

27 March 1980

Dear Michael,

Königswinter Conference: Government Dinner

In my letter of 26 March, I promised a list of those, in addition to the Prime Minister and Chancellor Schmidt, expected to be sitting at the top table at the Königswinter Conference government dinner tomorrow evening.

The Königswinter organisers have not yet taken a final decision, but have told us that a total of 32 drawn from the enclosed list will be invited to sit at the Prime Minister's table and to attend the drinks to be given by Sir Peter Swinnerton-Dyer in St Catherine's College immediately before the dinner.

Yours

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
London



"
KÖNIGSWINTER CONFERENCE: SEATING FOR THE TOP TABLE
AT THE GOVERNMENT DINNER

St Catharine's College, Cambridge: Friday, 28 March

Lord Banks CBE	
Mr Frank Giles	Deputy Editor, Sunday Times
Rt. Hon David Howell MP	Secretary of State for Energy
Mr Michael Kaser	Professorial Fellow, St Antony's College, Oxford
Mr Peter McGregor	Secretary-General, Anglo-German Foundation for the Study of Industrial Society
Dr Roger Morgan	European Centre for Political Studies, Policy Studies Institute
Sir Michael Palliser GCMG	Permanent Under-Secretary of State, Foreign and Commonwealth Office
Mr A L Pope CMG, CVO, OBE	Director, Conference Board, New York
Mr Giles Radice MP	
Sir Frank Roberts GCMG, GCVO	Chairman of the British Section of the Königswinter Joint Steering Committee
Sir Peter Tennant CMG OBE	Industrial Adviser Barclay's Bank International Ltd.
Mr Christopher S Tugendhat	Commissioner of the European Communities
Mr David Watt	Director, Royal Institute of International Affairs
Rt. Hon Shirley Williams	Senior Research Fellow Policy Studies Institute
Sir Oliver Wright GCVO, KCMG, DSC	HM Ambassador, Bonn
Mr M O'D B Alexander	Private Secretary at No 10
Sir Peter Swinnerton-Dyer	Vice Chancellor of the University of Cambridge
Lady Swinnerton-Dyer	Sir Peter's mother



Prof. Hellmut Becker	Director of the Max-Planck Institute
Dr Kurt Birrenbach	President of the German Society for Foreign Policy
Dr Klaus Blech KCMG	Political Director, Foreign Ministry
Dr Marion Gräfin Dönhoff	Journalist, "Die Zeit"
Prof. Ralf Dahrendorf	Director, London School of Economics
Herr Karl-Günther v. Hase	Director, German television Second network
Dame Lilo Milchsack	Chairman of the Deutsch- Englischen-Gesellschaft
Dr Karl-Heinz Narjes	Member of the Bundestag (CDU/CSU)
Dr Arend Oetker	Spokesman for Schwartzauer Werke and Co
Herr Wolfgang Roth	Member of the Bundestag (SPD)
Herr Jurgen Ruhfus	FRG Ambassador in London
Herr Friedrich Simon	Banker
Herr Stefan Thomas	Chairman of the Deutsch- Englischen-Gesellschaft
Herr Reinhold Zundel	Mayor of Heidelberg
Miss Suzanne Schmidt	Daughter of Chancellor Schmidt
Herr Armin Grünewald	Deputy Government Spokesman, Federal German Chancellery
Herr Horst Schulmann	Federal German Chancellery
Herr Otto von der Gablentz	Federal German Chancellery

*Gibson*MISS THOMAS

cc: Mr Whitmore
Mr Alexander
Mr Ingham
Mr Anson
Mrs Goodchild

LIST OF SENIOR OFFICIALS WHO WILL ATTEND A MEETING
AT CHEQUERS AT 11.00 AM IN THE LONG GALLERY ON FRIDAY
28 MARCH 1980

Sir Oliver Wright
Herr Ruhfus
Herr Schulmann
Herr Fischer
Herr Blech
Mr Bullard
~~Sir Michael Palliser~~
~~Sir Robert Armstrong~~
Lord Bridges

George Walden

CS

27 March 1980

RESTRICTED

ADMINISTRATIVE PLAN FOR THE VISIT OF THE CHANCELLOR OF
THE FEDERAL REPUBLIC OF GERMANY H.E. HERR HELMUT SCHMIDT
27/28 MARCH 1980 (ANGLO-GERMAN SUMMIT)

Germany
Final draft.
et. 27/3.

12.45.

1. PROGRAMME

Talks between the German delegation led by Chancellor Helmut Schmidt and the United Kingdom led by the Prime Minister the Rt Hon Mrs Margaret Thatcher MP will take place both at Chequers and in Whitehall on Thursday, 27 March and Friday, 28 March. The talks will end with a plenary session at Chequers following which both Leaders will attend the Koenigswinter Dinner at Cambridge in the evening.

2. COMPOSITION OF THE DELEGATION

Details of the two delegations are shown at Annex 2.

3. ARRIVAL AND GREETING

See Annex 1.

4. ACCOMMODATION

Chancellor Schmidt will stay with the Prime Minister at Chequers. Herr Genscher will stay with Lord Carrington at Bledlow. Members of their party will stay either in the Chequers or Bledlow area.

Details are shown at Annex 3.

5. OFFICE ARRANGEMENTS

a) The German delegation will establish an office at Chequers - details are shown at Annex 3.

b) UK Office - The establishment of a UK office is being arranged at Chequers.

c) The German delegation will establish an office at St Catherin 's College Cambridge

Telephone numbers are shown at Page 4.

/6. PRESS

RESTRICTED

6. PRESS ARRANGEMENTS

Arrangements for the Press are being coordinated by Mr Denis Healy, News Department, FCO - details shown at Annex 4.

7. INTERPRETATION

Herr Genscher will be accompanied by one interpreter; Herr Webber, No other interpreters will be required.

8. SECURITY

a) Special Branch will provide the personal security arrangements for Chancellor Schmidt and Herr Genscher throughout the visit.

b) Chequers

Entry to Chequers is strictly controlled and except where otherwise stated all vehicles should enter by the Bothy Gate. Only those whose names have been identified in advance will be given access.

c) Car Stickers

All cars going to Chequers will require stickers. FCO Car Pool, No 10 Downing Street, Scotland Yard and the FRG Embassy have been issued with a supply. Further stickers can be obtained from Protocol & Conference Department.

9. TRANSPORT

a) Cars for the German delegation as required will be supplied by Government Hospitality Fund.

b) Additional vehicles will be provided by the FRG Embassy as necessary. Motorcycle escorts for Chancellor Schmidt, Herr Genscher and Ministers travelling from London to Chequers will be provided.

c) Cars for UK participants should be obtained through Departmental sources as necessary.

RESTRICTED

-3-

d) If bad weather prevents helicopters being used to take the Prime Minister and Chancellor Schmidt from Chequers to Cambridge on Friday evening, the party will travel by road. A decision will be made if necessary at lunchtime.

e) Aircraft - Chancellor Schmidt's aircraft will remain overnight at RAF Benson, (27/28 March) and fly to Marshall of Cambridge Airfield on 28 March positioning to await his arrival. Other German aircraft will return overnight to Bonn. Herr Genscher's aircraft will return on 28 March to RAF Benson positioning to await his arrival.

10. DEPARTURE ARRANGEMENTS

a) Herr Genscher and his party will travel to RAF Benson by car from Chequers following the plenary talks. The Special Representative of the Secretary of State will bid farewell.

b) Chancellor Schmidt and his party will leave St Catherine's College by car for the Marshall of Cambridge Airfield for final departure. The Prime Minister will bid farewell and return to Chequers by car.

11. GHF ESCORT OFFICERS

The following Escort Officers will be in attendance throughout the visit: Group Captain Thomson will escort Chancellor Schmidt and coordinate transport arrangements at Chequers.

Group Captain Philip Heal - at the Red Lion, Wendover.

Lt Col Philip Worrall - London

Group Captain Heal will also accompany the second helicopter party to Cambridge.

/12. USEFUL

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12. USEFUL TELEPHONE NUMBERS

10 Downing Street)	
Chequers (and Cottage))	930 4433
)	
Bledlow		084 44 3499
FRG Embassy		235 5033
'Marshall of Cambridge' Airport		0223 61133
RAF Benson		0491 37766
Press Centre ('Shoulder of Mutton')		084 44 7563
'Red Lion', Wendover		029 62 2266
'Black Prince', Princes Risborough		084 44 5569
'Shoulder of Mutton', Owlswick		084 44 4304
HM Treasury (Private Office), Great George Street		233 3000
Department of Trade (Private Office), Victoria Street		215 7877
German Delegation Office		
Koenigswinter Office in Cambridge		0223 314735
Vice-Chancellor's Office, Cambridge		0223 358933
St Catherine's College (Lodge)		0223 59445

13. ADMINISTRATION

Any enquiries about these arrangements should be directed to Visits Section, (tel no 233 4613/5016), Protocol & Conference Department, or after hours 74-42598.

L C Pawley
Protocol & Conference Department

25 March 1980

See CS note at front

VISIT OF CHANCELLOR SCHMIDT - PROGRAMMEThursday, 27 March

1855 Herr Genscher arrives with his party at RAF Benson in an aircraft type VFW 614.

1900 Chancellor Schmidt and his party arrive in an aircraft type VFW 614. Photocall.
Met by the Prime Minister and Lord Carrington.
By car to Chequers.

1940 Arrive at Chequers - enter by Victory Gate

2000 Dinner at Chequers for Chancellor Schmidt and Herr Genscher given by the Prime Minister (see Annex 5).
A meal will be arranged locally for other senior officials (see Annex 5).
Chancellor Schmidt will stay the night at Chequers.
Herr Genscher will stay with Lord Carrington at Bledlow.

Friday 28 March

0830 approx Remaining German officials arrive Northolt and are taken by car to London. FCO Greeter.

0930 approx Tête à Tête talks between Chancellor Schmidt and the Prime Minister who will be joined later in the morning by Lord Carrington and Herr Genscher.

0930 Tête à Tête talks between Lord Carrington and Herr Genscher at Bledlow.

1000-1200 Talks between Herr Lahnstein and the Chancellor of the Exchequer and Treasury officials at the Treasury.

1100 Lord Carrington and Herr Genscher join the Prime Minister and Chancellor Schmidt at Chequers. (Herr Webber will interpret).

RESTRICTED

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1200 UK Ministers and German and UK Officials leave the Treasury (Rotunda) for Chequers (Police escort).

1245 Chancellor Schmidt will plant a chestnut tree in the grounds of Chequers (photocall).

1300 for 1315 Luncheon in the Dining Room at Chequers (Ministers and senior Advisers), hosted by the Prime Minister and Mr Thatcher. A buffet will be arranged for other officials (see Annex 5).

1500 Plenary Meeting in the Great Parlour.

1640 Leave for RAF Halton (in Prime Minister's car).

1700 Press Conference at RAF Halton.

1730 Leave for Chequers or RAF Benson as appropriate. Those members of the German delegation not going to Koenigswinter Dinner will leave for Benson.

1850 Prime Minister and Chancellor Schmidt and their parties leave by helicopter for Cambridge (see Annex 6).

1920 Arrive Trinity College lawn - leave by car for St Catherine's College.

1930 Received by the Vice Chancellor (Professor Sir Peter Swinnerton Dyer). Drinks.

2000 Attend Koenigswinter Dinner at St Catherine's College Cambridge (informal). No press.

2245 approx Chancellor Schmidt and his party accompanied by the Prime Minister leave for Marshall of Cambridge Airfield and return to Germany. The Prime Minister returns to Chequers by car.

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CHANCELLOR'S DELEGATION

ANNEX 2

Accommodation

1	Chancellor Helmut Schmidt	Chequers
2	Deputy Government Spokesman Herr Armin Grunewald	Chequers
3	Deputy Secretary Herr Horst Schulmann	Chequers
4	Under-Secretary Herr Otto von der Gablentz	Chequers
5	Assistant Secretary Herr Klaus Zeller	'Red Lion' Wendover
6	Herr Wulf Eberhard Liebau	'Shoulder of Mutton'
7	Senior Principal Herr Hans Jochen Peters Private Secretary	Cottage
8	Herr Georg Poles Shorthand Writer	'Red Lion' Wendover
9	Herr Englebert Reinecke Photographer	'Red Lion' Wendover
10	1 Security Officer Herr Ziebart	Chequers
11-13	3 Security Officers Herren Erkens, Neuse, Würth	'Red Lion' Wendover

FOREIGN MINISTER'S DELEGATION

1	Foreign Minister Genscher	Bledlow
2	Ambassador Jurgen Ruhfus	Hotel 'Shoulder of Mutton'
3	Deputy Secretary Herr Klaus Blech	Bledlow
4	Deputy Secretary Herr Per Fischer	Hotel 'Shoulder of Mutton'
5	Assistant Secretary Herr Reinhold Schenk	Hotel 'Red Lion' Wendover
6	Senior Principal Herr Peter Metzger	Hotel 'Red Lion' Wendover
7	Assistant Secretary Herr Heinz Weber	Hotel 'Red Lion' Wendover
8	Senior Principal Herr Gerold von Braunmuhl	'Rose & Crown' Saunderton
9	Executive Herr Herbert Rothen	Hotel 'Red Lion' Wendover
10-13	4 Security Officers Herren Meisk, Kern, Abraham, Taskula	'Black Prince' Princes Risborough
14	Herr Rathfelder - Telecommunications Engineer	" "

- 15 Ministry of Finance
Herr Manfred Lahnstein
- 16 Senior Political Adviser
Herr Winfried Heck

* * * *

Members of the Embassy who will spend the night near Chequers:

- Herr Kiewitt - Hotel 'Shoulder of Mutton'
if Mr Blech stays at Bledlow
- Herr Gnodtke - Cottage (delegation bureau)
- Fraulein Krems - Cottage (first floor)

UK DELEGATIONPrime Minister

The Rt Hon Mrs Margaret Thatcher MP

Prime Minister

Mr Clive Whitmore

Principal Private Secretary

Mr Michael Alexander

Private Secretary

Mr Bernard Ingham

Chief Press Secretary

Sir Robert Armstrong

Secretary of the Cabinet

Foreign and Commonwealth Secretary

The Rt Hon The Lord Carrington

Secretary of State
for Foreign & Commonwealth
Affairs

Mr George Walden

Private Secretary

The Rt Hon Sir Ian Gilmour MP

Lord Privy Seal

Sir Michael Palliser

Permanent Under-Secretary
of State

Sir Oliver Wright

HBM Ambassador to the
Federal Republic of
GermanyTreasury

The Rt Hon Sir Geoffrey Howe QC MP

Chancellor of the
Exchequer

Mr A J Wiggins

Private Secretary

Sir Kenneth Couzens

Permanent Under-Secretary
of State

ACCOMMODATIONChequersFirst Floor

- Bedroom 1 Chancellor Schmidt's Private Office
2 Prime Minister's Bedroom
3 Chancellor Schmidt's Bedroom
4 Herr Grunewald
5 Herr Schulmann
6 Herr von der Gablentz
7 Mr Whitmore
8 Mr Alexander

Second Floor

Astley Room

German Security Officer - Herr Seeuwald

Prison Room No 10 Secretaries

Talks

Tête à Tête in the Hawtrey Room and the study (if required).

Plenary Meeting - Great Parlour

Chequers Cottage

German Delegation office and accommodation for 3 Embassy officials

(Herr Gnodtke, Herr Peters and Fraulein Krems)

GHF Escort Officer (Group Captain Thomson) bedroom and office.

Hotels

Shoulder of Mutton,
Owlswick

- Press officers/German officials

/Red

RESTRICTED

-11-

ANNEX 3 CNTD

Red Lion, Wendover	-	German officials/Embassy/Security
Black Prince, Princes Risborough	-	German Security officials

TELEPHONES

Extensions from the No 10 switchboard will be provided in all bedrooms in the house at Chequers and in the German Delegation office and the GHF Escort Officer's room in the Cottage.

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PRESS ARRANGEMENTS

1. A Press Centre will be established at the Shoulder of Mutton Inn at Owlswick near Chequers from mid-day 27 March until 2100 Friday.

The Centre will comprise a communications and press working area in a building to the rear of the car park and a further room to be used as an office and for briefing in the accommodation complex.

2. The communications/working area will have six telephones and two telex machines with operators for international telephone calls, 15 typewriters and allied services. The office will provide photocopying facilities. Both the working area and the office will have television. In addition, the working area will have a relay of the press conference and a distribution amplifier will be provided for those correspondents wishing to record.

Photocalls

3. No 10 will arrange a photocall of the Prime Minister greeting Chancellor Schmidt at RAF Benson.

No 10 will also arrange a photocall of the tree-planting ceremony to take place at 1230 on Friday 28 March.

Press Conference

4. A joint press conference will take place at 1730 on Friday 28 March at Halton House, RAF Halton. Coaches will be provided to take the press from the Shoulder of Mutton to Halton House which is about 15 minutes' away. The coaches will be able to take 60 members of the press at one time. Departure times will be announced later. There will be no communications facilities at RAF Halton.

Useful telephone numbers

Shoulder of Mutton Inn

084 44 4304

Press Office 08444 7563
Press communications/working area 08444 6399
Telex number 837945/837051 (A/B PRECEN)

Denis Healy of News Department, FCO will act a Liaison Officer for press facilities 233 8618.

Correspondents will not be able to drive direct to RAF Halton. A coach service has been arranged from the Press Centre at the Shoulder Mutton. The latest at which a coach will leave the Press Centre for RAF Halton will be 4.30 pm.

AS AT 1100hrs - 27 MARCH

DINNER AT CHEQUERS

Thursday, 27 March

The Prime Minister

Chancellor Schmidt

Lord Carrington

Herr Genscher

DINNER AT 'THE BELL', ASTON CLINTON

Thursday, 27 March

Sir Michael Palliser

? Herr Grunewald

Sir Robert Armstrong

Herr Schulmann

Sir Donald Maitland

Herr von der Gablentz

Mr M Franklin

Herr Blech

Mr J Bullard

Herr Fischer

Mr R Braithwaite

Herr Bocker

Sir Oliver Wright

Herr Ruhfus

? ~~Mr M Alexander~~

PRIME MINISTER'S LUNCHEON AT CHEQUERS

Friday, 28 March

Prime Minister

Chancellor Schmidt

Mr Thatcher

Herr Genscher

Lord Carrington

Herr Ruhfus

Sir Geoffrey Howe

Herr Schulmann

Sir Ian Gilmour

Herr Blech

Sir Michael Palliser

Herr Fischer

Sir Robert Armstrong

Herr Grunewald

Sir Kenneth Couzens

Herr von der Gablentz

Sir Oliver Wright

Herr Lahnstein

BUFFET LUNCH AT CHEQUERSFriday 28 March

Mr C Whitmore	Herr Zeller
Mr Walden	Herr Peters
Mr Alexander	Herr Liebau
Mr Ingham	Herr Schenk
Mr Bullard	Herr Metzger
? Mr Anson	Herr von Braunmuhl
	Herr Bocker
	Herr Rothen
	Herr Poles
	Herr Reinecke

SEATING FOR HELICOPTER

Prime Minister
Chancellor Schmidt
Mr Alexander
Herr Peters
Inspector Hilton-Cole
German Security
Group Captain R Thomson

CHEQUERS TO CAMBRIDGE

- Queen's Flight Aircraft

Ambassador Ruhfus

- Sikorsky 61
- 21 seats

Herr Grunewald

Herr Schulmann

Sir Michael Palliser

Sir Oliver Wright

Herr Zeller

Herr Liebau

Group Captain P Heal

Sergeant Strevens

Herr Poles

Herr Reineche

3 Security German

2 Germany Embassy?

DISTRIBUTIONEmbassy of the Federal German Republic

Frau I Kohlhaas (5)

No 10 Downing Street

Private Secretary (1)

Press Officer

Mr M C Rylands (1)

W/Cdr V Thomas (Chequers) (4)

Miss Jane Parsons (1)

Miss Carolyn Stephens (1)

Cabinet Office

PS/Secretary of the Cabinet (1)

Mr J L Wright (1)

Foreign & Commonwealth Office

Private Secretary (1)

PS/LPS (1)

PS/PUS (1)

Mr Bullard, DUSS (1)

Mr Fergusson, AUSS (1)

WED (2)

Mr R Beer (PUSD) (1)

PCD (4)

Resident Clerk (1)

HM Treasury

PS/Chancellor of the Exchequer (1)

Ministry of Defence

Air Commodore J Frost (Protocol) (2)

Department of Trade

PS/Secretary of State for Trade (2)

Government Hospitality Fund (6)

Mr C F R Barclay (1)

Mr C Taylor (1)

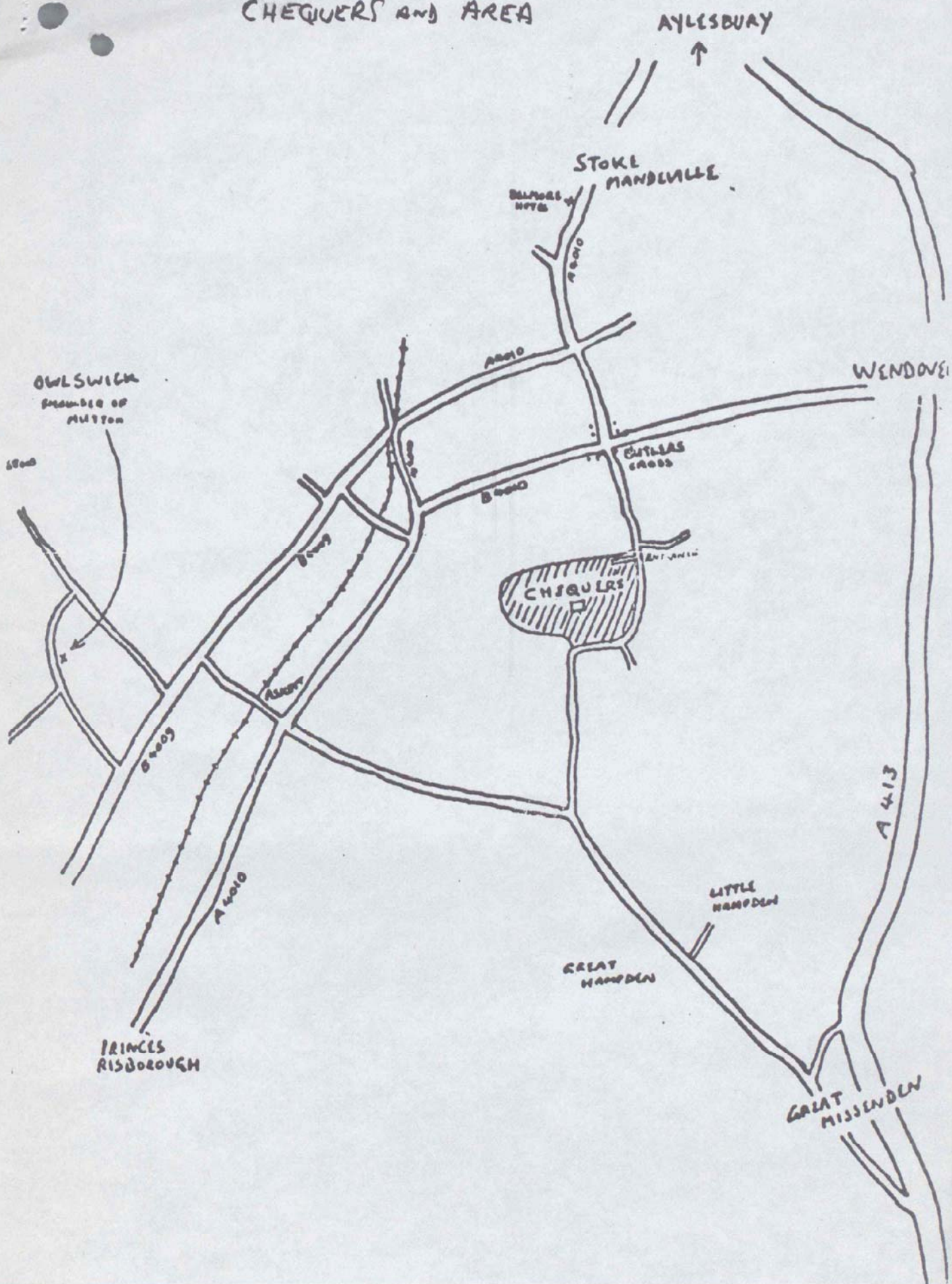
RAF Northolt (1)Metropolitan Police (2)Special Branch

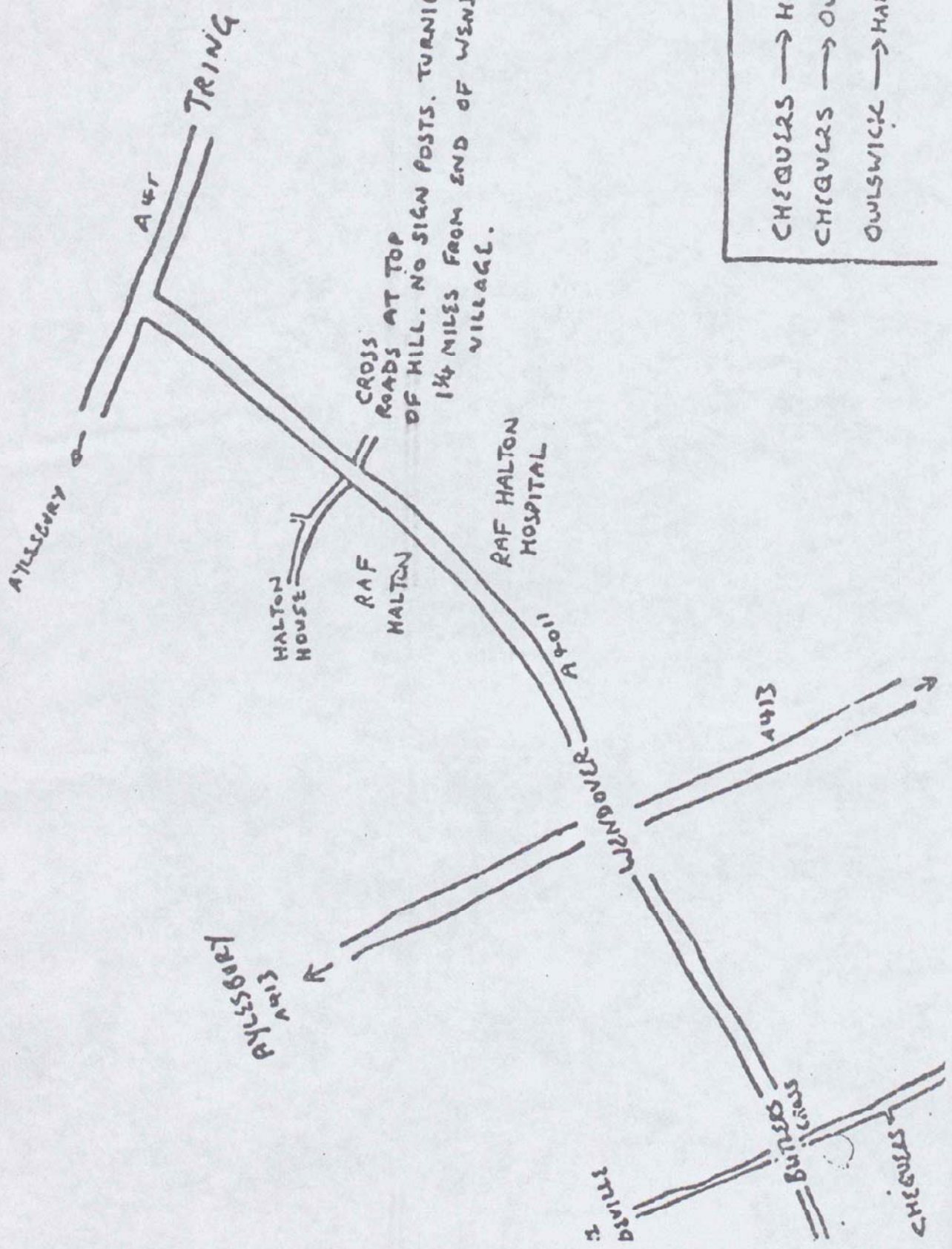
Inspector Hilton-Cole (2)

Thames Valley Police

Mr H R Ross (2)

CHEQUERS AND AREA





CROSSROADS AT TOP OF HILL. NO SIGN POSTS. TURNING IS 1 1/4 MILES FROM END OF WENDOVER VILLAGE.

CHEQUERS → HALTON HOUSE
 CHEQUERS → OWLSWICK A41
 OWLSWICK → HALTON HOUSE

B. P.
LIST OF GUESTS ATTENDING THE DINNER TO BE GIVEN BY THE PRIME MINISTER
IN HONOUR OF HIS EXCELLENCY HERR HELMUT SCHMIDT, CHANCELLOR OF THE
FEDERAL REPUBLIC OF GERMANY ON THURSDAY, 27 MARCH 1980 AT 8.00 PM
FOR 8.30 PM AT CHEQUERS LOUNGE SUIT

The Prime Minister

His Excellency Herr Helmut Schmidt

His Excellency Herr Hans-Dietrich Genscher

The Rt. Hon. Lord Carrington

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE
PRIME MINISTER AND MR. DENIS THATCHER IN HONOUR OF HIS EXCELLENCY
HERR HELMUT SCHMIDT, CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY
ON FRIDAY, 28 MARCH 1980 AT 1.00 PM FOR 1.15 PM AT CHEQUERS

The Prime Minister
and Mr. Denis Thatcher

His Excellency Herr Helmut Schmidt

His Excellency Herr Hans-Dietrich Genscher

His Excellency the German Ambassador

Herr Armin Grünewald Deputy Government Spokesman

Herr Manfred Lahnstein Deputy Under Secretary, Ministry
of Finance

Herr Horst Schulmann Deputy Under Secretary

Herr Klaus Blech Deputy Under Secretary

Herr Per Fischer Deputy Secretary

Herr Otto von der Gablentz Under Secretary

The Rt. Hon. Lord Carrington

The Rt. Hon. Sir Geoffrey Howe, MP

The Rt. Hon. Sir Ian Gilmour, MP

Sir Robert Armstrong

Sir Michael Palliser

Sir Oliver Wright

Mr. Clive Whitmore

SEATING PLAN FOR LUNCHEON ON FRIDAY, 26 MARCH 1980 AT CHEQUERS

Sir Oliver Wright

Sir Michael Palliser

Herr Per Fischer

Herr Horst Schulmann

The Rt. Hon. Sir Ian Gilmour

The Rt. Hon. Lord Carrington

Herr Armin Grünewald

HE HERR HELMUT SCHMIDT

MR. DENIS THATCHER

THE PRIME MINISTER

Interpreter

HE Herr Hans-Dietrich Genscher

His Excellency the German
Ambassador

WINDOWS

The Rt. Hon. Sir Geoffrey Howe

Sir Robert Armstrong

Herr Manfred Lahnstein

Herr Klaus Blech

Mr. Clive Whitmore

Herr Otto von der Gablentz

ENTRANCE



Foreign and Commonwealth Office

London SW1A 2AH

26 March 1980

Ln
Paul
Dear Michael,

KOENIGSWINTER CONFERENCE: ATTENDANCE BY THE PRIME MINISTER AT THE GOVERNMENT DINNER

*See Koenigswinter
Speech folder.* I enclose a draft speech for the Prime Minister's use at the Königswinter government dinner on Friday 28 March.

The Prime Minister will arrive in Cambridge with Chancellor Schmidt after the conclusion of the Anglo-German consultations at Chequers. Her helicopter will land on the lawn of Trinity College, and she and the Chancellor will be greeted by the Master of Trinity, Sir Alan Hodgkin. Sir Alan will be accompanied by Professor Sir Peter Swinnerton-Dyer who is Vice-Chancellor of the University of Cambridge and as Master of St Catherine's will be host to the Prime Minister for a drink immediately before the dinner. Also present at the Prime Minister's arrival will be Sir Frank Roberts, Vice-Chairman of the British Section of the Königswinter Joint Steering Committee. Personality notes on Sir Alan Hodgkin, Sir Peter Swinnerton-Dyer and Sir Frank Roberts are attached. Today or tomorrow we hope to receive from the Königswinter organisers a list of those who will sit at the top table at the dinner; the same people will attend the Vice-Chancellor's drinks. We shall send it to you as soon as it is available.

Because it has some reference to the speech, I attach finally a list of the themes of the Königswinter Conferences since their inception in 1950.

Principally because of the impossibility of making adequate security arrangements, the Königswinter organisers have on reflection, and in consultation with us and the Germans, decided not to admit the press and television to the Königswinter dinner. Arrangements will instead be made to release under embargo the texts of the speeches to be given by the Prime Minister and Chancellor Schmidt.

Yours own
Paul
(P Lever)

M O'D B Alexander Esq
10 Downing Street

Caroline

PRIME MINISTER

MR. WHITMORE

MR. ALEXANDER

MR. INGHAM

MR. ANSON

MISS THOMAS

MRS. GOODCHILD

SCHMIDT VISIT
GUEST LISTS AT CHEQUERS

THURSDAY, 27 MARCH

Prime Minister's Dinner at Chequers

Prime Minister

Chancellor Schmidt

Lord Carrington

Herr Genscher

Supper in Miss Thomas's Sitting Room

Mr. Whitmore

Herr von der Gablentz

Mr. Alexander

Herr Peters

Dinner at The Bell, Aston Clinton

Sir Michael Palliser

Herr Grunewald?

Sir Robert Armstrong

Herr Schulmann

Sir Donald Maitland

Herr Blech

Mr. M. Franklin

Herr Fischer

Mr. J. Bullard

Herr Bocker

Sir Oliver Wright

Herr Ruhfus

Mr. R. Braithwaite

FRIDAY, 28 MARCH

Prime Minister's Luncheon

Prime Minister	Chancellor Schmidt
Mr. Thatcher	Herr Genscher
Lord Carrington	Herr Ruhfus
Sir Geoffrey Howe	Herr Schulmann
Sir Ian Gilmour	Herr Blech
Sir Michael Palliser	Herr Fischer
Sir Robert Armstrong	Herr Grunewald
Sir Oliver Wright	Herr von der Gablentz
Mr. Clive Whitmore	Herr Lahnstein

Buffet Lunch in the White Parlour

Mr. Whitmore Sir K. Couzens	Herr Zeller
Mr. Alexander	Herr Peters
Mr. Walden	Herr Liebau
Mr. Ingham	Herr Schenk
Mr. Bullard	Herr Metzger
	Herr von Braunmuhl
	Herr Bocker
	Herr Rothen
	Herr Poles
	Herr Reinecke

Plenary Session

Prime Minister	Chancellor Schmidt
Mr. Whitmore	Herr Genscher
Mr. Alexander	Ambassador Ruhfus
Mr. Ingham	Herr Grunewald
Sir Robert Armstrong	Herr Lahnstein
Lord Carrington	Herr Schulmann
Mr. Walden	Herr Blech
Sir Ian Gilmour	Herr Fischer
Sir Michael Palliser	Herr von der Gablentz
Sir Oliver Wright	Herr Zeller
Sir Geoffrey Howe	Herr Peters
Sir Kenneth Couzens	Herr Schenk
Mr. Bullard	Herr Metzger
Mr. Anson?	Herr von Braunmuhl
Mr. David Gladstone	Herr Bocker

(notetaker)

Mr. Laing.

MISS STEPHENS

The attached programme shows no substantial changes. It has been revised to take account of some alterations in the arrangements for car travel and shows the position of our cars in each convoy.

Mr. Alexander and the Duty Clerk have copies of the full convoy schedule prepared by the Police and showing the whole composition of the convoys.

4

26 March 1980

As at 26 March

THURSDAY/FRIDAY 27/28 MARCH

Car 4 to Chequers with Miss Scriven and Telephone girls.

Car 4 then returns to London.

Car 2 with Mr. Ingham and Mr. Anson to Shoulder of Mutton. Thence to Benson.

Car 2 to remain at their disposal for rest of evening. Probably required until approximately 2300.

1645 Leave House of Commons for RAF Benson

Car 1 Prime Minister
(K.G.) Mr. Whitmore/Mr. Alexander
D/S Strevens

Car 3 Mr. Alexander/Mr. Whitmore

1845 Arrive RAF Benson.

1855 Herr Genscher arrives.

1900 Chancellor Schmidt arrives.

Photo call

Car 3 returns to London.

Drive to Chequers [approximately 30 minutes]

Armoured Police Car
Prime Minister
Chancellor Schmidt
Chief Inspector Hilton Cole

Car 1 Mr. Whitmore
[9th] Mr. Alexander
Herr Peters

Car 2 Mr. Ingham
[9a] Mr. Anson

FCO cars for remainder of the party.

FRIDAY 28 MARCH

0830 Car 2 from London to Chequers, collecting Miss Brown en route.

Car 2 thereafter to be at the disposal of Mr. Ingham and Mr. Anson at the Shoulder of Mutton.

Car (Mr. Newell) to Cambridge with D/C Kingston & C/I Parker.

Armoured Police car to Cambridge.

1245 Chancellor Schmidt plans a chestnut tree. Press and T.V.

Cars 3 and 4 from London to Chequers. Timings to be decided nearer the time. In any event both to be at Chequers by 1530.

1640 Leave Chequers for RAF Halton

Car 1 Prime Minister
Chancellor Schmidt
D/S Strevens

Car 3 with Mr. Anson in advance to RAF Halton.

Car 3 Mr. Whitmore
[5th or 8th] Herr Peters

[The position of these two cars in the convoy depends on whether or not Lord Carrington and Herr Genscher attend the Press Conference.]

Car 4 Mr. Alexander
[6th or 9th] Mr. Ingham

1700 Press Conference

1730 Return to Chequers

Cars as before

1850 Leave Chequers by first helicopter

Prime Minister
Chancellor Schmidt
Mr. Alexander
German Private Secretary
Chief Inspector Hilton Cole
German Detective
GHF Escort Officer

Cars 1, 2, 3 and 4 to remain at Chequers until helicopter has taken off. Thence to No. 10 with

Mr. Whitmore
Mr. Ingham
Mr. Anson
Miss Brown

1920 Arrive Helipad at Trinity College, Cambridge

Drive to St. Catherine's College

Armoured Police Car	Prime Minister Chancellor Schmidt Chief Inspector Hilton Cole
---------------------	---

Mr. Newell
[7th Car]

Mr. Alexander
Herr Peters
D/C Kingston

1930 Arrive St. Catherine's College

2000 Königswinter Dinner

2230 Leave St. Catherine's College for Cambridge Airport.

No press at airport

Cars as on arrival

Chancellor Schmidt and party leave

Drive to Chequers

Mr. Newell	Prime Minister D/C Kingston
------------	--------------------------------

Drive to London

GHF Car	Mr. Alexander Chief Inspector Parke D/S Strevens
---------	--

81C

file

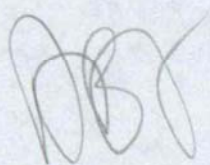
26 March 1980

Königswinter Conference

I enclose the signed text of a message from the Prime Minister to the Königswinter Conference. I should be grateful if you could arrange for it to be forwarded as soon as possible to Sir Frank Roberts.

M. M. O. D. E. A. L. E. N. S. I. N.

Paul Lever, Esq.,
Foreign and Commonwealth Office





10 DOWNING STREET

THE PRIME MINISTER

I should like to offer my warm congratulations on the occasion of the 30th Anniversary of the Königswinter Conference. In these 30 years the Conference has made a unique contribution to the development of a new level of understanding between the United Kingdom and the Federal Republic of Germany. It no longer stands alone as a forum for the exchange of views between men and women of influence in our two countries. But in its ability to attract participants of the highest calibre from varied walks of life and in the freedom and intimacy of its discussions it still has no competitor.

This year's Conference draws attention - not for the first time - to the continuing need to adapt to change in world political and economic affairs. Since the 1970s drew to their close the winds of change have blown more strongly than ever. I wish Königswinter every success in exploring ways of formulating our joint responses.

I look forward to attending your dinner on 28 March together with Chancellor Schmidt, and to seeing you all then.

Margaret Thatcher

March 1980

CONFIDENTIAL

Ref: A01809

MR. ALEXANDER

Anglo-German Summit Meeting

In the light of the Prime Minister's briefing meeting this morning, I would like to suggest some additional thoughts for the Prime Minister's talk with Chancellor Schmidt on the Budget issue.

2. I think there would be advantage in giving Schmidt a table showing how the net contributions and benefits would look if we achieved what we told Signor Cossiga, i. e. a lower net contribution than France in proportion to relative GNP. The Treasury will be producing the figures. In handing it over, the point to make would be that, while for simplicity, we have taken the lower Commission figures; in practice the outturn will be even higher, if the agricultural price settlement is higher than that proposed by the Commission.

3. We agreed that the Prime Minister should try to convince Chancellor Schmidt that a flat rate settlement for only three years was not only unacceptable to us but not in the best interests of the Community. It would land the whole issue back on to the Community's agenda and into the political arena here during the lifetime of the present Parliament. This would be bound to make it into an anti-EEC electoral issue. To be sure of avoiding that, we need at least five years, given that the issue will have to be revived towards the end of the period. We have proposed six years - the same period as was fixed for the original Financial Mechanism in 1975. We have also produced a coherent strategy: a target for restructuring the Community Budget (not more than 55 per cent on the CAP) by 1986 with special arrangements for the United Kingdom running for the same period. If the restructuring has succeeded, then there may be no need for continued special arrangements for the United Kingdom. But if as they have told us the Germans (and the French) refuse to have any quantitative targets for restructuring, then we can have no certainty that our problem will be resolved through the development of the right Community policies.

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4. The point Sir Michael Butler suggested should be put to Chancellor Schmidt was that an inadequate settlement now would leave the United Kingdom no alternative but to continue fighting for further ways of improving our Budget situation on every occasion. This would be bound to have a disruptive effect on the Community. What we looked for was a durable solution which would allow the United Kingdom to approach the further development of the Community with the same objectivity as other member states.

5. On fisheries the Prime Minister will want to discourage Chancellor Schmidt from having an ill-prepared discussion at the next European Council. Any suggestion of linkage with the Budget issue would make the political task of finding an acceptable common fisheries policy more difficult, if not impossible. The Prime Minister could say that the Commission is working on the problem; there is absolutely no wish on our part to delay matters; and, if it would be helpful, might suggest to Chancellor Schmidt that there should be an early bilateral between the two Fisheries Ministers (Mr. Walker mentioned that he had not had a discussion with Herr Ertl on fisheries for six months). On energy, the presentational statement which the Prime Minister has now approved contains a reference to a situation of "sub-crisis" but not to our existing IEA and EEC commitments in the event of a serious oil shortage. Drawing on what the Prime Minister said in her interview in Die Welt, she could confirm to Chancellor Schmidt that, if the situation were to trigger off action under the IEA and EEC emergency arrangements, we should, of course, be giving preference to our partners. When the time comes, the same thought could be added as a final sentence to paragraph 8 of the statement (Annex A to Brief RMV(80) 2(vi)) as follows: "Of course, if the situation deteriorated and the Community and IEA arrangements were triggered off, we should be giving preference to our partners." I attach some additional notes from the Department of Energy on how the FRG has benefitted from North Sea oil.

6. On CAP prices, I attach a note from MAFF on the effects on the Community Budget (and on food prices) of different levels of price settlement. If the Germans had their way on prices, and there was no super-levy on milk, then the whole of the savings from Gundelach's economy package would be

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swallowed up. We want economies but on a non-discriminatory basis that does not penalise the more efficient. The most effective economy of all is a price freeze. Judging by the figures we can argue the budgetary cost point with the Germans to greater purpose than the argument about food prices, since the effect there is very small.

(Robert Armstrong)

(approved by Sr. Robert Armstrong
and signed in his absence).

26th March 1980

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(a) DISPOSALS OF UKCS OIL.

Germany is the largest single importer of UKCS oil, receiving nearly 10 million tonnes last year, nearly double the quantity in 1978. This represented a quarter (25.7%) of total exports, and nearly half (44.6%) of exports to the Community.

(b) DEMINEX'S INTEREST IN THE UKCS

Line to take

Deminex is the only continental exploration and production company operating in the North Sea having a major share in a producing oilfield (Thistle); and also in the promising Beatrice field. Thistle started production in early 1978, and all of Deminex's share is currently being used in Germany.

Background (not to be disclosed)

Deminex has a 42% interest in the Thistle field which is currently producing at a rate of 5mt per annum and where peak production in 1981 will be 10.6mt. Deminex's share will therefore be 4.5mt per annum at peak production. Deminex's interest in the Beatrice field, currently under development, is 22%.


(c) DEMINEX/VIKING OIL.

Line to take

Deminex stands to benefit from a take-over of the independent British company Viking Oil Ltd (should it succeed in doing so), and should be able in due course to increase the size of direct exports of UKCS oil to Germany.

Background

It is by no means certain that Deminex's offer for Viking will succeed. (Two other interested parties have also made offers). The take-over bid by Deminex for Viking has made Viking's share price rise sharply. Viking's principal asset is a 20% interest in part blocks 16/12a and 211/8a



an attractive area which is already known to be oil bearing. Deminex are however understood to be increasing their offer.

(d) OIL SALES BY BNOC

Line to take

German oil companies have benefited from purchases of oil from BNOC from the very beginning of the Corporation's oil trading in 1978. One (Veba) was the only overseas customer to obtain an additional commitment of oil from BNOC under the forward oil sales negotiated last year. In addition German affiliates of multinationals will benefit from sales by the Corporation to them.

Background

BNOC sells oil directly to two German refining companies - the partially state-owned Veba and a private sector company URBK, and has done so since it started trading in 1978. These are the Corporation's only non-multinational customers in the EEC, (although its multinational customers do send oil to Germany and other Community countries).

One of these, Veba, was the Corporation's only overseas export customer to obtain an additional commitment (for nearly 1 m tonnes of oil for the year from mid-1980) of oil during the negotiations for forward oil sales towards the end of last year. All other forward sales were for use in the UK although some went to foreign-owned companies (eg the Belgian company Petrofina, and the US company Conoco).

The pricing of these supplies should be avoided since the prepayment can be interpreted as a small premium over the normal price (the arrangement is for an initial payment to be drawn down by deliveries of oil charged at the normal price for oil delivered at the time on the basis of the normal 30 day credit and ignoring the prepayment terms).

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VISIT OF CHANCELLOR SCHMIDT

CAP PRICES/REFORM OF CAP

1. The following are some basic statistics on the budgetary effect of the Commission's proposals on CAP prices and economy measures. All figures are in million European Units of Account, and relate to the effect in a full year. The plus sign represents an extra cost, the minus sign a saving.

Cost of Price Proposals	+ 288
Milk levies	- 665
(of which super-levy on milk deliveries in excess of 99% of 1979 levels accounts for - 514)	
Other economies	- 333
(including sugar quotas, processed fruit and vegetable premiums, beef intervention changes and cereals measures)	
Net effect	<u>- 710</u>

2. The cost of an additional price increase of 1% across the board is 150 million EUAs. (The cost of the price proposals averaging 2.4% does not exactly match this because the price increases proposed vary for the different commodities.) Each 1% price increase adds over £16m to the UK's net contribution. Both these estimates assume no change in production levels. But price increases do of course lead in time to higher production levels than would otherwise occur, and in the case of products in surplus the whole of the excess production has to be disposed of at the expense of Community funds. The ultimate effect on the budget of price increases is therefore much greater than these figures suggest.

3. Herr Ertl has said he expects price increases averaging 4%, and he has opposed the super levy on milk. The additional 1.6% increase this implies for prices would add 240 MEUA to the budget, and the saving forfeited by not applying the super levy would be 514 MEUA. These two objections by the German Minister of Agriculture would thus cost 754 MEUA, a figure larger than the overall saving from the Commission's proposals.

Herr Ertl has proposed an additional saving - in the form of a levy on milk producers increasing progressively according to the level of production per hectare (thus penalising the larger and more intensive producer). This would affect the UK, which has a high proportion of large and intensive producers, far more severely than Germany (or any other member country). He also links it with a price increase to compensate producers, so that effectively the levy, where it applied, would be paid not by producers but by consumers.

Retail Price Effect

5. An increase of 4% across the board in CAP prices would increase the UK food price index by 0.8% and the retail price index by 0.2% when all effects had worked through. (The effect of the Commission's present proposals is put at 0.3% on the food price index if the butter subsidy is continued at present levels, or 0.7% if the butter subsidy is ended. The figures are not directly proportionate to the effects of a 4% increase across the board because the Commission's price proposals vary between the different commodities.)

Ministry of Agriculture, Fisheries and Food
26 March 1980

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PM
-- COPY NO **1**

VISIT OF CHANCELLOR SCHEMIDT
27-28 MARCH 1980

*North Sea presented
in CAP 133/S10. This
set destroyed*

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*Roman
23/3/11*

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10. FRG INTERNAL POLITICAL AND ECONOMIC SCENE

Brief by the Foreign and Commonwealth Office

Cabinet Office

25 March 1980

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21 March 1980

VISIT OF CHANCELLOR SCHMIDT

27-28 MARCH 1980

UK CONTRIBUTION TO COMMUNITY BUDGET

Brief by HM Treasury

POINTS TO MAKE - GENERAL

1. We want a solution at the March 31/1 April European Council in Brussels.
2. This is attainable, given the political will of our partners. The means of the solution are broadly agreed (reformed Financial Mechanism and new Article 235 Regulation for increased Community expenditure in UK). There has been informal progress on the amount. The remaining gap can be bridged in Brussels.
3. We are prepared to compromise, though our room for manoeuvre is limited. We are prepared to be a modest net contributor.

*Dip just not contribute -
 (Not as if we would
 be without, only in hand)
 Not going to accept
 a bad agreement.
 Peter J. H.
 had members of
 community.*

SECRET

4. Though we consider each of the major outstanding Community issues should be considered on their merits, we are prepared - if that is what our partners want - to examine them at the same time and see what progress can be made. But such "linking" may make it difficult for us to settle other issues until our budget problem is resolved.

5. On the budget contribution, we are seeking a satisfactory settlement on
 - i) Amount
 - ii) Duration
 - iii) Dynamism

6. In the longer term, only a real effort by the Community to restructure the budget can prevent our problem re-emerging. We would like to see the Community adopt a target that, by 1986, CAP guarantee section expenditure should not take up more than 55% of the budget.

POINTS TO MAKE - SPECIFIC

Amount

- i) The latest Commission estimates show a UK net contribution of 1683 meua (importer pays basis of MCA, which we have never accepted as correct) or 1813 meua (exporter pays basis). The figures



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

You will wish to keep
this with the briefs.

25 March 1980

Dear Michael,

Pauls 25/3
Community Budget *MM.*

As you may know, during Lord Carrington's conversations with Chancellor Schmidt over the weekend of 23 and 24 February the Chancellor questioned the status of the 1970 undertaking about "unacceptable situations". We have found this worrying, as this undertaking is a key part of our case for a better deal over the Community budget.

The Chancellor may make the same point to the Prime Minister on 28 March. The Prime Minister may like to see the enclosed note which we have prepared on the origins and status of this undertaking.

Yours ever

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

the Europa, Budget Pt 7



THE COMMUNITY UNDERTAKING TO REMEDY "UNACCEPTABLE SITUATIONS"

The Six managed to agree, before our own Accession negotiations got under way, the Budget Treaty of April 1970 providing for the progressive replacement of their direct financial contributions by the 'own resources' system. We were thus obliged to concentrate on getting acceptable transitional arrangements. But we were also careful to set out in writing what the effects on us of 'own resources' would be.

In July 1970 we circulated a note setting out our best estimates of the pattern of contributions and the balance of budgetary expenditure in 1978. This showed a UK gross contribution some 10% higher than that of Germany and a very low level of receipts - some 6%. Our net contribution would be 1125m EUA, some three and a half times larger than Germany's. The Community found, or affected to find, our conclusions incredible.

The Six then called upon the Commission to study and report on our Paper. Their Report was completed in October 1970. Its main criticisms of our approach were:-

- (a) We had over-estimated our level of customs duties and agricultural levies, by not giving adequate weight to changes in the British pattern of trade as a result of membership.
- (b) We had assumed too high a level of agricultural expenditure by under-estimating the development of Community expenditure in other areas.

The Commission made rough calculations of our percentage level of receipts based on the assumption:

- (a) of 60% of the budget being absorbed by agricultural expenditure, in which case we would receive 12.5% or
- (b) 40%, in which case our receipts would be 15.5%.

The Paper recognised that the benefits we would draw from agricultural expenditure were limited, but pointed out that in other areas it was precisely a country like the United Kingdom which could benefit most.

/On the



On the wider economic effects of membership, the Commission suggested that our growth rate would be accelerated, and added 'it can hardly be visualised that a prolonged discrepancy between the expansion rates of the members of one and the same Community would be compatible with the smooth functioning of the latter'.

The Commission concluded their Paper in Paragraph 20 with the famous phrase "Indeed, should unacceptable situations arise within the present Community or an enlarged Community, the very survival of the Community would demand that the Institutions find equitable solutions."

This undertaking was endorsed by the Council itself. A meeting of COREPER Deputies on 4 November 1970 decided to transmit the Commission Paper to us. The Chairman of the Deputies expressed the Community's agreement with the general lines of the Paper's conclusion and in particular their endorsement of paragraph 20. The Council's final imprimatur was also made clear in the version of the Paper (GB/33/70) handed to us which was described in the rubric as a Communication forwarded to the Conference 'following examination by the Council'.

We hoped at one point to get a formal re-affirmation in the Treaty of Accession of the concept underlying the Undertaking in order to protect us should arrangements on Community finance work out badly. But we eventually decided that this was not negotiable and that instead we should make do with the fact that the Community had already formally given us these assurances. The undertaking was quoted in our White Paper of July 1971.

Status of the Undertaking

The Undertaking is clearly not a Treaty obligation. But it constitutes a firm political commitment by the Six which they did not seek to withdraw at the time and can hardly repudiate now.

It is significant that Chancellor Schmidt's remarks to the Secretary of State are we think the first time that anybody has questioned the relevance of the Undertaking to our present budget negotiation, despite the frequency with which both Ministers and officials have quoted it over the last six months or so.

Ref. A01795

MR. ALEXANDER



Prime Minister

Am

The following will be attending the Prime Minister's briefing meeting for the visit of Chancellor Schmidt, which has been arranged for 10.30 am on Wednesday, 26th March:

Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Lord Privy Seal
Secretary of State for Energy
Minister of Agriculture, Fisheries and Food (who will need to leave at about 11.30 to go to Brussels for the Agriculture Ministers Council)

Sir Robert Armstrong
Mr. Michael Franklin
Sir Kenneth Couzens (Treasury)
Sir Michael Palliser (FCO)
Lord Bridges (FCO)
Sir Michael Butler (UKREP, Brussels)
Sir Oliver Wright (HM Ambassador, Bonn)
Sir Brian Hayes (MAFF)
Mr. David Jones (Department of Energy)
(Sir Kenneth Clucas (Department of Trade) who will be having bilateral talks with Herr Schlecht, the German State Secretary for Economic Affairs will not be able to attend the briefing meeting. He could be represented by a Deputy Secretary in the Department of Trade if you wished.)

*No need
I think.*

D.J. Wright

(D.J. Wright)

25th March, 1980

- ① CAW *ML*
- ② TPL
- ③ CS *to see*
MJS

*Will come out
change minutes
Richard Jenkin
not.*

PRIME MINISTER

Your Diary on Thursday

On Thursday you are to leave at 1700 in order to get to R.A.F. Benson in sufficient time to meet Chancellor Schmidt. I think that this means that you will have to be absent from the House for Denis Healey's speech about the Budget. The timetable in the House will be:

- 1530 Business Question
- 1550 (say) Mr. Jenkin's statement on Social Security uprating
- 1630 (say) Mr. Healey rises
- 1715 (say) Mr. Biffen rises.

Short of taking a helicopter from Battersea to Benson, which is perfectly possible but which I suspect you would find unacceptable, there is no way you could be certain of hearing Mr. Healey through to the end.

In all the circumstances, are you content to leave the Chamber at 1530 on Thursday? Your absence during Mr. Healey's speech will be noted and may be remarked on, but it seems inevitable.

MJS

Prime Minister.

An alternative to leaving the Chamber as early as 1530 would be to come out after Mr Jenkin's statement and as Mr Healey rises. In that case I suggest that we should let Mr Healey know beforehand why you have to leave, so that there is no misunderstanding. You might also be able to work into the answer to a Question in your engagement for the ~~day~~ a reference to the fact that you will be leaving the House at 1630 to go to meet Chancellor Schmidt.

*Agreed.
out*

25 March 1980

MJS

MR ALEXANDER

c Mr Wright

Prime Minister
 To keep with briefs for Chancellor
 Schmidt's visit
 Am 25/3

EEC BUDGET: NEW FIGURES

1. The Prime Minister might like to have a copy of the attached Treasury submission, containing calculations relating to the United Kingdom budget problem using the new Commission figures for 1980, before her briefing meeting at 10.30 a.m. tomorrow in preparation for the visit of Chancellor Schmidt.
2. You will see from paragraphs 3i. and ii. that, allowing for our own contribution to the United Kingdom solution (as well as those of other member states including France) -
 - i. If the United Kingdom's overall net contribution were to end up equal to the French, we would contribute 387 meua on an importer benefits basis and 377 meua on an exporter benefits basis
 - ii. If our overall net contribution were to end up bearing the same relationship to that of France as the ratio of United Kingdom to French GNP (70 per cent), we would contribute 296 or 288 meua net, according to the attribution of MCAs.

MDF
 M D M FRANKLIN

25 March 1980

CHANCELLOR OF THE EXCHEQUER

cc. Chief Secretary
 Financial Secretary
 Sir Douglas Wass
 Sir Kenneth Couzens
 Mr Hancock
 Mrs Hedley-Miller
 Mrs Lomax
 Mr Thomson
 Mr Meyrick
 Miss Spottiswoode
 Mr Franklin - CC
 Lord Bridges - FCO
 Mr Hannay - FCO

EEC BUDGET: NEW FIGURES

I attach a series of figures relating to the EEC budget problem, based on the new Commission estimates released on 20 March. These tables would have been included in the Prime Minister's brief for the European Council, and may now be useful background for the talks with Chancellor Schmidt.

2. Table A begins by showing ~~the~~ unadjusted net contributions as presented in the latest Commission paper, on the importer and exporter pays bases. As you know the difference between the two figures for the UK (1683 and 1813 meua) is the result of the Commission assuming that the UK will continue to receive MCA in 1980 up to 130 meua. We believe this figure is probably an over-estimate.

3. The table then shows the effect on these unadjusted figures of a reformed Financial Mechanism (495 meua net benefit to the UK) and extra expenditure under an Article 235 Regulation, on two assumptions:

- i) that the UK's overall net contribution ends up equal to the French (on this basis both the UK and France would make a net contribution of 387 meua on an importer benefits basis); and
- ii) that our overall net contribution ends up bearing the same relationship to that of France as the ratio of UK to French GNP (70%). This was the formula suggested to Sr Cossiga and would result in a UK net contribution of 296 meua on an importer benefits basis.

4. Table B shows the cost to each country of financing each of these two solutions. The assumption here is that Italy contributes to the UK refund through the Financial Mechanism, but not to the extra expenditure in the UK under Article 235; and that Ireland contributes to neither. This is in accordance with the known negotiating position of these two countries, but has not of course yet been agreed.

5. Tables C and D update so far as is possible the detailed information given to the Prime Minister before the Dublin Summit on the UK's problem. The table brings out once again that about one third of the problem is due to an excessive gross contribution, and two thirds to deficient receipts.

6. Table E updates the "fact sheet" prepared before Dublin. Among other detailed information, it contains the statistics on the extent to which Britain's trade pattern has moved in favour of the EEC since 1972. Figures for manufactures and food are shown separately, to refute the (French, and sometimes German) argument that the change has all been caused by oil.

7. The figures for the CAP relate to 1979 and should be treated with caution. They are not a satisfactory indicator of the position in 1980 for the UK (or Italy). On the one hand our MCAs have disappeared; on the other CAP price rises have increased the trade costs. In 1980 the additional cost of buying our food at higher prices due to the CAP will amount to a non-budgetary cost of about 500 meua.



M J MICHELL
25 March 1980

TABLE A

Effect of Financial Mechanism and UK refund on countries' net contributions:
 (Ireland does not contribute to Financial Mechanism, Italy and Ireland do not contribute to UK refund on receipts)

1980 meua

Country	Before Financial Mechanism	After Financial Mechanism	Refund to bring UK net contribution		Memo Item VAT Share
			Equal to French Contribution	Equal to French contribution on GNP Key	
<u>Exporter Benefits</u>					
UK	-1813	-1318	-377	-288	17.4
Germany	-1073	-1271	-1707	-1748	32.8
France	+100	-49	-377	-409	24.7
Italy	+658	+592	+592	+592	10.9
Netherlands	+394	+357	+276	+268	6.1
Belgium	+479	+452	+392	+386	4.5
Denmark	+428	+412	+378	+375	2.6
Ireland	+540	+540	+540	+540	0.9
Luxembourg	+287	+286	+283	+283	0.2
<u>Importer Benefits</u>					
UK	-1683	-1188	-387	-296	17.4
Germany	-1116	-1314	-1685	-1728	32.8
France	+41	-108	-387	-420	24.7
Italy	+754	+688	+688	+688	10.9
Netherlands	+358	+321	+252	+244	6.1
Belgium	+469	+442	+391	+385	4.5
Denmark	+388	+372	+343	+340	2.6
Ireland	+502	+502	+502	+502	0.9
Luxembourg	+287	+286	+284	+283	0.2

TABLE B

Cost of Financing UK refund

(Ireland does not contribute to Financial Mechanism, Italy and Ireland do not contribute to the UK refund on receipts)

1980 meua

Country	<u>Cost of Financial Mechanism</u>		<u>Cost of Refund to bring UK Equal to French Contribution</u>		<u>net Contribution Equal to French Contribution on a GNP Key</u>		Memo Item VAT-Share
	(1)	(2)	(3)	(4)	(5)	(6)	
<u>Exporter Benefits</u>							
UK (Net gain)	+495	+941	+1436	+1030	+1525	17.4	
Germany	-198	-436	-634	-477	-675	32.8	
France	-149	-328	-477	-359	-509	24.7	
Italy	-66	0	-66	0	-66	10.9	
Netherlands	-37	-81	-118	-89	-126	6.1	
Belgium	-27	-60	-87	-65	-93	4.5	
Denmark	-16	-35	-50	-38	-54	2.6	
Ireland	0	0	0	0	0	0.9	
Luxembourg	-1.2	-2.7	-3.9	-2.9	-4.1	0.2	
<u>Importer Benefits</u>							
UK (Net gain)	+495	+801	+1296	+892	+1387	17.4	
Germany	-198	-371	-569	-413	-612	32.8	
France	-149	-279	-429	-311	-461	24.7	
Italy	-66	0	-66	0	-66	10.9	
Netherlands	-37	-69	-106	-77	-114	6.1	
Belgium	-27	-51	-78	-57	-84	4.5	
Denmark	-16	-29	-45	-33	-49	2.6	
Ireland	0	0	0	0	0	0.9	
Luxembourg	-1.2	-2.3	-3.5	-2.5	-3.7	0.2	

TABLE C

THE UK'S BUDGET PROBLEM IN 1980

Source: Figures based on Commission document 19.3.80

UK GNP share: 17%

UK GNP per head as % EEC average approximately 79%

UK population share: 21½%

	meua	eua per head	UK as % EC	UK per head as % EC
TOTAL CONTRIBUTIONS	2908	52.3	21.1	98*
TOTAL RECEIPTS				
Importer benefits MCAs	1225	22.0	8.9	41.4
Exporter benefits MCAs	1095	19.7	7.9	36.7
NET CONTRIBUTION				
Importer benefits MCAs	1683	30.3		
Exporter benefits MCAs	1813	32.6		

CHANGE TO UK BUDGETARY CONTRIBUTIONS

IF

A. Payments and Receipts in line with GNP share

	<u>meua</u>	<u>As % net contribution</u>	
		<u>exporter pays (1813)</u>	<u>importer pays (1683)</u>
<u>Excess contribution</u>	564	31	33.5
<u>Deficient receipts</u>			
exporter benefits MCAs	1249	69	
importer benefits MCAs	1119		66.5

B. Payments and Receipts per head in line with EEC average

<u>Contributions shortfall</u>	56	-3.1	-3.3
<u>Deficient receipts</u>			
exporter benefits MCAs	1869	103.1	
importer benefits MCAs	1739		103.3

* UK contribution in 1980 is 24% greater than our GNP share.
This accounts for 565 meua or about ½ of our net contribution.

ANALYSIS OF UK BUDGETARY POSITION: 1980 (DETAIL)

Commission document (19.3.80) does not provide breakdown of contributions and receipts. Detailed information comes from earlier Commission papers.

Contributions: from Draft Budget. Consistent with latest figures.

	meua	EUA per head	UK as % EC	UK per head as % EC
Agricultural levies	431	7.7	19.8	92.1
Customs duties	1473	26.5	26.0	120.9
VAT	1162	20.9	17.4	80.9
Other (Incl contribution to unallocated budget)	-158	-2.8	21.0	100
TOTAL	2908	52.3	21.1	98.1

Receipts: Latest detail comes from Reference Paper (Sept. 1979) not consistent with latest figures. Relative shares unlikely to have changed significantly.

	UK as % EC	UK per head as % EC
CAP Guarantee	7.6	35.4
Structural Funds: Total	20.6	96.9
Guidance	15.1	70.2
Regional Fund	27.0	125.6
Social Fund	25.0	116.3
Investment Energy, Industry	12.2	58.8
Other	16.7	77.9

	UK	Germany	France	Italy	Netherlands	Belgium	Denmark	Ireland	Luxembourg
INCOME									
GNP as % EEC(9):1979	16.3	31.8	23.8	13.6	6.3	4.9	2.7	0.6	0.2
forecast 1980	17.0	31.1	24.1	13.7	6.1	4.7	2.5	0.7	0.2
GNP per head as % EEC(9):1979									
at market exchange rates	78	135	115	61	118	124	138	50	122
at purchasing power parities	91.8	148.5	113.5	72.2	107.7	108.9	118.8	62.3	110.1
BUDGETARY: 1980									
Net contribution: MEUA									
exporter benefits MCAs	-1813	-1073	+100	+658	+394	+479	+428	+540	+287
importer benefits MCAs	-1683	-1116	+41	+754	+358	+469	+388	+436	+287
Gross contributions:									
as % EEC(9) of which:	21.1	29.8	19.0	11.9	8.7	6.2	2.4	0.9	0.12
levies	19.8	19.5	12.8	20.6	14.7	10.4	1.6	0.4	0.0
duties	26.0	30.2	14.6	9.7	9.5	6.5	2.4	1.1	0.1
VAT	17.4	32.8	24.7	10.9	6.1	4.5	2.6	0.9	0.2
per capita meua	55	71	51	30	90	91	67	40	49
as % EC average	98	127	92	54	161	163	121	71	88
Gross Receipts:									
On an importer pay: basis:									
as % of EEC(9)	8.9	21.7	19.2	17.4	11.3	9.6	5.2	4.5	2.2
per capita meua	22	49	50	42	111	134	140	192	(849)
as % of EEC average	41	92	79	80	209	253	263	362	(1602)
On an exporter pays basis:									
as % of EEC(9)	7.9	22.0	19.7	16.7	11.5	9.7	5.5	4.8	2.2
per capita meua	20	50	51	40	113	135	147	203	(849)
as % of EC average	37	93	96	76	214	255	278	384	(1602)

Country Fact Sheet

UK Germany France Italy Netherlands BLEU* Denmark Ireland EEC(9)

COMMON AGRICULTURAL POLICY

MILLION UNITS OF ACCOUNT: COMMISSION REFERENCE PAPER FOR 1979 AND
MAFF ESTIMATES OF 1979 TRADE COSTS (EXCLUDES EFFECT OF ARTICLE 131)

Exporter benefits MCAs

Budget flows	-1513	-410	+197	+274	+525	+35	+490	+412
Non-budget flows	-271	-527	+720	-1055	+960	-280	+815	+620
Total	-1784	-937	+917	-781	+1485	-245	+1305	+1032

Importer benefits MCAs

Budget flows	-784	-549	-36	+544	+369	+3	+259	+195
Non-budget flows	-1000	-388	+953	-1325	+1116	-248	+1046	+837
Total	-1784	-937	+917	-781	+1485	-245	+1305	+1032

TRADE WITH EEC(9)

% imports from EEC(9)

total 1972	31.6	53.9	56.0	49.2	62.3	71.1	45.9	69.3	52.2
1978	38.0	50.1	51.4	44.7	57.4	69.0	49.4	73.4	50.8
1979(Q1-Q3)	40.8	49.9	50.3	45.0	56.7	63.9	50.4	74.9	50.8
manufactures 1972	37.1	63.1	72.4	68.3	80.1	79.8	53.3	81.2	64.7
(SITC 5-8) 1978	44.3	57.3	67.3	66.4	73.8	77.4	54.4	78.2	62.2
food 1972	32.4	55.7	41.2	49.7	47.6	69.1	24.3	47.3	46.7
(SITC 0,1) 1978	42.9	56.8	47.1	58.3	47.1	74.0	36.8	71.4	52.9

TRADE WITH UK

Exports to UK 1978

as % total exports	-	6.3	7.7	9.3	8.0	5.9	15.1	48.6	6.3
as % total imports	-	10.8	7.6	4.7	5.3	3.7	2.3	3.5	38.0
Imports from UK 1978	-	4.4	5.9	4.0	7.1	9.1	14.3	67.3	5.7
as % total imports	-	9.0	6.5	3.3	5.1	5.9	2.5	5.6	37.8

GPS 1610

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TO PRIORITY F C O

TELEGRAM NUMBER 257 OF 24 MARCH

INFO WASHINGTON UKDEL NATO PARIS UKREP BRUSSELS

INFO SAYING DUBLIN ROME LUXEMBOURG COPENHAGEN THE HAGUE BRUSSELS.

ANGLO/GERMAN CONSULTATIONS: 27/28 MARCH.

1. CHANCELLOR SCHMIDT WILL BE COMING TO LONDON WITH A SOMEWHAT DIFFERENT RANGE OF PREOCCUPATIONS FROM OURS, WHICH IS LIKELY TO MAKE HIM EVEN LESS SWEET-TEMPERED THAN USUAL. IN PROBABLE ORDER OF IMPORTANCE THESE ARE LIKELY TO BE:

(A) THE INTERNATIONAL SITUATION POST-AFGHANISTAN. HIS VISIT TO WASHINGTON HAS ALLAYED SOME OF HIS SHARPEST ANXIETIES ABOUT US POLICY, BUT MOST OF HIS UNDERLYING DOUBTS REMAIN. THESE FOCUS ON PRESIDENT CARTER'S INCOMPETENCE AND UNPREDICTABILITY, ON THE US DESIRE FOR A CONFRONTATIONAL REACTION BY THE WEST TOWARDS THE SOVIET UNION AND ON THE CONTINUING DISPARITY BETWEEN THE US DEFENCE EFFORT AND ITS STATED AIMS IN THE ARC OF CRISIS. SCHMIDT PREFERS A QUOTE CRISIS MANAGEMENT UNQUOTE APPROACH DESIGNED TO RESTORE THE STRATEGIC BALANCE (AND EVENTUALLY TO ENABLE THE SOVIET UNION TO EXTRACT ITSELF FROM AFGHANISTAN) WITHOUT LASTING DAMAGE TO DETENTE IN EUROPE. SCHMIDT IS ESPECIALLY CONCERNED NOT TO PREJUDICE WHAT OSTPOLITIK HAS ACHIEVED FOR BERLIN, FOR THE FRG'S RELATIONS WITH THE DDR AND FOR ITS TRADE AND HUMANITARIAN RELATIONS WITH EASTERN EUROPE. ABOVE ALL, HE WANTS TO AVOID THIS HAPPENING IN AN ELECTION YEAR, WHEN HIS SUPPORTERS ARE LESS REALISTIC THAN HE IS ABOUT THE LIMITS OF OSTPOLITIK AND WHEN HIS OPPONENTS WOULD THEN BE ABLE TO CLAIM THAT THE CENTRAL THRUST OF THE COALITION'S FOREIGN POLICY OVER THE LAST TEN YEARS HAD BEEN MISCONCEIVED. SCHMIDT BELIEVES THAT PROGRESS TOWARDS AN ARAB/ISRAEL SETTLEMENT AND A SUCCESSFUL RESCUE OPERATION FOR TURKEY (WITH THE FRG IN THE LEAD) ARE IMPORTANT ELEMENTS IN MANAGING THE CRISIS. (YOU WILL WISH TO BEAR IN MIND THE PARALLELISM BETWEEN WHAT THE GERMANS WANT FOR TURKEY AND WHAT WE ARE ASKING FOR RHODESIA).

(B) WHILE THE FRG LOOKS FROM THE OUTSIDE TO BE A WELL-RUN ECONOMY IT IS PERFORMING LESS WELL BY ITS OWN HIGH STANDARD. SCHMIDT IS BOUND TO BE CONCERNED AT THE THREAT OF RISING INFLATION (TOWARDS 6 PERCENT) DESPITE THE CONTINUING STRONG MANUFACTURING PERFORMANCE; AT THE POTENTIAL IMPLICATIONS (AS YET UNDIGESTED) OF THE BALANCE OF PAYMENTS DEFICIT AND CAPITAL OUTFLOW; AND AT THE LONGER TERM IMPLICATIONS FOR THE FRG ECONOMY OF THE CONTINUING RISE IN OIL PRICES AND THE THREAT TO EXTERNAL ENERGY SUPPLIES. FOR THE FIRST TIME WITHIN LIVING MEMORY THE FRG WILL BE BORROWING ABROAD IN 1980. HAVING LIVED FOR SO LONG WITH THE

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/VIRTUOUS

VIRTUOUS CIRCLE OF A BALANCE OF PAYMENTS SURPLUS AND A STRONG D-MARK, THEY ARE HAVING TO ADJUST TO A BALANCE OF PAYMENTS DEFICIT AND QUOTE WEAK UNQUOTE D-MARK. ALWAYS READY TO LOOK ON THE DARK SIDE, THEY SEE THE QUOTE GOLDEN YEARS UNQUOTE AS BEING OVER.

(C) THE DOMESTIC POLITICAL SCENE. ALTHOUGH THE PROSPECTS MUST STILL BE FOR A WIN BY THE COALITION PARTIES IN THE OCTOBER GENERAL ELECTION, SCHMIDT IS BOUND TO BE WORRIED BY THE DISAPPOINTING RESULT FOR THE SPD OF THE RECENT LAND ELECTIONS IN BADEN-WUERTTEMBERG: AT THE CHALLENGE FROM THE GREENS: AND AT THE PROSPECT OF THE FDP BEING PUSHED BELOW 5 PERCENT IN FORTHCOMING LAND ELECTIONS AND POSSIBLY EVEN IN THE GENERAL ELECTIONS ITSELF. THE FDP WILL INCREASINGLY WISH TO DISTANCE ITSELF FROM THE SPD AS THE ELECTIONS DRAW NEAR AND GENSCHER IS ALREADY DOING SO IN HIS REACTION TO EVENTS IN AFGHANISTAN. THE MATHEMATICS OF THE ELECTORAL SYSTEM ARE SUCH THAT HIS OWN POLITICAL FUTURE AS CHANCELLOR COULD BE AT STAKE EVEN IF THE OPPOSITION UNDER STRAUSS MAKE NO HEADWAY.

2. SCHMIDT IS DISPOSED TO REGARD THE UK BUDGET PROBLEM AS AN UNWELCOME ADDITION TO THIS ALREADY FORMIDABLE LIST OF DOMESTIC AND FOREIGN PRE-OCCUPATIONS. AT THE SAME TIME HE RELUCTANTLY RECOGNISES THAT IT CANNOT BE PUSHED ASIDE AND THAT THE CONSEQUENCES FOR THE COMMUNITY OF ANOTHER FAILURE TO SOLVE IT WOULD BE VERY DAMAGING. BUT THE INDICATIONS ARE THAT HE WOULD REGARD THEM AS LESS DAMAGING THAN TRYING TO GET THE REST OF THE NINE TO AGREE, AGAINST FRENCH OPPOSITION, TO MOVE VERY FAR TOWARDS MEETING THE UK'S DEMANDS AS THEY HAVE SO FAR BEEN FORMULATED. IF THERE HAS TO BE A BREAKDOWN AT BRUSSELS, HE WOULD ALMOST CERTAINLY PREFER IT TO APPEAR TO BE THE RESULT OF BRITISH RATHER THAN FRENCH INTRANSIGENCE.

3. I AGREE WITH SIR R HIBBERT (HIS TELEGRAM NO 305) THAT THE CHANCELLOR'S CRUCIAL INTERESTS ARE INTERNATIONAL MONETARY STABILITY, DETENTE AND RESISTANCE TO (OR INABILITY IN AN ELECTION YEAR TO ACCEPT) RADICAL BURDEN SHARING IN THE COMMUNITY. SINCE OUR INTEREST CLASHES DIRECTLY WITH HIS ON THE LAST POINT, OUR AIM SHOULD BE TO CAPITALISE ON THE FIRST TWO. THIS POINTS TO MAKING THE BUDGET ISSUE ONLY ONE OF THE SUBJECTS WHICH THE PRIME MINISTER CONCENTRATES ON IN HER DISCUSSIONS WITH HIM. IN PARTICULAR, I AM SURE THAT HE IS HOPING FOR A CONSTRUCTIVE EXCHANGE OF VIEWS BOTH AT THE ANGLO-GERMAN SUMMIT AND AT THE EUROPEAN COUNCIL ON HOW TO MANAGE THE AFGHANISTAN CRISIS, INCLUDING THE HANDLING OF EUROPEAN/US RELATIONS. AS YOU WILL KNOW FROM MY DESPATCH OF THE 13TH OF MARCH, I CONSIDER THIS TO BE ONE OF THE MOST DISQUIETING ASPECTS OF THE POST-AFGHANISTAN SITUATION. IT WOULD ALSO BE WORTH TALKING TO HIM IN SOME DEPTH ABOUT THE ARAB/ISRAEL PROBLEM, WHERE GERMAN VIEWS (AND PERHAPS FRENCH VIEWS TOO) ARE CLOSE TO OURS. SCHMIDT IS CONVINCED THAT LACK OF PROGRESS ON THIS FRONT IS NOT ONLY DANGEROUS IN ITSELF, BUT IS CREATING A SIGNIFICANT OBSTACLE TO COOPERATION BETWEEN THE ARABS AND THE WEST. HE WANTS TO REVIVE THE EURO-ARAB DIALOGUE (AND SAID SO AGAIN IN THE BUNDESTAG ON 20 MARCH)

AND TO LAY FOUNDATIONS FOR ACTION IF THE AUTONOMY TALKS FAIL. HE WILL WANT TO DISCUSS THIS IN THE LIGHT OF THE NEW INITIATIVE FOR AN ARAB/ISRAELI/US SUMMIT.

4. ON AFGHANISTAN, IT WOULD BE HELPFUL IF THE PRIME MINISTER COULD SHOW INTEREST IN THE GERMAN CONCEPT OF QUOTE DIVISION OF LABOUR UNQUOTE: AND STRESS THE UK'S READINESS TO PLAY ITS FULL PART IN THE ALLIANCE'S INCREASED DEFENCE EFFORT WITHOUT ANY REDUCTION IN THE LEVEL OF OUR CONTRIBUTION ON THE CENTRAL FRONT. IT WOULD BE WELL WORTH WHILE BRIEFING HIM ON THE EXTENT OF OUR EFFORT EAST OF SUEZ-NAVAL DEPLOYMENT, AID TO OMAN ETC. IT WOULD ALSO BE USEFUL TO SEEK HIS VIEWS ON HOW BEST TO CARRY THE QUOTE NEUTRAL AND NON-ALIGNED UNQUOTE PROPOSAL FORWARD. ALTHOUGH THE MERITS OF THIS PROPOSAL ARE NOW ACKNOWLEDGED BY THE GERMAN MFA (AND BY GENSCHER HIMSELF), SCHMIDT STILL SEEMS TO HAVE DOUBTS ABOUT IT - PERHAPS BECAUSE HE SHARES BRZEZINSKI'S VIEW THAT IT IS MORE LIKELY TO EMBARRASS THE RUSSIANS THAN TO OFFER A GENUINE WAY FORWARD. IT WOULD BE VALUABLE IF WE COULD CORRECT THIS IMPRESSION, MAKING IT CLEAR THAT WE AGREE WITH THE GERMANS ABOUT THE IMPORTANCE OF GETTING THIRD WORLD COUNTRIES ON BOARD. (YOU WILL REMEMBER THAT THE INDIAN FOREIGN MINISTER HAS JUST BEEN IN BONN). THE MORE THE CHANCELLOR CAN BE BROUGHT TO RECOGNISE THAT THE PROPOSAL CAN BE A UNIFYING FACTOR, BOTH WITHIN THE NINE AND BETWEEN THE NINE AND THE UNITED STATES, THE MORE HE IS LIKELY TO SEE IT AS A CONSTRUCTIVE CONTRIBUTION BY THE UK TOWARDS THE FORMULATION OF A SPECIFICALLY EUROPEAN POLICY.

5. ON THE COMMUNITY BUDGET, THE GERMANS ACCEPT THAT, IN INTELLECTUAL AND MORAL TERMS, WE HAVE A GOOD CASE. THEY HAVE SAID AS MUCH REPEATEDLY AND IN PUBLIC. IN CONTRAST TO FRANCE, THERE IS NO REASON TO SUPPOSE THAT THE OPPOSITION HERE WOULD TAKE EXCEPTION TO A GENEROUS SETTLEMENT. THE GERMAN COMPLAINT IS THAT WE HAVE SERIOUSLY OVERPLAYED OUR HAND WITHOUT REGARD TO THE POLITICAL REALITIES: AND ABOVE ALL THAT WE HAVE NOT DONE ENOUGH TO CREATE THE PRECONDITIONS FOR A REALISTIC NEGOTIATION WITHIN THE COMMUNITY. THIS WAS A THEME OF THE VISIT OF THE DANISH PRIME MINISTER, JORGENSEN, TO BONN LAST WEEK. BUT OUR FAILURE (AS THEY SEE IT) TO DO THIS HAS IRRITATED THEM WITHOUT SO FAR CAUSING THEM MUCH DISTRESS. ALTHOUGH THEY CERTAINLY FEEL IN AN UNCOMFORTABLE POSITION BETWEEN THE CONFLICTING DEMANDS OF THE BRITISH AND THE FRENCH, THEY ARE NOT TOO UNHAPPY AS LONG AS THE UK IS PERCEIVED TO BE USING BLOCKBUSTING TACTICS RATHER THAN PREPARING THE GROUND FOR NEGOTIATION OF A SALEABLE PACKAGE. THE OVER-RIDING IMPORTANCE THEY ATTACH TO THEIR RELATIONSHIP WITH FRANCE, COUPLED WITH COMPETING DEMANDS FOR EXPENDITURE POST-AFGHANISTAN AND A DETERIORATING ECONOMIC CLIMATE AT HOME MAKE IT DIFFICULT FOR SCHMIDT TO PUT HIS FULL WEIGHT BEHIND OUR CASE, EVEN IF HE WANTED TO. BUT AS LONG AS THERE IS NO PACKAGE OF PROPOSALS ON THE TABLE WHICH THE GERMANS CONSIDER OBJECTIVELY REASONABLE, HE DOES NOT HAVE TO.

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6. IN SHORT THE CHANCELLOR DOES NOT NEED CONVINCING OF THE JUSTICE OF OUR CASE: BUT HE DOES NEED TO BE DEPRIVED OF THE ARGUMENT THAT WE ARE PURSUING IT IN TERMS SO ABSOLUTE AS TO PRECLUDE ANY SORT OF REALISTIC BARGAIN. I RECOGNISE THAT THIS AMOUNTS IN EFFECT TO A RECOMMENDATION THAT WE SHOULD BE READY TO LOOK AT A PACKAGE SOLUTION AND TO EXPLORE SOME OF THE POSSIBILITIES WITH THE CHANCELLOR. BUT I CAN SEE NO OTHER HOPE OF ENLISTING GERMAN SUPPORT AT THE EUROPEAN COUNCIL. THE GERMANS HAVE ALL ALONG MADE IT CLEAR THAT THEY SEE NO PROSPECT OF A SOLUTION TO THE BUDGET PROBLEM WITHOUT SOME KIND OF LOOSE LINKAGE WITH ISSUES OF PARTICULAR CONCERN TO OTHER MEMBER STATES. THEY CONSIDER THAT IT IS IN THE NATURE OF THE COMMUNITY THAT THERE HAS TO BE SOMETHING FOR EVERYBODY, SINCE EVERYBODY HAS A HOME CONSTITUENCY TO ANSWER TO. THEY HAVE ALSO MADE IT CLEAR THAT AN AUTOMATIC MECHANISM ON THE RECEIPTS SIDE IS NOT NEGOTIABLE. IF WE WERE TO OFFER A PROSPECT OF MOVEMENT ON SOME OF THE WELL-KNOWN LINKAGE ITEMS, WE SHOULD MAKE IT MUCH MORE DIFFICULT FOR THE CHANCELLOR TO AVOID CASHING HIS PROFESSED ACCEPTANCE OF THE BASIC JUSTICE OF OUR CASE. I DO NOT NEED TO REPEAT MY FREQUENTLY EXPRESSED VIEW THAT MOVEMENT ON EMS IS ANOTHER AREA WHICH WOULD MAKE A STRONGLY FAVOURABLE IMPRESSION ON THE CHANCELLOR PERSONALLY.

7. ON THE BUDGET, THEREFORE, I SUGGEST THAT THE OBJECTIVES FOR THIS BILATERAL SUMMIT SHOULD BE:

- (A) TO CONVINCe SCHMIDT PERSONALLY THAT WE ARE GENUINELY SEEKING A SOLUTION BY INDICATING FLEXIBILITY IN WHATEVER AREAS MAY BE POSSIBLE FOR US:
- (B) TO REMIND HIM OF THE MANY REASONS WHY HE SHOULD PAY ATTENTION TO ANGLO-GERMAN RELATIONS, INCLUDING BERLIN, NATO AND THE NEED FOR A TOLERABLE RELATIONSHIP WITH THE UNITED STATES AND:
- (C) IF NECESSARY, TO MAKE SURE THAT HE REALISES HOW BUMPY LIFE IN THE COMMUNITY WILL BE IF NO SOLUTION IS FOUND.

FCO PLEASE PASS SAVING TO DUBLIN ROME LUXEMBOURG COPENHAGEN THE HAGUE AND BRUSSELS.

WRIGHT

DEPARTMENTAL DISTN.

ECD

WED

N AM D

EESD

FRD

ECON D

[REPEATED AS REQUESTED]

Copy to No 10

[NOT ADVANCED]

4

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233.3000

24th March, 1980

T. Lankester, Esq.,
Private Secretary,
10, Downing Street

Prime Minister

*You will wish to be
aware of that in the context
of the briefing for Chancellor Schmidt's
visit.*

Dear Tim,
EMS

In your letter to me of 19th March, you asked that the Treasury should prepare the draft of a statement about the UK attitude to the European Monetary System, on the lines agreed at the the Prime Minister's meeting on 19th March.

Ans

..... I now attach a draft approved by the Chancellor, on which Ministers could draw in discussion with our Community partners.

I am copying this letter to the recipients of yours.

yours

John

A.J. WIGGINS

Original a Euro PSD, EMS, June 79

The UK Government fully supports closer monetary co-operation in the Community in the interests of the fight against inflation. It is in close sympathy with the European Monetary System as a very important development of the Community and as a Community instrument for resisting inflation.

The United Kingdom is participating fully in the discussions on the future European Monetary Fund and it is our wish to bring sterling into the exchange rate mechanism of the EMS when conditions permit. The UK Government wishes to do this in circumstances and at a time which are best for the Community and for the System, as well as right for our own economy.

It is for these reasons that we feel that we should first apply ourselves single-mindedly to gaining control of our own monetary conditions, achieving our monetary targets and bringing our rate of inflation much nearer to that achieved in most other Community countries. In those conditions we would have more room to reconcile monetary and exchange rate objectives and the stability of our exchange rate would be reinforced, to the advantage of the System. We need also to have regard to the differential impact which oil developments can have on sterling and on other Community currencies.

The UK is still engaged in a major effort to reassert control of its money supply, public borrowing and inflation, of which the March Budget is an important stage. The Government looks forward to the time when the success of this effort, which it believes has the support of its Community partners, will enable us to join. But we feel it would not be in the best interests of ourselves or our Community partners for us to join at the present time.

Germany

PRIME MINISTER

Schmidt Visit

I attach a programme (Flag A) for the above. This may well change again before Friday but this will give you some idea as to your commitments.

You may also like to see possible guest lists for your lunch on Friday (Flag B), the buffet lunch (Flag C) and possible attendance at the Plenary Session (Flag D). These also may well change before Friday.

24 March 1980

VISIT OF CHANCELLOR SCHMIDT - OUTLINE PROGRAMMEThursday, 27 March

- 1900 (a) Chancellor Schmidt, and his party and Herr Genscher and his party arrive at RAF Benson in two aircraft type VFW 614.
Met by The Prime Minister
By car to Chequers
- 1930 Arrive at Chequers - enter by Victory Gate.
- 2000 Dinner at Chequers for Chancellor Schmidt and Herr Genscher given by the Prime Minister and Lord Carrington (4 principals, 2 Ambassadors and 2 Private Secretaries). why?
- Chancellor Schmidt will stay the night at Chequers. Herr Genscher will stay with Lord Carrington at Bledlow.
- PM (b) Count Lambsdorff, his Private Secretary and Security Officer arrive Northolt/LAP. Met by FCO Greeter
Dinner with the Lord Privy Seal.
Count Lambsdorff will stay at Brown's Hotel.

Friday, 28 March

- 0830 approx Remaining German officials arrive Northolt and are taken by car to London.
- ? Tête à Tête talks between Chancellor Schmidt and the Prime Minister who will be joined later in the morning by Lord Carrington and Herr Genscher.
- 0930 Tête à Tête talks between Lord Carrington and Herr Genscher (an interpreter will be present)
- Talks between German delegation and UK counterparts in London between 0900 and 1200 hours.
- ? 1100 Lord Carrington and Herr Genscher join the Prime Minister and Chancellor Schmidt. (An interpreter will be present).
- 1200 German and UK Ministers leave London for Chequers with officials.
- 1245 Chancellor Schmidt will plant a chestnut tree in the grounds of Chequers (Photocall).
- 1300 for 1315 Luncheon at Chequers (Ministers and senior Advisers).
- 1500 Plenary Meeting in the Great Parlour
- ? 1730 Press Conference at RAF Halton. (Leave Chequers by car)
- ? 1830 Herr Genscher, Count Lambsdorff and those members of the German delegation not going to the Koenigswinter Dinner will leave for Northolt.

1850 Prime Minister and Chancellor Schmidt and their parties leave by helicopter for Cambridge.

1920 Arrive Trinity College lawn - leave by car for St Catherine's College.

1930 Drinks with the Vice Chancellor (Professor Sir Peter Swinnerton-Dyer)

2000 Attend Koenigswinter Dinner at St Catherine's College, Cambridge. (informal)

2230 approx Chancellor Schmidt and his party leave for the Cambridge City Airfield (Marshalls) and return to Germany.

P.M. to Cheques.

B

NOTE FOR THE FILE

Possible Guest List for the Lunch in the Dining Room on
Friday 28 March

Prime Minister	Chancellor Schmidt
Mr. Denis Thatcher	Foreign Minister Genscher
Foreign Secretary	Herr Lahnstein
Chancellor of the Exchequer	Herr Schlecht
Lord Privy Seal	Herr Horst Schulmann
Sir Robert Armstrong	Herr Klaus Blech
Sir Michael Palliser	Herr Per Fischer
Sir Kenneth Couzens	Herr Ruhfus
Sir Oliver Wright	
Clive Whitmore (?)	

= 10

= 8

ALL NAMES TO BE CHECKED AGAINST LIST THAT IS COMING FROM THE
FOREIGN OFFICE

C
cc Mrs. Goodchild

NOTE FOR THE FILE

Buffet Lunch at Chequers on Friday 28 March

Michael Alexander
George Walden
Bernard Ingham
Charles Anson
Julian Bullard
Herr Armin Grunewald
Herr Klaus Zeller
Herr Wulf Liebau
Herr Hans-Jochen Peters
Herr Reinhold Schenk
Herr Peter Metzger
Herr Heinz Weber
Herr Gerold von Braunmuhl
+2

= 15

ej.

ALL NAMES TO BE CHECKED AGAINST LIST THAT IS COMING FROM THE
FOREIGN OFFICE

D

NOTE FOR THE FILE

Plenary Session at Chequers

Prime Minister
Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Lord Privy Seal
Secretary of State for Energy ?
Sir Robert Armstrong
Sir Michael Palliser
Sir Douglas Wass or Couzens
Sir Oliver Wright
Michael Alexander
Clive Whitmore
George Walden
Bernard Ingham
Julian Bullard
Charles Anson

= 15

es.

|| Germans are being asked to submit 15 names. ||

FIREPLACE

Herr Bocker

Herr Metzger

Interpreter

Herr Schenk

Herr von Braunnühl

Herr Zeller	Herr Fischer	Herr Schulmann	Herr Grunewald	Herr Genschler	HERR SCHMIDT	German Ambassador	Herr Lahnstein	Herr Blech	Herr von der Gableutz	Herr Peters
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ENTRANCE

Lord Bridges	Mr. Whitmore	Sir K. Couzens	Sir R. Armstrong	Sir G. HOME	PRIME MINISTER	LORD CARRINGTON	Sir I. GILMOUR	Sir M. PALLISER	Sir O. WRIGHT	Mr. J.L. Bullard
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Mr. C. Anson Mr. G. Walden

Mr. Laine

Mr. M. Alexander

Mr. Ingham

PLENARY - TABLE TAKES 11 A SIDE

WINDOWS

Germany

CHEQUERS

BUTLER'S CROSS, AYLESBURY

BUCKS

23 March 1980

My dear Caroline,

Chancellor Schmidt's Visit - 27-28 March 1980

✓ Thank you for your note. I had anticipated an interpreter for Herr Genscher, and note the meal requirement for him.

✓ We shall be well covered for the likes at breakfast, so it will not matter if you do not get an answer. We shall have the wide choice to cover the other German guests.

I note the 4 o'clock tea requirement. May I suggest that we should be prepared to serve it at the Conference table or, if a break is needed, in the Long Gallery? We shall of course have some tea available in the White Parlour for those not in the big talks (only those who need to be in the house!) agree?

will be served in long gallery

Would you also like 'drink trays' in the Long Gallery and the Hawtrey Room, to be prepositioned? One has to be careful that the Great Hall does not become a ('free for all').

does not include 1980 members

✓ P.M. I would be glad to have numbers for the Great Parlour table and I will then make sure that there are plenty of chairs and tables around the room.

✓ V.M. Also, I would like a guest list for accommodation please, and the cottage, where it will be pre-stocked with suitable refreshments and breakfast self-help food stocks. (They go out for main meals.)

/The Prime Minister

The Prime Minister talked to me this morning about the general plans, and no snags arose. We toured the gardens and she agreed on a site for the tree planting. I explained that it would be subject to Mr. Ryland's assurance that it would not interfere with the security. I have already spoken to him, and said I want a 'clear' by Tuesday to enable our Head Gardener to prepare the ground. I have no doubt that any re-arrangement will be close enough to the Prime Minister's wishes. The Prime Minister was very pleased with the pink Horse Chestnut.

As far as the buffet is concerned, she stressed the need to 'keep it out of sight'. We are planning to have room in the White Parlour for the fifteen to sit, and the laying up will be done discreetly!



10 DOWNING STREET

From the Private Secretary

21 March 1980

Bless you for coming over this afternoon. I am enclosing copies of the lists of names I have made for our files which may well not be correct but I thought I better get them down. Sue Goodchild will not send out any invitations until she has received your final list.

Michael and I have agreed between us that the Foreign Secretary and Foreign Minister Genscher should arrive at Chequers at 11.00 a.m. on Friday 28 March.

You kindly said that you would be letting Jane Parsons have a car list from your side.

I have by the same post written to Vera Thomas about:

1. Food for the interpreter.
2. Breakfast for Herr Schmidt. I told her I would let her have details next week.
3. Tea to be served at 1600 hours at the Plenary.

CAROLINE STEPHENS

Miss Peggy Metcalfe, O.B.E.,
Foreign and Commonwealth Office.

NOTE FOR THE FILE

Buffet Lunch at Chequers on Friday 28 March

Michael Alexander
George Walden
Bernard Ingham
Charles Anson
Julian Bullard
Herr Armin Grunewald
Herr Klaus Zeller
Herr Wulf Liebau
Herr Hans-Jochen Peters
Herr Reinhold Schenk
Herr Peter Metzger
Herr Heinz Weber
Herr Gerold von Braunmuhl
+2

= 15

es.

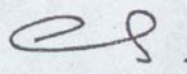
ALL NAMES TO BE CHECKED AGAINST LIST THAT IS COMING FROM THE
FOREIGN OFFICE

NOTE FOR THE FILE

Plenary Session at Chequers

Prime Minister
Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Lord Privy Seal
Secretary of State for Energy ?
Sir Robert Armstrong
Sir Michael Palliser
Sir Douglas Wass or Couzens
Sir Oliver Wright
Michael Alexander
Clive Whitmore
George Walden
Bernard Ingham
Julian Bullard
Charles Anson

= 15



|| Germans are being asked to submit 15 names. ||

NOTE FOR THE FILE

Possible Guest List for the Lunch in the Dining Room on
Friday 28 March

- | | |
|---|-------------------------------------|
| - Prime Minister | - Chancellor Schmidt |
| - Mr. Denis Thatcher | - Foreign Minister Genscher |
| - Foreign Secretary | [Interpreter] <i>Herr Lahnstein</i> |
| - Chancellor of the Exchequer | - Herr Schlecht |
| - Lord Privy Seal | Herr Horst Schulmann |
| - Sir Robert Armstrong | Herr Klaus Blech |
| - Sir Michael Palliser | Herr Per Fischer |
| - David Wright <i>Sir Kenneth Gwynne</i> | Herr <i>Herr Ruckfus</i> |
| - Sir Oliver Wright | |
| - Clive Whitmore (?) | |

= 10

= 8

(two reserves:-

Secretary of State for Energy
Sir Jack Rampton)

e.p.

ALL NAMES TO BE CHECKED AGAINST LIST THAT IS COMING FROM THE
FOREIGN OFFICE



10 DOWNING STREET

From the Private Secretary

21 March 1980

Chancellor Schmidt's Visit - 27/28 March

May I mention one or two small details please regarding the above:

1. An interpreter will have to be present at the sit-down dinner in the dining room. He will not require a meal until after the dinner and his chair should be placed as close as possible to Foreign Minister Genscher.
2. I am checking what Chancellor Schmidt likes for breakfast and will be letting you know.
3. Could you very kindly serve tea at 1600 hours during the Plenary Session on Friday 28 March.

Please do not hesitate to contact me if I can help in any other way.

CAROLINE STEPHENS

Miss Vera Thomas, O.B.E.



Foreign and Commonwealth Office

London SW1A 2AH

21 March 1980

Dear Michael,

KONIGSWINTER CONFERENCE: MESSAGE OF GREETING

/ In response to your letter of 5 March,
/ I attach a draft message of greeting from
the Prime Minister to the Königswinter
Conference which starts next Thursday,
/ 27 March, on the theme 'New Demands on
Europe'. I also attach a copy of the
Secretary of State's message.

I should be grateful if the signed
message could be returned to us for onward
transmission to the Königswinter organisers.

(G G H Walden)

M O'D B Alexander Esq
10 Downing Street

DRAFT MESSAGE FROM THE PRIME MINISTER

Type for issue

I should like to offer my warm congratulations on the occasion of the 30th anniversary of the Königswinter conference. In these 30 years the Conference has made a unique contribution to the development of a new level of understanding between the United Kingdom and the Federal Republic of Germany. It stands no longer alone as a forum for the exchange of views between men and women of influence in our two countries, indeed, ~~the two Heads of Government are by happy coincidence holding one of their regular meetings simultaneously with your own.~~ But in its ability to attract participants of the highest calibre from varied walks of life and in the freedom and intimacy ^{of} its discussions it still has no competitor, ~~and continues to meet a very real need.~~

This year's Conference draws attention - not for the first time - to the continuing need to adapt to change in world political and economic affairs. Since the 1970s drew to their close the winds of change ~~are~~ ^{have} ~~blowing~~ ^{blown} more strongly than ever. I wish Königswinter every success in exploring ways of formulating our joint responses.

I look forward to attending your dinner on 28 March together with Chancellor Schmidt, and to seeing you all then.

Amis



I should like to join the Prime Minister in offering sincere congratulations to Königswinter on reaching its 30th Birthday. I admire and appreciate the sense of purpose and freshness of approach that continue to characterise the conferences. In thanking the Königswinter participants, and in particular the organisers, for the special contribution you are making to the promotion of Anglo-German relations, I wish the present conference all success.

(CARRINGTON)

Foreign and Commonwealth Office

Top copy: European
Psl - Council mtg

Ref. A01762

MR. ALEXANDER

European Council

The Prime Minister will wish to decide who should attend the briefing meeting which has been arranged for Wednesday, 26th March, at 10.30 am. The briefing will cover the visit of Chancellor Schmidt as well as the European Council.

2. The Prime Minister might invite the following Ministers: Foreign and Commonwealth Secretary, Chancellor of the Exchequer, Lord Privy Seal and Secretary of State for Energy. The Minister of Agriculture will be in Brussels but if the Prime Minister wished there might be advantage in him being represented by Mr. Buchanan-Smith. The Secretaries of State for Industry and for Trade should also be invited if they participate in the Schmidt visit, although this is at the moment in some doubt since their German counterpart, Count Lambsdorff, will not now be accompanying Chancellor Schmidt.

3. The Prime Minister might also include the following officials who will be going to the European Council from London: Sir Robert Armstrong and Mr. Franklin (Cabinet Office), Sir Kenneth Couzens (Treasury), Sir Michael Palliser and Lord Bridges (Foreign and Commonwealth Office). Sir Michael Butler and Sir Oliver Wright should no doubt also be included. The Prime Minister might also wish to have Sir Brian Hayes (Permanent Secretary in the Ministry of Agriculture) and Mr. Jones of the Department of Energy in Sir Jack Rampton's absence.

D. J. WRIGHT

D. J. WRIGHT

20th March, 1980

CONFIDENTIAL

2005



Foreign and Commonwealth Office

London SW1A 2AH

20 March 1980

Dear Michael,

Anglo-German Consultations: 27-28 March

Since my letter of 18 March we have heard that Count Lambsdorff is prevented by illness from attending the Anglo-German consultations on 27-28 March. The Germans have suggested that his place should be taken by the senior official in the Economics Ministry, State Secretary Schlecht, who is mainly responsible for the trade aspects of Count Lambsdorff's portfolio, rather than those of energy and industry. It would be useful if Nr Nott could have a session with Herr Schlecht in the morning. The Embassy in Bonn describe Herr Schlecht as a heavyweight in the Economics Ministry, who regularly attends EC Council Meetings. A personality note is enclosed.

I am sending copies of this letter to David Wright (Cabinet Office) and to the Private Secretaries to the Chancellor of the Exchequer, the Lord Privy Seal, the Minister of Agriculture, Fisheries and Food and the Secretaries of State for Defence, Industry, Trade and Energy.

*yours man
Roderic Lyne*

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

CONFIDENTIAL

SCHLECHT, DR OTTO

Official State Secretary in the Federal Ministry of the Economy.

Born 1926 in Biberach (Swabia). The son of a butcher. War service; American POW. 1947-52 studied economics at Freiburg University. Joined the Federal Ministry of the Economy in 1953 and has risen rapidly by sheer ability. A non party figure who has served Ministers of different parties with equal success, impressing each in turn. The right hand man of the Economics Minister, Graf Lambsdorff.

In 1967 Professor Schiller made him Head of the Department dealing with economic policy. Following the General Election in 1972 and the resignation of Dr Mommsen he was promoted to his present position where he is responsible for general domestic economic policy and European Community policy.

Schlecht has consistently held the line against attempts to erode the social market economy from within, and although pragmatic in his private view of the policies of others can be relied upon to voice opposition of what he regards as protectionist trends.

A tall, bulky human man, who retains a strong Swabian accent and simple tastes. His bonhomie and sometimes coarse humour do not mask his ability. Friendly and well disposed towards Britain, but a firm defender of German interests.

Married, no children. Understands English quite well, although prefers to speak through an interpreter. His wife speaks English quite well. Both are keen, not very good, golfers.



Foreign and Commonwealth Office

London SW1A 2AH

18 March 1980

Dear Michael,

Anglo-German Consultations: 28 March

Further to the discussion on Ministerial participation at the plenary session of the next Anglo-German talks at Chequers in March, we have now established the following:

- (a) Ministers of Agriculture will be tied up at an Agriculture Council meeting that day and neither Mr Walker nor Herr Ertl will therefore be available.
- (b) As already noted, Mr Pym will be in China and Herr Apel will therefore not be coming.
- (c) Sir Keith Joseph has a commitment in Glasgow on 28 March. The Prime Minister may wish to discuss with him whether it would be more important for him to have private discussions with Count Lambsdorff and attend the Chequers talks.
- (d) We understand from our Embassy in Bonn that Count Lambsdorff would welcome discussions with Mr Nott on this occasion. Mr Nott has a constituency engagement which will make it very difficult for him to attend the afternoon's talks at Chequers: the Prime Minister may wish to consider whether he should delay his departure for Cornwall in order to have an hour's talk with Count Lambsdorff first thing on the morning of 28 March.

It would also be useful for planning purposes to establish which officials should attend the plenary session. We would suggest that in addition to Sir Robert Armstrong and Sir Oliver Wright, each Minister should be accompanied by his Permanent Secretary.

I am sending copies of this letter to David Wright (Cabinet Office) and to the Private Secretaries to the Chancellor of the Exchequer, the Lord Privy Seal, the Minister of Agriculture, Fisheries and Food and the Secretaries of State for Defence, Industry, Trade and Energy.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

CHANCELLOR SCHMIDT VISIT

The attached second draft has been distributed as indicated below. Visits Section PCD (tel 213 4613/5016) would be grateful for any amendments or additions as soon as possible.

Embassy of the German Federal Republic

Frau I Kohlhaas (2)

No 10 Downing Street

Private Secretary (1)
Miss Jane Parsons (1)
W/Gdr V Thomas (Chequers) (1)

Press Office
Cabinet Office

P/S to the Secretary to the Cabinet (1)

Foreign and Commonwealth Office

Private Secretary (1)

P/S to LPS (1)

P/S to PUS (1)

WED (1)

Mr R Beer (PUSD) (1)

PCD (3)

HM Treasury

P/S to Chancellor of the Exchequer (1)

Department of Trade

P/S to S of S for Trade (1)

Department of Energy

P/S to S of S for Energy (1)

Ministry of Defence

Air Commodore J Frost (1)

Government Hospitality Fund

Mr Colin Taylor (2)

Special Branch

Inspector Hilton-Cole (1)

Visits Section
Protocol and Conference Department
Foreign and Commonwealth Office SW 1

14 March 1980

2ND DRAFT (AS AT 14 MARCH 1980)

ADMINISTRATIVE PLAN FOR THE VISIT OF THE CHANCELLOR OF
THE FEDERAL REPUBLIC OF GERMANY H.E. HERR HELMUT SCHMIDT
27/28 MARCH 1980 (ANGLO-GERMAN SUMMIT)

1. PROGRAMME

Talks between the German delegation led by Chancellor Helmut Schmidt and the United Kingdom led by the Prime Minister the Rt Hon Mrs Margaret Thatcher MP will take place both at Chequers and in Whitehall on Thursday, 27 March and Friday, 28 March. The talks will end with a plenary session at Chequers, following which both Leaders will attend the Koenigswinter Dinner at Cambridge in the evening.

Details of the programme as at present known are shown at Annex 1.

2. COMPOSITION OF THE DELEGATION

Details of the two delegations are shown at Annex 2.

3. ARRIVAL AND GREETING

See Annex 1.

4. ACCOMMODATION

Chancellor Schmidt will stay with the Prime Minister at Chequers. Herr Genscher will stay with Lord Carrington at Bledlow. Members of their party will stay either in the Chequers or Bledlow area. Count Lambsdorff and all other German officials will stay at Brown's Hotel. Details are shown at Annex 3.

5. OFFICE ARRANGEMENTS

- a) The German delegation will establish an office at Chequers - details shown at Annex 3.
- b) UK Office - The establishment of a UK office is being considered.

6. PRESS ARRANGEMENTS

Arrangements for the Press are being coordinated by Mr Denis Healy, News Dept, FCO.

- a) A Press centre will be established at the Shoulder of Mutton. Press cars will remain at the Shoulder of Mutton. Two coaches will take the Press to Halton and Chequers.
- b) Photocall for the tree planting ceremony.
- c) A Press conference will take place at Halton House, at RAF Halton on 28 March.

7. INTERPRETATION

Herr Genscher will be accompanied by one interpreter.

8 SECURITY

a) Special Branch will provide the personal security arrangements for Chancellor Schmidt and Herr Genscher throughout the visit.

b) Chequers

Entry to Chequers is strictly controlled and except where otherwise stated all vehicles should enter by the Bothy Gate. Only those whose names have been identified in advance will be given access.

c) Car Stickers

All cars going to Chequers will require stickers. Cars not provided with stickers by GHF should apply to PCD.

9. TRANSPORT ARRANGEMENTS

a) Cars for the German delegation as required will be supplied by Government Hospitality Fund.

b) Additional vehicles will be provided by the FRG Embassy as necessary. Motorcycle escorts for Chancellor Schmidt, Herr Genscher and Ministers travelling from London to Chequers will be provided.

c) Cars for UK participants should be obtained through Departmental sources as necessary.

d) If bad weather prevents helicopters being used to take the Prime Minister and Chancellor Schmidt from Chequers to Cambridge on Friday evening, the party will travel by road.

e) Aircraft - Chancellor Schmidt's aircraft will remain overnight at RAF Benson, (27/28 March) and fly to Cambridge Airfield (Marshalls) on 28 March positioning to await his arrival. Other German aircraft will return overnight to Bonn.

10. DEPARTURE ARRANGEMENTS

a) The German Minister(s) including Herr Genscher will travel to Northolt by car from Chequers following the plenary talks. A Special Representative of the Secretary of State will say farewell.

b) Chancellor Schmidt and his party will leave St Catherine's College by car for the Cambridge Airfield (Marshalls) for final departure. The Prime Minister will bid farewell.

11. GHF ESCORT OFFICERS

The following Escort Officers will be in attendance throughout the visit:

Group Captain Thomson will escort Chancellor Schmidt and will coordinate transport arrangements at Chequers. Three other GHF Escort Officers will be in attendance (as yet unnamed).

ADMINISTRATION

Any enquiries about these arrangements should be directed to Visits Section, (tel no 233 4613/5016), Protocol & Conference Department.

Visits Section
Protocol & Conference Department

14 March 1980

DISTRIBUTION

Embassy of the German Federal Republic

Frau I Kohlhaas

No 10 Downing Street

Private Secretary
Press Officer
W/Cdr V Thomas (Chequers)

Cabinet Office

PS to Secretary to the Cabinet

Foreign & Commonwealth Office

Private Secretary
PS/LPS
PS/PUS
WED
Mr R Beer (PUSD)
PCD
Resident Clerk

HM Treasury

PS/Chancellor of the Exchequer

Ministry of Defence

Air Commodore J Frost (Protocol)

Department of Trade

PS/Secretary of State for Trade

Department of Energy

PS/Secretary of State for Energy

Government Hospitality Fund

Mr C F E Barclay
Mr C Taylor

RAF Northolt

Metropolitan Police

Special Branch

Inspector Hilton-Cole

Thames Valley Police

Mr H R Ross

VISIT OF CHANCELLOR SCHMIDT - OUTLINE PROGRAMMEThursday, 27 March

- 1900 (a) Chancellor Schmidt, and his party and Herr Genscher and his party arrive at RAF Benson in two aircraft type VFW 614.
Met by The Prime Minister
By car to Chequers
- 1930 Arrive at Chequers - enter by Victory Gate.
- 2000 Dinner at Chequers for Chancellor Schmidt and Herr Genscher given by the Prime Minister and Lord Carrington (4 principals, 2 Ambassadors and 2 Private Secretaries).

Chancellor Schmidt will stay the night at Chequers. Herr Genscher will stay with Lord Carrington at Bledlow.
- PM (b) Count Lambsdorff, his Private Secretary and Security Officer arrive Northolt/LAP. Met by FCO Greeter
Dinner with the Lord Privy Seal.
Count Lambsdorff will stay at Brown's Hotel.

Friday, 28 March

- 0830 approx Remaining German officials arrive Northolt and are taken by car to London.
- ? Tête à Tête talks between Chancellor Schmidt and the Prime Minister who will be joined later in the morning by Lord Carrington and Herr Genscher.
- 0930 Tête à Tête talks between Lord Carrington and Herr Genscher (an interpreter will be present)

Talks between German delegation and UK counterparts in London between 0900 and 1200 hours.
- ?1100 Lord Carrington and Herr Genscher join the Prime Minister and Chancellor Schmidt. (An interpreter will be present).
- 1200 German and UK Ministers leave London for Chequers with officials.
- 1245 Chancellor Schmidt will plant a chestnut tree in the grounds of Chequers (Photocall).
- 1300 for 1315 Luncheon at Chequers (Ministers and senior Advisers).
- 1500 Plenary Meeting in the Great Parlour
- ?17~~30~~⁰⁰ Press Conference at RAF Halton. (Leave Chequers by car)
- ?1830 Herr Genscher, Count Lambsdorff and those members of the German delegation not going to the Koenigswinter Dinner will leave for Northolt.

1850 Prime Minister and Chancellor Schmidt and their parties leave by helicopter for Cambridge.

1920 Arrive Trinity College lawn - leave by car for St Catherine's College.

1930 Drinks with the Vice Chancellor (Professor Sir Peter Swinnerton-Dyer)

2000 Attend Koenigswinter Dinner at St Catherine's College, Cambridge. (informal)

2230 approx Chancellor Schmidt and his party leave for the Cambridge City Airfield(Marshalls) and return to Germany.

GERMAN DELEGATIONThe Federal Chancellor's Party

Herr von der Gablenz	- Senior Political Adviser
Herr Schulmann	- Senior Economic Adviser
Herr Zeller	- Political Adviser
Herr Peters	- Private Secretary
Herr Grunewald	- Deputy Government Spokesman
Herr X	- Press Department
Herr X	- Shorthand Writer

4 security officers

12

The Federal Foreign Minister's Party

Herr Ruhfus	- Ambassador
Herr Blech	- Senior Political Adviser
Herr Fischer	- Senior Political Adviser
Herr X	- Press Department
Herr X	- Private Secretary
Herr Schenk	- Head of Great Britain and US Desk
Frau Sebourg	- Interpreter

4 security officers

10

Graf Lambsdorff's Party

2 senior political advisers

1 private secretary

3 security officers

6

/Ministry

Ministry of Finance

2 senior political advisers

3 security officers

5

POSSIBLE UK DELEGATION

Prime Minister

2 Private Secretaries

Chief Press Officer

Secretary to the Cabinet

Secretary of State for Foreign & Commonwealth Affairs

Private Secretary

Lord Privy Seal

Private Secretary

Permanent Under-Secretary of State

Chancellor of the Exchequer

Private Secretary

Permanent Under-Secretary of State

Secretary of State for Trade

Private Secretary

Permanent Under-Secretary of State

Secretary of State for Energy

Private Secretary

Permanent Under-Secretary of State

ARRANGEMENTS AT CHEQUERS & BLEDLOWACCOMMODATIONChequersFirst Floor

Bedroom 1 Chancellor Schmidt's Private Office
 2 Prime Minister's Bedroom
 3 Chancellor Schmidt's Bedroom
 4)
)
 5) German Officials 3/4
)
 6)
 7)
) No 10 Private Secretaries
 8)

Second Floor

Astley Room
 1 and 2 German Security Officers
 Prison Room No 10 Secretaries

Talks

Tête a Tête in the Hawtrey Room and White Parlour
 Plenary Meeting - Great Parlour

Chequers Cottage

German Delegation office and accommodation for 3 Embassy officials
 GHF Escort Officer (Group Captain Thomson) bedroom and office

Hotels

Shoulder of Mutton - Press officers
 Red Lion, Wendover - German officials/Embassy
 Rose and Crown,
 Saunderton - Herr Genscher's staff

TELEPHONES

- a. Lines from the No 10 switchboard will be provided in all bedrooms in the house at Chequers and in the German Delegation office and the GHF Escort Officer's room in the Cottage.
- b. A direct line for Bonn will be provided in the German Delegation office in the Cottage.
- c. ?A direct line from the Shoulder of Mutton to the Cottage.

MEALS

All German and UK officials and accompanying staff (including security personnel) who are not included in the meal arrangements at Chequers will have meals at one of the nearby Inns. GHF are investigating the possibilities.

H. R.

Caudine

THURSDAY/FRIDAY 27/28 MARCH

Car 4 to Chequers with Miss Scriven and Telephone girls.

Car 4 then returns to London.

Car 3 with Mr. Ingham and Mr. Anson to Shoulder of Mutton, thence to RAF Benson.

Car 3 to remain at their disposal until no longer required. Then to return to London.

1645 Leave House of Commons for RAF Benson

Car 1 Prime Minister
(K.G.) Mr. Whitmore/Mr. Alexander
Superintendent Cawthorne

Car 2 Mr. Alexander/Mr. Whitmore

1845 Arrive RAF Benson

1900 Meet Chancellor Schmidt

Drive to Chequers [approximately 30 minutes]

Armoured Police Car

Prime Minister
Chancellor Schmidt
Superintendent Cawthorne

Car 1 Mr. Whitmore/Mr. Alexander
German Private Secretary
German Detective

Car 2 Mr. Alexander/Mr. Whitmore

Car 3 Mr. Ingham
Mr. Anson

Car 2 returns to London.

FRIDAY 28 MARCH

0830 Car 3 from London to collect Miss Brown en route and then to Chequers.

Car 3 thereafter to be at the disposal of Mr. Ingham and Mr. Anson at the Shoulder of Mutton.

Mr. Newell to Cambridge with D/C Kingston.

Armoured Police car to Cambridge.

Car 2 and Car 4 from London to Chequers. Timing of each to be decided nearer the time. In any event both to be at Chequers by 1500.

1640 Leave Chequers for RAF Halton

Car 1 Prime Minister
Chancellor Schmidt
Superintendent Cawthorne

Car 2 Mr. Whitmore/Mr. Alexander
German Private Secretary
German Detective

Car 3 with Mr. Ingham and Mr. Anson to RAF Halton.

Car 4 Mr. Alexander/Mr. Whitmore

1700 Press Conference

1730 Return to Chequers

Cars as before

1850 Leave Chequers by helicopter

Prime Minister
Chancellor Schmidt
Mr. Alexander
German Private Secretary
Superintendent Cawthorne
German Detective
G.H.F. Escort Officer

Cars 1, 2, 3 & 4 to remain at Chequers until helicopter has taken off. Thence to No. 10 with
Mr. Whitmore
Mr. Ingham
Mr. Anson
Miss Brown

1920 Arrive Helipad at Trinity College, Cambridge.

Drive to St. Catherine's College

Armoured Police Car	Prime Minister Chancellor Schmidt Superintendent Cawthorne
---------------------	--

Mr. Newell	Mr. Alexander German Private Secretary German Detective
------------	---

Police Car	D/C Kingston
------------	--------------

1930 Arrive St. Catherine's College

2000 Königswinter Dinner

2230 Leave St. Catherine's College for Cambridge Airport

Cars as on arrival.

Chancellor Schmidt departs.

Drive to Chequers

Drive to London

Mr. Newell	Prime Minister D/C Kingston
------------	--------------------------------

Armoured Car	Mr. Alexander Supt. Cawthorne
--------------	----------------------------------

CHANCELLOR'S DELEGATION

	<u>Accommodation</u>
1) Chancellor Helmut Schmidt	- Chequers
2) Deputy Government Spokesman Mr Armin Grunewald	- Chequers
3) Deputy Secretary Mr Horst Schulmann	- Chequers
4) Under-Secretary Mr Otto von der Galentz	- Chequers
5) Assistant Secretary Mr Klaus Zeller	- "Red Lion", Wendover
6) Mr Wulf Eberhard Liebau Press and Information Office	- "Shoulder of Mutton"
7) Senior Principal Mr Hans-Jochen Peters <small>PRIVATE SECRETARY</small>	- Cottage
8) Mr Georg Poles Shorthand Writer	- "Red Lion", Wendover
9) Mr Engelbert Reinecke Photographer	- "Red Lion", Wendover
10) 1 Security Officer	- Chequers
11-13) 3 Security Officers	- "Red Lion", Wendover

FOREIGN MINISTER'S DELEGATION

		<u>Accommodation</u>
1)	Foreign Minister Genschler	- Bledlow
2)	Ambassador Jurgen Ruhfus	- Hotel "Shoulder of Mutton"
3)	Deputy Secretary Mr Klaus Blech	- Bledlow
4)	Deputy Secretary Mr Per Fischer	- Hotel "Shoulder of Mutton"
5)	Assistant Secretary Mr Reinhold Schenk	- Hotel "Red Lion" Wendover
6)	Senior Principal Mr Peter Metzger	- Hotel "Red Lion" Wendover
7)	Assistant Secretary Mr Heinz Weber	- Hotel "Red Lion" Wendover
8)	Senior Principal Mr Gerold von Braunmuhl	- Bledlow ?
9)	Executive Mr Herbert Rothen	- Hotel "Red Lion" Wendover
10-13)	4 Security Officers	- "Black Prince" Princes Risborough

* * * * *

Members of the Embassy who will spend the night near Chequers:

Mr Kiewitt	-	Hotel "Shoulder of Mutton" if Mr Blech stays at Bledlow
Mr Gnodtke	-	Cottage (delegation bureau)
Miss Krems	-	Cottage (1st floor)

GERMAN
DELEGATION (Continued)

Ministry of Finance
Herr Larnstein

One Senior Political Adviser

State Secretary Schlecht (Economics)

Two Officials

H. R.

Caroline

OUTLINE OF No. 10 DOMESTIC ARRANGEMENTS FOR THURSDAY/FRIDAY 27/28 MARCH

Car 3 with Mr. Ingham and
Mr. Anson to Shoulder of Mutton
Thence to RAF Benson.

1645 Leave House of Commons for RAF Benson

Car 1 Prime Minister
Mr. Whitmore/Mr. Alexander
Superintendent Cawthorne

Car 2 Mr. Alexander/Mr. Whitmore

1845 [The drivers say that 2 hours is more than enough for this journey.]

1900 Meet Chancellor Schmidt

Drive from RAF Benson to Chequers [note 1]

Armoured Police Car [note 2]

Prime Minister
Chancellor Schmidt
Superintendent Cawthorne

Car 1
Mr. Whitmore/Mr. Alexander
German Private Secretary
German Detective

Car 2
Mr. Alexander/Mr. Whitmore

Car 3
Mr. Ingham
Mr. Anson

note 1. FCO gave driving time as 30 minutes. Our drivers say it is nearer 45 minutes. Ken Godbeer intends to drive the route while at Chequers this week-end.

note 2. We know that an armoured Police car is to be at Cambridge on the Friday. Is there another one available to drive Chancellor Schmidt on Thursday from Benson to Chequers and on Friday for Chequers/Halton

H. R.
FRIDAY 28 MARCH

0830 Car 3 with Miss Brown to Chequers.

Car 3 thereafter to be at the disposal of Mr. Ingham and Mr. Anson.

Car 2 from No. 10 to Chequers in mid-morning. Taking Box if required.

[Time] Leave Chequers for RAF Halton [note 1]

[* Armoured Police Car] Prime Minister
Chancellor Schmidt
Supt. Cawthorne

Car 1 Mr. Whitmore/Mr. Alexander
German Private Secretary
German Detective

Car 2 Mr. Alexander/Mr. Whitmore

Car 3 Mr. Ingham and Mr. Anson - probably
in advance of the Prime Minister.

[Time to be checked] Press Conference

Return to Chequers

Cars as before.

1850

~~1900~~ Leave Chequers by helicopter

Prime Minister
Chancellor Schmidt
Mr. ~~Whitmore~~/Mr. Alexander
German Private Secretary
Supt. Cawthorne
German Detective

note 1. Time has been shown as five minutes. Our drivers say that 15 minutes should be allowed - 10 minutes to RAF Halton perimeter and an extra 5 minutes to the Officers' Mess.

W. R.
1920 Arrive Helipad at Trinity College, Cambridge.

Drive to St. Catherine's College

Armoured Police Car Prime Minister
Chancellor Schmidt
Supt. Cawthorne

Mr. Newell's car ~~Mr. Whitmore~~/Mr. Alexander
German Private Secretary

Police Cars D/C Kingston
German Detective

1930 Arrive St. Catherine's College

2000 Koenigswinter Dinner

Leave St. Catherine's College for Cambridge Airport
Cars as on arrival.

Chancellor Schmidt departs.

Drive to Chequers

Car 1 (Mr. Newell)
Prime Minister
D/C Kingston

Drive to London

Armoured Police Car
Mr. ~~Whitmore~~/Mr. Alexander
Supt. Cawthorne

E. R.

Germany
Schmidt file

CAROLINE

Schmidt visit

The PM has to return from Cambridge to Chequers or London.

Do you happen to know which?

I believe there is a suggestion that she might return by the helicopter which will have flown her, with the Chancellor, from Chequers to Cambridge.

If there is a thought that the helicopter might take her back to Chequers may I put my oar in now and say that I do not think this is a good idea. The RAF have never landed at Chequers after dark, and when asked once before to do so were so reluctant that the idea had to be dropped. Added to which it would mean getting out ambulances and fire tenders and all the paraphernalia which goes with the use of the helicopter and which I think the PM would prefer to avoid if possible.

And there is always the chance of poor weather making a helicopter flight impossible.

While she could of course land at Northolt again this might be difficult. The airfield closes at about 2000 and though they will keep it open for a while after that (on payment of course) they would try to avoid staying open so late.

Rang Christine Jones.
to say car not helicopter. Jane
18/3

PRIME MINISTER

Gift for Helmut Schmidt

1. You asked for enquiries to be made into the possibility of crests being put on the bottom of a Worcester or Crown Derby dessert service. I am told that the Trustees would not agree to Lord Lee's crest being used and no crest exists for 10 Downing Street.

2. Can I have your agreement that we do not give Helmut Schmidt a present? We did not give Giscard one and you did not receive one when in Bonn.

He was not given a present by the P.M. J. H.

C.S.

Not a crest

17 March 1980

but just-

Continuing
Correspondence
in Appointments
Section.

"Chequers"

on the back of the plate
not

CAROLINE



10 DOWNING STREET

MR. THATCHER

Schmidt Visit

The Prime Minister would very much like you to attend the lunch for Chancellor Schmidt at Chequers on Friday 28 March if this is convenient to you.

My feeling is that it would probably be best if you went for the lunch ^{only} as they are having a very small working dinner the night before.

ep.

over

13 March 1980

1. Right, Lunch
at Chequer's FRI
28 March
2. I will travel to
Chequer's FRI am.
3. I will go to
Lestney Castle on
SUN. 30 Mar.
until WED 2 Apr.
am.

S 20/3

E.P.

NOTE FOR THE FILE

I agreed with both Peggy Metcalfe and Vera Thomas that Chancellor Schmidt would plant a horse chestnut at Chequers and not a tulip tree. The reason for this is that the gardener at Chequers has implied that the tulip tree would not survive where the site has been chosen.

ES.

13 March 1980

RESTRICTED

Five

Germany

13 March 1980

VISIT OF CHANCELLOR SCHMIDT

I have discussed your letter of 12 March with the Prime Minister.

The Prime Minister has decided that:

- (a) Her dinner for Chancellor Schmidt on Thursday evening should be limited to, at most, eight people. Subject to any advice that George Walden may wish to offer, the guests might, in addition to the four principals, be the two Ambassadors and two Private Secretaries;
- (b) She will give a Press Conference, together with Chancellor Schmidt, at RAF Halton on the afternoon of Friday 28 March. The precise timings can be worked out later, but might well be on the lines suggested in your letter;
- (c) The Prime Minister will meet Chancellor Schmidt at RAF Benson.

The arrangements for lunch on Friday are still under discussion.

The Prime Minister has expressed a general wish that the press should be in evidence as little as possible at Chequers. She accepts, however, that they will wish to photograph the tree-planting ceremony.

I am sending a copy of this letter to George Walden and to Bernard Ingham.

M. O'D. B. ALEXANDER

Miss P. T. Metcalfe, OBE,
Foreign and Commonwealth Office.

RESTRICTED

CONFIDENTIAL

1) C.A.W./N.W.
2) C.F.

Cabinet Office,
Whitehall,
London, SW1

12th March, 1980

PS(80) 4

Dear Private Secretary,

Visit of Chancellor Schmidt - 27th-28th March 1980

This letter sets out the briefing arrangements for the visit of Chancellor Schmidt on 27th-28th March 1980.

The objectives for the visit, as approved by the Prime Minister, are at Annex A. The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex B. Instructions on format are at Annexes C and D. If Departments who wish to be consulted on certain briefs do not find their names indicated in Annex B, they should contact the lead Department direct to indicate their Departmental interest in a brief.

Seventy-five copies of each brief should be sent to the Cabinet Office, 70, Whitehall, to arrive no later than 12.00 noon on Friday, 21st March. They should be addressed to Mrs. Mary Wagner in Committee Section, who should be consulted (tel. no. 233 7628) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Michael Palliser, Sir Douglas Wass, Sir Kenneth Couzens, Sir Frank Cooper, Sir Kenneth Clucas, Sir Peter Carey, Sir Jack Rampton, Sir Brian Hayes and, for information, to Michael Alexander at No. 10.

Yours sincerely,

(Signed) D. J. WRIGHT

CONFIDENTIAL

BRITISH OBJECTIVES

1. To convince Chancellor Schmidt of the Government's readiness to co-operate fully in the Community's development and in Europe's response to major external political and economic problems; and to enlist his support for a satisfactory budget settlement.
2. To align British and German views on how to handle the Afghanistan crisis, including its implications for East-West relations, defence/arms control and Western consultation mechanisms.
3. To reach a common assessment of the international economic and monetary situation including energy prospects and policies, and on the handling of these matters in the runup to the Venice Economic Summit.
4. To strengthen the Anglo-German relationship at the top level and give an impulse to co-operation in the fields covered by the other Ministers who will take part in the talks.

PROBABLE GERMAN OBJECTIVES

1. To ensure that the FRG and the United Kingdom co-operate in helping to formulate and carry through a balanced and identifiably European set of responses to the Soviet invasion of Afghanistan without detriment to German interests in their relationship with France and with the USSR and Eastern Europe and without damage to SPD and FDP prospects in the October elections.
2. To get British agreement to settle the EC budget problem on the basis of the maximum which is acceptable to the other members of the Community.
3. To establish, at the same time, how far Her Majesty's Government are prepared to contribute to Community policies and development in the general framework of a budget settlement, notably in the areas of CAP reform, CFP, sheepmeat and energy, and by joining the EMS exchange mechanism.

CONFIDENTIAL

ANNEX B

LIST OF BRIEFS FOR VISIT OF CHANCELLOR SCHMIDT
27th-28th MARCH 1980

<u>RMV(80)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO	as appropriate
2.	European Community Questions		
	(i) Community Steering Brief	FCO	as appropriate
	(ii) Budget	Treasury	FCO Cabinet Office
	(iii) EMS	Treasury	FCO Cabinet Office
	(iv) CAP	MAFF	Treasury FCO Cabinet Office
	(v) Fisheries	MAFF	as appropriate
	(vi) North Sea Oil Policy	Energy	FCO Treasury
	(vii) External Community Questions	FCO	MAFF Trade as appropriate
	(viii) Other Internal Community Questions	FCO	as appropriate
3.	East-West Relations (including Afghanistan, Western consultation procedures, CSCE and CDE, inner German relations and Berlin)	FCO	MOD Treasury
4.	International Financial and Economic Scene	Treasury	FCO Trade
5.	North-South Dialogue (including Brandt Commission report)	FCO	Treasury
6.	Energy	Energy	FCO Treasury

CONFIDENTIAL

<u>RMV(80)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
7.	Defence Matters	MOD	FCO
8.	Arms Control and Disarmament (MBFR, SALT, TNF and non- proliferation)	FCO	MOD Cabinet Office
9.	Regional Questions	FCO	as appropriate
	(i) Southern Africa and Rhodesia		
	(ii) China		
	(iii) South-East Asia		
	(iv) The Middle East (including Arab/Israel, Iran and Gulf security)		
	(v) Yugoslavia		
10.	FRG Internal 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 note the following:-

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained and with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.
- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) The top page only should bear the symbol and number of the briefs in the top left-hand corner (e. g. RMV(80) 4), with the date of production below; a copy number in the top right-hand corner; and the visit heading, the title of the brief (in capitals) and the name of the Department responsible (as in Annex D).
- (f) Briefs should bear at the foot of the last page, on the left-hand side, the name of the originating Department and the date of origin.
- (g) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the standard way with the brief number (e. g. RMV(80) 4 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation.
- (h) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.

/CLASSIFICATION/

ANNEX D

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

RMV(80) /Serial No./

COPY NO

/Date/

/Leave 1 1/2"
margin/

VISIT OF CHANCELLOR SCHMIDT
27-28 MARCH 1980

/SUBJECT/ /insert subject in capitals/

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

/At the foot of the last page:-/

/Department of origin e. g. Foreign and Commonwealth Office/

/Date/

/CLASSIFICATION/



10 DOWNING STREET

M. Alexander.

Schmidt U.K.

- ① Rang Peggy to tell her about the new Friday lunch arrangements.
- ② Schmidt now arriving at 1900 at RAF Benson. Will he p.m. still wish to meet him?
- ③ Thursday dinner for officials:-
The Bell at Aston Clinton is fully booked but Peggy has got Trout House table at Aylesham on side they will get special food sent from London.

12/3.

R.F.

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

12 March 1980

Michael Alexander Esq
No 10 Downing Street
LONDON

Dear Michael

In the paragraph on meals in my attached letter I have suggested that it will be possible to include all the German Senior Officials (and the British) at the Buffet Lunch on Friday. When discussing this with Vera Thomas yesterday she told me that 25 was the maximum number one could seat comfortably in the dining-room but that she would be prepared to have a couple of tables in the Great Hall if the Prime Minister agreed. I have not yet been able to discover the number of UK officials who will be present but based on the German list I would have said that the total number of Ministers, Senior Officials and including Private Secretaries who should be at the Lunch would total about between 30 and 34 and this number could quite easily be accommodated between the dining-room and the Great Hall.

Vera Thomas was very anxious that she herself should broach the use of the Great Hall with the Prime Minister this coming weekend which is why I have not spelt it out in the letter but nevertheless I thought you should know about it.

Yours ever

Peter Hoare

Miss P T Metcalfe
Protocol and Conference Department

*Told Peggy Metcalfe
table wd go
firm on 18 in the
dining room (hot lunch)
& the rest in the
great Hall (cold buffet)*

RESTRICTED

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

12 March 1980

Michael Alexander Esq
No 10 Downing Street
LONDON

Dear Michael,

VISIT OF CHANCELLOR SCHMIDT MARCH 27 - 28

As you may know we visited Chequers yesterday with the Germans and had a most helpful discussion with Vera Thomas. She showed us the accommodation which the Prime Minister had agreed should be made available for the Germans. This is as follows:

- | | | |
|-----------------|-----------------------------|--|
| a. German Side: | Room 1 | Chancellor Schmidt's Private Office |
| | Room 3 | Chancellor Schmidt's bedroom |
| | Rooms 4,5,6 | German officials (including Private Secretary) |
| | Astley Rooms
(2nd Floor) | Two German detectives |
| b. UK Side: | Room 2 | Prime Minister's bedroom |
| | Rooms 7,8 | No 10 Private Secretary's |
| | Prison Room
(2nd Floor) | Garden Room girls |

THE COTTAGE

The Germans will use the Cottage as their main (Embassy) Office. It will have a direct line to Bonn and all their safe-hand material will be delivered there. They will man this Office round the clock and Chancellor Schmidt's Office in the house will only operate during the day. Material will be sent up to Chancellor Schmidt's Private Secretary from the Cottage as necessary. The Germans will use two of the bedrooms in the Cottage and the third will be allocated to Group Captain Thomson, the GHF Escort Officer attached to Chancellor Schmidt. He will have a telephone from the house in his bedroom which he will man throughout the Friday and will be responsible for organising the Chancellor's car, helicopter, etc. All those in the Cottage will get their own breakfast and will use the Bernard Arms for their other meals.

/OTHER

RESTRICTED



OTHER ACCOMMODATION

The remainder of the staff attached to Chancellor Schmidt and Herr Genscher will have rooms in nearby hotels either in the Shoulder of Mutton or in hotels in Princes Risborough. As you know Herr Genscher himself plus his Private Secretary and a detective will be staying at Bledlow.

MEALS

a. Dinner on Thursday:

M.H.G. ask for
6-8

I would be grateful to know how many of those in Chancellor Schmidt's and Herr Genscher's party the Prime Minister wishes to invite to dinner on the Thursday night. The food at the Shoulder of Mutton is pretty second-rate and if all the German Senior Advisers are not included in the Chequers Dinner then I think we should try to arrange a meal, with some of their UK opposite numbers at the Bell at Aston Clinton.

b. Lunch on Friday:

Now that the Prime Minister has decided to have a Buffet Lunch on the Friday it should be possible to include all the Senior Advisers on the German side and it will obviate the necessity to arrange a top level meal elsewhere. The provisional German list is attached and I will send you a revised one as soon as we get this from the Germans.

PRESS CONFERENCE

News Department advised us that the Hawtry Room is unsuitable for a press conference. If there is to be one it will have to take place at RAF Halton. This is a training station 15 minutes drive from Chequers. Halton House is the Officers Mess. It is a fine house, well furnished and has a large room where a press conference for 60 or 70 could be held. There is a small ante-room where the Prime Minister and Chancellor Schmidt could be received on their arrival. Timings would have to be carefully worked out in view of the Koenigswinter Dinner in Cambridge. The time-table might be something like this:

Halton

Plenary Meeting (Great Parlour)	1500 - 1630
Leave Chequers by car for RAF Halton	1645
Press Conference	1650 - 1720



Return to Chequers	1740
Depart Chequers for Cambridge by helicopter	1900
* Arrive Trinity College, Cambridge	1920
Arrive St Catherine's College (by car)	1930
Drinks with the Vice Chancellor	
Koenigswinter Dinner	2000
Chancellor Schmidt departs Cambridge Airport (Marshalls) for Germany)	? 2230

It would of course be possible for the Prime Minister and Chancellor Schmidt to go direct from RAF Halton to Cambridge by helicopter, in which case the timings for the press conference could be later but presumably the Prime Minister will wish to change sometime between the end of the Plenary session and when she leaves for Cambridge. All the other Ministers including Herr Genscher will either leave Chequers after the Plenary session or, if they wish to go to the press conference, will depart from there for Northolt and their return to Germany.

ARRIVAL AND DEPARTURE

will meet
 I would be grateful to know if the Prime Minister will wish to meet and see off Chancellor Schmidt. He is due to arrive RAF Benson at ~~1800~~ ¹⁹⁰⁰ and the road journey from there to Chequers takes 30 minutes (we do not propose using a helicopter for this journey since Chancellor Schmidt and Herr Genscher's two parties total 22 and the Queen's Flight helicopter seats only 6. The departure time from Cambridge is of course uncertain since it depends on when the Dinner ends.

I am copying this letter to Bernard Ingham and George Walden.

1/10/52
Perry Metcalfe

Miss P T Metcalfe
 Protocol and Conference Department

*Suitable helipad.

ANNEX 2
final au 43
an Peggy Retal

The Federal Chancellor's Party

- Herr von Staden - senior political adviser
- Herr Schulmann - senior economic adviser
- Herr Ruhfus - Ambassador
- Herr Zeller - political adviser
- Herr Peters - private secretary
- Herr Grünwald - deputy government spokesman
- Herr X - Press Department
- Herr X - shorthand writer

4 security officers

12

The Federal Foreign Minister's Party

- Herr Blech - senior political adviser
- Herr Fischer - senior political adviser
- Herr X - Press Department
- Herr X - private secretary
- Herr Schenk - Head of Great Britain and US Desk
- Frau Sebourg - interpreter

4 security officers

10

Graf Lambsdorff's Party

- 2 senior political advisers
- 1 private secretary
- 3 security officers

6

Ministry of Finance

2 senior political advisers

3 security officers

5

=====

This list subject to further changes!

CONFIDENTIAL

Sir Robert Armstrong

Anglo-German Consultations:
27/28 March

As I have already told your office on the telephone, the Prime Minister has approved the proposals in your minute to her of 7 March.

M. O'D. B. ALEXANDER

11 March, 1980.

CONFIDENTIAL

KRB

Germany



10 DOWNING STREET

Sue Goodchild.

This might be
of interest....!
I will be back
from hotel until
15.15.

Cl.



10 DOWNING STREET

From the Private Secretary

10 March 1980

I am attaching a self explanatory note from Miss Thomas at Chequers. This follows her meeting with the Prime Minister yesterday. I shall ring you tomorrow morning with an answer to the possibility of a cold buffet being provided for officials in the Hawtrey Room for Friday's lunch.

Please do not pay any attention to paragraph 16. I gather that Chancellor Schmidt wishes to plant a tulip tree and that is all in hand.

CAROLINE STEPHENS

Miss P.T. Metcalfe, O.B.E.
Protocol and Conference Department

20.

MISS STEPHENS

Chequers

Sunday 9 March.

Dear Caroline,

Herr Helmut Schmidt's Visit to Chequers - 27/28 March

After church this morning the Prime Minister asked me to take sherry with her and discuss the above visit.

We talked at great detail, and I have put the things we discussed and some of her firm ideas on paper for your information.

I forgot to include that she does not wish to have conference chairs from outside Chequers, she doesn't mind mixed chairs from within the house, if necessary.

I did not mention about the visit of the large party visiting us on Tuesday, but you may like to tell the Foreign Office what she wishes re. accommodation.

Jan.

Vera

9 March 1980

Visit of Herr Helmut Schmidt to Chequers:

Prime Minister's wishes

Menus

1. Menus No. 3 for lunch and dinner approved, with the following alterations:-

Dinner: delete fresh salmon mayonnaise

add seafood au gratin

Lunch: delete charlotte royal

add fresh fruit salad, almond biscuits

2. Both meals to be formal in the Dining Room (max 18).
3. All others not on the dinner/lunch list to eat out in local hotels.
4. Prime Minister stressed that the kitchen must be allowed full scope for maximum standard and service in the Dining Room.

Accommodation

5. As anticipated, the Prime Minister wishes to move to bedroom 2 (with private bath). The dividing door from bedroom 1 will be locked.
6. Bedroom 1 to be used as an 'office' for the German officials to have direct access by phone to their Embassy in London. This room is not really suitable for a bedroom when room 2 is in use (she said). It is also convenient for use from The Great Parlour talks; a suitable table will be provided for use of a typewriter. There is a desk already there.
7. Room 3 with private bathroom for Herr Schmidt, and Room 4 which has a was basin, and a shower in the corridor for his Secretary (dividing door from 3 to 4).
8. Rooms 5/6 and 7/8 can be used by other persons who need to be in the house. The Prime Minister said she would like both her Private Secretaries on this floor.
9. Normally two security men need to be in the house. The Astley Room 1 and 2 would be suitable (They have meals with No.10 staff in the Verandah Dining/Rest Room).

10. There are still 4 beds in the cottage, and a sitting room which could be used for the Embassy courier to receive and despatch the mail (phone to the house).

11. Suggest the Garden Room Girl uses the small room on top floor. If a second one required (?) the cottage. Or both girls in the Prison Room (my suggestion).

Use of Rooms for meetings

12. The Prime Minister will use the Hawtrey Room for pre-dinner drinks, and for talks after dinner.

13. This leaves her Study, ^{AK} and the White Parlour for other group talks, if required.

14. The Hawtrey Room will also be used for her talks in the morning, and if there would be a requirement for press or TV, it can be used in the afternoon, while the main talks take place in the Great Parlour. It is her wish to keep Chequers as private as possible. She also required that 'background' noise be kept down (An extra Treasury Security Guard will be on the front door or in that area throughout the visit to ensure this privacy requirement is met).

15. The Prime Minister suggests the Long Gallery should be locked, until such times as she needs to show her guests around.

Tree Planting

16. The Prime Minister said she would like a 'flowering tree' such as a Red Horsechestnut to be available for Herr Schmidt to plant.

Flowers

17. The Prime Minister would like a lot of pot plant flowers in the house, especially to 'cheer up' the Great Parlour. We have quite a lot of Chequers plants for this visit, but I would like to spend some more money (as is usual) on such occasions - say £100, or less if need be.

Swimming Pool

18. Not to be used.

S.H.F. - Yes that's O.K.

Gift for Herr Schmidt

19. He has already had a gift of a bound Chequers book.

The Prime Minister is giving some thought regarding this. I will speak.

*Cran DeRay with Cleaners - J. Porter says not
a good idea*


Vera Th

9 March 1980

Group/Class PREM 19
Piece 472

Floor plan attached to
minute from "Vera" to
Stephens dated 9 March 1980

Paper extracted and
temporarily retained
under Section 3(4)
pending completion of
review.
(date) 26 January 2012
(Signed) Wayland

no

 Pomi Nünster

①

Ref. A01635

MR ALEXANDER

Yes not

The list of subjects at Annex A looks formidable. But it is not a formal agenda, merely a list of points on which, it is proposed, you should be briefed. Are Stage A, B + D?

ANGLO-GERMAN CONSULTATIONS: 27-28th MARCH

Pomi

The next in the series of six-monthly consultations between the Prime Minister and Chancellor Schmidt will be held at Chequers on 27-28 March. We do not yet know for certain which German Ministers will accompany Chancellor Schmidt, but their team is likely to include Herr Genscher, Count Lambsdorff (Economy), Herr Matthofer (Finance) and probably Herr Ertl (Agriculture). We are suggesting to them that Herr Apel (Defence) may prefer not to attend this time, because of Mr Pym's absence in China.

2. The present plan is for Chancellor Schmidt and Herr Genscher to arrive early on the evening of Thursday 27th March. They will have a private dinner with the Prime Minister and the Foreign and Commonwealth Secretary at Chequers; afterwards Herr Genscher will spend the night as Lord Carrington's guest at Bledlow and Chancellor Schmidt will stay at Chequers. The following morning the Prime Minister and Chancellor Schmidt will have tête-à-tête discussions, and will be joined at an appropriate moment by Lord Carrington and Herr Genscher. Simultaneously in London other members of the German Ministerial team will be having discussions with their opposite numbers, driving down to Chequers for a plenary meeting in the afternoon. Afterwards Chancellor Schmidt and the Prime Minister will go to Cambridge to attend the Konigswinter dinner; Chancellor Schmidt will return to Hamburg later that evening.

3. Chancellor Schmidt's visit comes on the eve of the Brussels European Council. On past form, Herr Schmidt will consult President Giscard by telephone between the two meetings, but this time he will at least go into the Council with British arguments fresh in his mind. Fortunately the ground is already well prepared as a result of his visit to London a fortnight ago, and it is important to use this next opportunity to ensure that our message on the Budget gets through with the utmost clarity and that Chancellor Schmidt is persuaded to give us a fair measure of support.



4. We have not yet received from the Germans a list of subjects which they expect to be raised at the consultations, but we expect that Chancellor Schmidt's talks with the Prime Minister will focus on two main topics:

a. European Community questions, including mainly the Budget, but also the Common Agricultural Policy, our attitude to the European Monetary System, institutional questions, fisheries, etc.

b. East-West relations post-Afghanistan.

5. Chancellor Schmidt's interests are wide-ranging and he may well raise other subjects. Unless requested otherwise by the Germans we propose to follow the pattern they set in October and give them a list of subjects on which we intend to brief the Prime Minister, instead of agreeing on a formal agenda. I attach a draft list at Annex A. (They may of course let us know later of subjects to be added to this list).

6. I attach at Annexes B and C assessments of British and probable German objectives and, at Annex D, a suggested list of briefs, the preparation of which will be co-ordinated by the Cabinet Office, and which will be delivered to you in time for the Prime Minister's weekend box on Friday 21st March.

7. I should be grateful if you would let me know whether the Prime Minister is content with all these proposals.

ROBERT ARMSTRONG

7 March 1980



ANGLO/GERMAN CONSULTATIONS: 28 MARCH

List of Subjects (to be handed over to the Germans)

1. European Community Questions
 - Community Budget
 - The EMS
 - The CAP (including Sheepmeat and agricultural prices)
 - Fisheries
 - Community External Relations
 - Institutional Questions
 - Other internal Community Questions

2. Economic Questions
 - The International Financial and Economic Situation
 - North/South Dialogue
 - Energy

3. East/West Relations
 - Afghanistan
 - Consultation Procedures (with the United States and within the Alliance generally, and among the Nine)
 - CSCE
 - CDE (Conference for Disarmament in Europe - the French proposals)
 - Inner-German Relations and Berlin

4. Defence and disarmament Questions

5. Regional Questions
 - Southern Africa and Rhodesia
 - China
 - South-East Asia
 - Arab/Israel
 - Iran and Gulf Security
 - Yugoslavia



ANGLO/GERMAN CONSULTATIONS: 28 MARCH

UK OBJECTIVES

1. To convince Chancellor Schmidt of the Government's readiness to co-operate fully in the Community's development and in Europe's response to major external political and economic problems; and to enlist his support for a satisfactory budget settlement.
2. To align British and German views on how to handle the Afghanistan crisis, including its implications for East-West relations, defence/arms control and Western consultation mechanisms.
3. To reach a common assessment of the international economic and monetary situation including energy prospects and policies, and on the handling of these matters in the run-up to the Venice Economic Summit.
4. To strengthen the Anglo-German relationship at the top level and give an impulse to co-operation in the fields covered by the other Ministers who will take part in the talks.



ANGLO/GERMAN CONSULTATIONS: 28 MARCH

PROBABLE GERMAN OBJECTIVES

1. To ensure that the FRG and the UK co-operate in helping to formulate and carry through a balanced and identifiably European set of responses to the Soviet invasion of Afghanistan without detriment to German interests in their relationship with France and with the USSR and Eastern Europe and without damage to SPD and FDP prospects in the October elections.
2. To get British agreement to settle the EC Budget problem on the basis of the maximum which is acceptable to the other members of the Community.
3. To establish, at the same time, how far HMG are prepared to contribute to Community policies and development in the general framework of a Budget settlement, notably in the areas of CAP reform, CFP, sheepmeat and energy, and by joining the EMS exchange mechanism.



ANGLO/GERMAN CONSULTATIONS: 28 MARCH

Proposed List of Briefs

1. Steering Brief
2. European Community Questions
 - (i) Community Steering Brief
 - (ii) Budget
 - (iii) EMS
 - (iv) CAP
 - (v) Fisheries
 - (vi) North Sea Oil Policy
 - (vii) External Community Questions
 - (viii) Other Internal Community Questions
3. East-West Relations (including Afghanistan, Western consultation procedures, CSCE and CDE, Inner-German relations and Berlin)
4. The International Financial and Economic Situation
5. North/South Dialogue (including Brandt Commission report)
6. Energy
7. Defence Matters
8. Arms Control and Disarmament (MBFR, SALT, TNF and Non-Proliferation)
9. Regional Questions
 - (a) Southern Africa and Rhodesia
 - (b) China
 - (c) South-East Asia
 - (d) The Middle East (including Arab/Israel, Iran and Gulf Security)
 - (e) Yugoslavia
10. FRG Internal Political and Economic Scene



10 DOWNING STREET

PRIME MINISTER

Konigswinter Conference in
Cambridge

Would you be happy to have
a drink with the Vice-
Chancellor, Sir Peter
Swinnerton-Dyer (Master of
St. Catherine's and a
Professor of Mathematics)
at about 7.30 before the
dinner on Friday 28 March?
I assume that the invitation
will also be issued to
Chancellor Schmidt.

E.S.
Yes

6 March 1980

*Rang to confirm with
Howard Pawley
233.4613.*

cf. 2/3

Schmidt visit Pt2

20th MARCH.



Sir Peter Carey KCB
Permanent Secretary

La.
Pau

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 7003
SWITCHBOARD 01-212 7676

6 March 1980

Sir Michael Palliser GCMG
Foreign and Commonwealth Office
Downing Street
LONDON SW1

cc Sir D Wass
Sir R Armstrong
Sir B Hayes
Sir F Cooper
Sir J Rampton
Sir K Clucas
Mr C Whitmore-

PS/Sec of State
Mr Lippitt
Mr Benjamin
Mr Ingram IIC
Mr Day (with papers)

Dear Michael,

ANGLO/GERMAN CONSULTATIONS: 28 MARCH

Thank you for your letter of 4 March.

I notice that Count Lambsdorff* (Economy) is likely to be included in the German party.. If this is the case he may well, as would Sir Keith Joseph, wish to follow up their discussions of last December which identified a number of areas of mutual interest, particularly the reduction of subsidies to internationally mobile industrial projects. Briefing on this and other industrial issues can be slotted in as necessary into Brief 2(vii) "Other Internal Community Questions".

This marker apart, I am content with the list of briefs proposed and that the Cabinet Office should carry out the usual co-ordination.

I have no suggestions to make as to UK and German objectives.

I am copying this letter to the recipients of yours.

Yours ever

Peter

Peter Carey

CONFIDENTIAL

vb

Germany

OK - Vera knows,

5 March 1980

Anglo/German Consultations: 28 March

The Prime Minister has seen your letter to me of 4 March on this subject. She agrees that there should be a lunch for 18 at Chequers on 28 March and that the Ministers attending should be those listed in the penultimate paragraph of your letter under reference.

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

MICHAEL ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

g

cc Msp etv.

vb

Germany

5 March 1980

Königswinter Conference

The Prime Minister has seen your letter to me of 4 March about the Government dinner for Königswinter on 28 March. She has agreed to make a speech and is content that the speeches should be made public. She will have no objection to the presence of the press and TV. She also agrees that Sir Frank Roberts should read out her message of greeting at the opening of the Conference.

MICHAEL ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

9.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Apex A ?

4 March 1980

Print - 4/3

Dear Michael,

Anglo-German Consultations: 28 March

Since receiving your letter of 20 February we have begun discussions with the Germans about the organisation of the visit of Chancellor Schmidt on 27-28 March. Arrangements for transport and accommodation are in hand; but there is one point on which we need guidance, concerning the lunch at Chequers.

During his talk with Lord Carrington in Bonn last week, Herr Schmidt asked about arrangements for the Summit and said he understood that the Prime Minister wanted mainly private talks with just two or four people present, while the other Ministers would join in later. From the tone of his remarks we judge that he does not have it in mind to bring many Ministers with him: on past form we would expect him to bring Herr Genscher (Foreign Affairs), Herr Matthofer (Finance) Count Lambsdorff (Economy) and Herr Ertl (Agriculture). We do not expect Herr Apel (Defence) to be in the party since the Germans know of Mr Pym's proposed absence in China on 28 March. We note your suggestion that there might be advantage in organising separate Ministerial lunches in London; but Lord Carrington thinks that it would be helpful if all Ministers participating in the afternoon Plenary Session could be invited to lunch at Chequers, perhaps with a few officials on either side (unless the Prime Minister would prefer the officials at Chequers to lunch separately). He feels that this would please the Germans and create a much better atmosphere for the afternoon discussions.

Need

Assuming that our assessment of the Chancellor's intentions with respect to his own entourage is correct, Lord Carrington would recommend that the Prime Minister invite the Chancellor of the Exchequer, the Secretary of State for Industry, the Lord Privy Seal, the Secretary of State for Agriculture and the Secretary of State for Energy to attend the lunch and the Plenary Session. With, say, six officials that would make a total of 18.

A. Need

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

Yours own

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

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cc of PM's speech

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Apr 1st B?

Yes
not

4 March 1980

Prints
- 4/3

Dear Michael,

Königswinter Conference

A | In your letter of 28 February you asked about arrangements for the after-dinner speeches to be given at the Government dinner for Königswinter on 28 March. The organisers of the Conference tell us that they are indeed hoping that Chancellor Schmidt and the Prime Minister will each make a short speech (about 15 minutes) after the Government dinner. The FRG Embassy have told us that Chancellor Schmidt has no objection to this proposal, and is content to deliver his speech in English. I shall ensure that a draft for the Prime Minister reaches you by 21 March. The speeches would be made public and, subject to the views of the Prime Minister and the Chancellor, Press and TV might well want to be present. I should be grateful for confirmation that the Prime Minister would have no objection to this.

B. | For some years now it has been traditional for the Prime Minister and the Foreign and Commonwealth Secretary to send messages of greeting to Königswinter which are read out at the beginning of the Conference. If there is no objection to our doing the same this year, we shall send you a draft for this too for the Prime Minister's approval. These messages are normally read out by the senior Government representative at the Conference; but this year, partly because of the coincidence of the Anglo-German consultations on 28 March, no Minister is expected to attend the opening of the Conference. It has therefore been suggested that Sir Frank Roberts, formerly HM Ambassador in Bonn and now Chairman of the British Section of the Königswinter Joint Steering Committee, might read out the messages. This seems a good idea and I should be grateful to know if you agree.

Yours etc

Paul

(P Lever)
Private Secretary

Yes
not.

M O'D B Alexander Esq
10 Downing Street
London

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Foreign and Commonwealth Office

London SW1A 2AH

4 March 1980

Sir R Armstrong KCB CVO
CABINET OFFICE

Dear Robert,


*2. Whitbye hand
Herr
Pym 5/3*

ANGLO/GERMAN CONSULTATIONS: 28 MARCH

1. The next in the series of six-monthly consultations between the Prime Minister and Chancellor Schmidt will be held at Chequers on 28 March. We have so far not heard for certain which German Ministers will accompany Chancellor Schmidt, but their team is likely to include Herr Genscher, Count Lambsdorff (Economy), Herr Matthöfer (Finance) and probably Herr Ertl (Agriculture). We are suggesting to them that Herr Apel (Defence) may prefer not to attend this time, because of Mr Pym's absence in China.
2. The present plan is for Chancellor Schmidt and Herr Genscher to arrive in the UK early on the evening of Thursday, 27 March. They will have a private dinner with the Prime Minister and the Foreign and Commonwealth Secretary at Chequers; afterwards Herr Genscher will spend the night as Lord Carrington's guest at Bledlow and Chancellor Schmidt will stay at Chequers. The following morning the Prime Minister and Chancellor Schmidt will have tête-à-tête discussions and will be joined at an appropriate moment by Lord Carrington and Herr Genscher. Simultaneously in London other members of the German Ministerial team will have discussions with their opposite numbers, driving down to join the two Heads of Government and their Foreign Ministers at Chequers for a plenary meeting in the afternoon. Afterwards Chancellor Schmidt and the Prime Minister will go to Cambridge to attend the Königswinter dinner; and Chancellor Schmidt will return to Hamburg after the dinner.
3. Chancellor Schmidt's visit comes on the eve of the Brussels European Council. On past form, Herr Schmidt will consult President Giscard by telephone between the two meetings, but this time he will at least go into the Council with British arguments fresh in his mind. Fortunately the ground is already well prepared as a result of his visit to London last weekend, and we must use this next opportunity to ensure that our message on the Budget gets through with the utmost clarity and that Chancellor Schmidt is persuaded to give us a fair measure of support.

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4. German officials have not yet been able to give us a list of subjects which they expect to be raised at the consultations. However, we expect that Chancellor Schmidt's talks with the Prime Minister will focus on two main topics:

- (a) European Community questions, including mainly the Budget, but also the Common Agricultural Policy (CAP), our attitude towards the EMS, institutional questions, fisheries, etc.
- (b) East-West relations post-Afghanistan.

5. Chancellor Schmidt's interests are wide ranging and he may well raise other subjects. Unless requested otherwise by the Germans we propose to follow the pattern they set in October and give them a list of subjects on which we intend to brief the Prime Minister, instead of agreeing on a formal agenda (draft at Annex A). They may let us know of subjects to be added to this list later. At Annex B I attach a proposed list of briefs, the preparation of which, if you agree, might best be co-ordinated as in the past by the Cabinet Office.

6. I attach at Annexes C and D our assessment of British and probable German objectives at the consultations.

Michael Balliser

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



bcc: PS
 PS/LPS
 Mr Bullard
 Mr Fergusson
 Mr Hannay
 WED

ECD(I)
 ECD(E)
 PCD
 Sir O W... GCVS KCMG DSC, BONN



ANNEX A

ANGLO/GERMAN CONSULTATIONS: 28 MARCH

List of Subjects (to be handed over to the Germans)

1. European Community Questions
 - Community Budget
 - The EMS
 - The CAP (including Sheepmeat and agricultural prices)
 - Fisheries
 - Community External Relations
 - Institutional Questions
 - Other internal Community Questions
2. Economic Questions
 - The International Financial and Economic Situation
 - North/South Dialogue
 - Energy (including Community Energy Questions)
3. East/West Relations
 - Afghanistan
 - Consultation Procedures (with the United States and within the Alliance generally, and among the Nine)
 - CSCE
 - CDE (Conference for Disarmament in Europe - the French proposals)
 - Inner-German Relations and Berlin
4. Defence Questions
 - Arms Control post-Afghanistan
 - MBFR
 - SALT and Non-Proliferation
 - TNF
5. Regional Questions
 - Southern Africa and Rhodesia
 - China
 - South-East Asia
 - Arab/Israel
 - Iran and Gulf Security
 - Yugoslavia



ANNEX B

ANGLO/GERMAN CONSULTATIONS: 28 MARCH

Proposed List of Briefs

1. Steering Brief
2. European Community Questions
 - (i) Community Steering Brief
 - (ii) Budget
 - (iii) EMS
 - (iv) CAP
 - (v) Fisheries
 - (vi) External Community Questions
 - (vii) Other Internal Community Questions
3. East-West Relations (including Afghanistan, Western consultation procedures, CSCE and CDE, Inner-German relations and Berlin)
4. The International Financial and Economic Situation
5. North/South Dialogue (including Brandt Commission report)
6. Energy
7. Defence Matters
8. Arms Control and Disarmament (MBFR, SALT, TNF and Non-Proliferation)
9. Regional Questions
 - (a) Southern Africa and Rhodesia
 - (b) China
 - (c) South-East Asia
 - (d) The Middle East (including Arab/Israel, Iran and Gulf Security)
 - (e) Yugoslavia
10. FRG Internal Political and Economic Scene



ANNEX C

ANGLO/GERMAN CONSULTATIONS: 28 MARCH

UK OBJECTIVES

1. To convince Chancellor Schmidt of the Government's readiness to co-operate fully in the Community's development and in Europe's response to major external political and economic problems; and to enlist his support for a satisfactory budget settlement.
2. To align British and German views on how to handle the Afghanistan crisis, including its implications for East-West relations, defence/arms control and Western consultation mechanisms.
3. To reach a common assessment of the international economic and monetary situation including energy prospects and policies, and on the handling of these matters in the run-up to the Venice Economic Summit.
4. To strengthen the Anglo-German relationship at the top level and give an impulse to co-operation in the fields covered by the other Ministers who will take part in the talks.



ANNEX D

ANGLO/GERMAN CONSULTATIONS: 28 MARCH

PROBABLE GERMAN OBJECTIVES

1. To ensure that the FRG and the UK co-operate in helping to formulate and carry through a balanced and identifiably European set of responses to the Soviet invasion of Afghanistan without detriment to German interests in their relationship with France and with the USSR and Eastern Europe and without damage to SPD and FDP prospects in the October elections.
2. To get British agreement to settle the EC Budget problem on the basis of the maximum which is acceptable to the other members of the Community.
3. To establish, at the same time, how far HMG are prepared to contribute to Community policies and development in the general framework of a Budget settlement, notably in the areas of CAP reform, CFP, sheepmeat and energy, and by joining the EMS exchange mechanism.

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Germany
cf Master Set (May 79)
Econ Pol - Exchange Rate
Econ Pol ERIS (June 79)

10 DOWNING STREET

From the Private Secretary

26 February 1980

Visit of Chancellor Schmidt: Economic Issues

I enclose a brief extract from the record of that part of the Prime Minister's talk with Chancellor Schmidt yesterday dealing with world affairs. You already have the record of their discussion of the Community budget.

I did not include in the main records any account of a brief discussion between the two Heads of Government about the performance of the British economy. The Prime Minister described the course of events since the final removal of exchange controls last autumn and the subsequent rise in the sterling exchange rate. Chancellor Schmidt expressed some scepticism both about the consequence of the rise in the value of sterling and about the possibility of controlling it. He said that the rise had been predictable and in the long run would do Britain no harm. The German Government had been told repeatedly by their own industrialists that an increase in the exchange rate would be disastrous. They had ignored the advice and had never regretted it. In any case it would be impossible for the British Government to resist the rise for long. We would have to accept the consequences of being oil rich. Devices such as negative interest rates might help for a short period but in the end the market would prove stronger. Chancellor Schmidt agreed however that it was important to hold the domestic money supply down. The German Government professed to control the country's monetary base although there was, perhaps, more pretence than reality in this policy. It was designed to keep the trade unions in line (Chancellor Schmidt noted ruefully that in Germany the Government had more difficulty in controlling the entrepreneurs than in controlling the trade unions).

The Prime Minister said that the rise in the exchange rate had a very damaging effect on British exports. Unlike German manufacturers, who sold on the basis of quality, design and delivery, the British manufacturers sold primarily on price. Chancellor Schmidt said that in the long run it was essential to make manufacturers sell on the basis of quality. Those who did not do so would go to the wall. The Prime Minister said that she agreed where private

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sector manufacturers were concerned. For her the difficulty lay with the large nationalised sector. Chancellor Schmidt admitted that this was indeed a "bad heritage".

Chancellor Schmidt then returned to the question of British membership of the EMS. You already have a record of this part of the discussion. Arising from that conversation, the Prime Minister has asked that a re-appraisal of our attitude towards the EMS should be put in hand in the light of developments since the autumn in the domestic and international economic scene. Such a re-appraisal might conveniently cover the question of participation within the narrow and wider bands; and policies short of outright acceptance or rejection of membership e.g. a declaration of intent coupled with an invitation to the other members to discuss the timing and conditions of British membership or a discussion of modifications to the existing scheme which would make it easier for us to participate

No doubt in preparing such a note you will consult the FCO, the Cabinet Office and the Bank. I think it would be helpful to the Prime Minister if your paper described the full spectrum of views on the question of full participation in the EMS.

I am sending copies of this letter to George Walden (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

Yours sincerely

Richard Alexander

A.J. Wiggins, Esq.,
HM Treasury.

of on
Euro Pd.
(June 79)
'EMS'

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Germany. 2

Partial Record of a Meeting between the Prime Minister and the Chancellor of the Federal Republic of Germany, Herr Schmidt, at No. 10 ^{Downing Street} / on Monday 25 February 1980

Present:

Prime Minister
Mr. M. Alexander

Chancellor Schmidt
HE Dr. Jurgen Ruhfus

International Situation in the wake of Afghanistan

The Prime Minister said that the need to settle the British budgetary problem was given additional urgency by the present international situation. It was a bad time for Europe to be divided: the more so since there were signs both that the European reaction to events in Afghanistan was becoming better coordinated and that the situation in Afghanistan itself was deteriorating. Chancellor Schmidt said that he strongly agreed. The Prime Minister asked whether there was any truth in the stories in the morning's newspapers that Herr Brandt had been asked to act as a mediator between the United States and the Soviet Union. Chancellor Schmidt said that he did not believe there was any substance to the stories. He had seen the text of a message which Herr Brandt had recently received from Mr. Brezhnev. He had also seen the record of Herr Brandt's talks with President Carter. Neither supported the newspapers reports. They appeared to have been invented by Der Spiegel. Despite its reputation, Der Spiegel was a thoroughly unreliable journal. The Prime Minister said that she was glad to learn this. She would have felt uncomfortable had a German as prominent as Herr Brandt been cast in the role of a neutral between the US and the Soviet Union on this issue.

Chancellor Schmidt expressed his disquiet at the repeated failures of the Americans to consult with their allies in the course of the present crisis. They would not always be able to find sufficient people who were prepared to clap their hands on hearing the latest American policy decisions on the radio. The present American tendency to ignore the fact that other Governments had

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their own priorities and domestic considerations was thoroughly dangerous. The effect in Germany of the recent threat by Dr. Brzezinski to use nuclear weapons in response to further Soviet moves in South West Asia was a case in point. The threat, in particular the way it had been made, was preposterous, the more so since there was an indication that the weapons would not necessarily be used in the area where the Soviet move had been made. The effect of such statements in the Federal Republic, which had more than 5,000 nuclear weapons on its soil and was an obvious target for a pre-emptive strike, could readily be imagined. The American performance on the Olympic Games had been similarly thoughtless. The Germans had checked with the Americans twice in the period immediately before President Carter's statement on this subject and had been told that no policy announcements were in prospect (one of the checks had been made personally by Chancellor Schmidt with Mr. Christopher). The Americans had consulted the Federal Republic neither about the impact of their announcement in Germany nor about its desirability. One consequence had been that Chancellor Schmidt had delivered a major address to the Bundestag the day before the American boycott was announced and had made no mention whatever of the Olympic Games. As a final example, Chancellor Schmidt said that he had asked Mr. Vance during his visit to Bonn the previous week whether the Americans had invoked the Nixon/Brezhnev doctrine with the Russians during the early stages of the Afghanistan crisis. Mr. Vance said that the Americans had done so. This was the first that Chancellor Schmidt had heard of it. Had he known earlier on, he would have seen more consistency in the American reaction in January.

Chancellor Schmidt said that there was an undercurrent of feeling in the Federal Republic that there is now a clear and present danger of a Third World War. Many leaders in Eastern Europe, notably Messrs. Gierak and Kadar were deeply frightened. One consequence of the present situation was that they were losing what little independence they had achieved in the last 15 or 20 years. Mr. Kadar had been told that his Foreign Minister should cancel his impending visit to Bonn if the Hungarian Government wished the Soviet Government to observe an agreement on energy supplies which had just been negotiated. The East Europeans, including the East Germans, deeply resented the invasion of Afghanistan, but were

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anxious that the West should not react in a way that led the Soviet Union to forcibly reassert their authority. The situation in Poland was in any case likely to get worse. The recent sacrifice of the Prime Minister there would make no difference.

Chancellor Schmidt made it clear that he thought that the American reaction to the situation was inadequate. They had not analysed the situation that lay ahead with sufficient care and seemed unaware of the need/^{for}and nature of consultation with their allies. (Chancellor Schmidt noted with regret the disappearance of the old East Coast establishment figures and the absence of any credible replacements.) The Americans were inclined to talk about punishing the Russians. This was an erroneous idea. Punishment should not be an element in the international policy of a major power. The object now was to get the Russians out of Afghanistan and prevent them trying the same thing again. Boycotting the Olympic Games was a pinprick. What was necessary was to make it clear beyond doubt that if the Russians were, for instance, to move against the Yemen Arab Republic, something serious would happen. The Americans had also failed to show sufficient subtlety and sensitivity in their handling of the Third World. They should, for instance, already be working to ensure that the idea of neutrality for Afghanistan was taken over and promoted by Third World countries. The American failure to take into account the sensibilities of the countries in the Gulf region when announcing their guarantee had been glaring. The United States after all had had no fewer than three special Ambassadors dealing with Middle East problems in the last two years. It was not surprising that their policies lacked finesse. It was a pity that they had not sought the advice of eg the British whose expertise in the area was so much greater than their own.

Chancellor Schmidt said that this was by no means the first crisis that he had lived through. But he could not recall a previous instance where there had been so much muddle. He accepted that the Americans had a difficult hand to play. They had, simultaneously, to be clear in their own minds what they wanted to do; to act as leaders of the West; and yet to disguise the fact that they were doing so. Nonetheless, it was disastrous that matters had been allowed to get so far without a process of active and continuing consultation having been put in hand. The recent visit of Mr. Vance

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had been very important in this context. But how was it going to be followed up? He had suggested that Mr. Vance should have regular consultations with the British, German and French Ambassadors in Washington. This was a sensible idea in itself but did not overcome the fundamental difficulties caused by the fact that so many decisions were taken in ^{the} White House without the prior knowledge of the State Department.

The Prime Minister said that she agreed with many of the points made by Chancellor Schmidt but wondered whether the European reaction had not itself been partly to blame. She had been bitterly disappointed by the slowness with which the other members of the Nine had acted. Chancellor Schmidt said that he accepted this, but that much of the blame should be laid at the door of the Presidency. It had been for them to act. Perhaps they should have been pushed, but there was a natural reluctance to do so. The prospect in the autumn, of Luxembourg being in the Chair, was not much more cheerful.

The Prime Minister asked what advice, assuming they had been asked, the Europeans would have given President Carter in January. She believed that President Carter had been right to advocate the boycotting of the Olympics. It was the best way to bring home to the Soviet people the gravity of what had occurred in Afghanistan. She accepted that it was wrong to think in terms of punishing the Soviet Government but presumably it was not wrong to speak of bringing pressure to bear on them. What kind of pressure would Europe have been advocating? Was a cut-off in exports of technology part of the stick with which the Russians should be threatened? Chancellor Schmidt said that he did not disagree with what the Prime Minister had said about the Olympics. He did, however, disagree about the way the card had been played. Now that the United States' deadline had expired, it no longer had any value. Moreover, it was not in itself enough. As regards technology, he might have been prepared to have seen this brought into the equation. But the Americans should show more awareness of the implications of this for the Federal German Government. One per cent of the German work-force was directly/ ^{affected by} trade with the Soviet Union. The/ ^{trade} had been built up for good political reasons. The Americans for their part had never sold anything of major importance to the Russians

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(the only exceptions admitted by Chancellor Schmidt were computers and drilling equipment: it was very debatable whether it would be to the advantage of the West to cut off supply of the latter given that it might lead to increased Soviet competition for oil resources elsewhere). Exports in any case played, relatively speaking, a tiny part in the US economy. Chancellor Schmidt said he was not prepared to make sacrifices simply for the sake of doing so. He was not only critical of the line the American Government had taken on this issue: he deeply resented it.

On the question of giving advice to the Americans, Chancellor Schmidt said that it was not easy for his Government to do so. Had he been sitting in the White House he would have been in little doubt as to what to do. As it was, he was representing a power which had a burden of guilt from the last war; which had 60 million hostages in East Germany and 2 million in Berlin; and which was in a militarily untenable geographical position. The Prime Minister said that she saw no reason why the Federal Republic should not tender advice. The events of the last war were no longer a factor of major significance in this context. Moreover, everyone knew that the defence of the West depended on the reaction of four powers, the US, the UK, France and the Federal Republic. As regards Germany's exposed position, this in many respects made it easier for her to give advice and have it listened to rather than the contrary.

Chancellor Schmidt acknowledged the points the Prime Minister had made. He said that the West's response to events in Afghanistan would have to be a combination^{of} stick and carrot. The dialogue between the American and Soviet Governments had to continue. The need for the Russians to save face had to be borne in mind. There should be no pinpricking and no sabre rattling. At the same time the West should find a way of doing something that really hurt the Soviet Union. This meant pushing them out of some country in which they were already established - Angola, Ethiopia, the PDRY or some similar country (Chancellor Schmidt noted that this was the kind of point that he could not put to anyone in writing: he asked that it should not be recorded or disseminated).

The Prime Minister said that she agreed with Chancellor Schmidt's approach. She was sceptical about the chances of / pushing

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pushing the Russians out of Afghanistan (Chancellor Schmidt agreed), but thought it might be done elsewhere. However, this clearly could not be done hamfistedly. The fact that there were election campaigns underway in the United States and the Federal Republic was a complicating factor. Chancellor Schmidt said that he would put his own election campaign out of his mind when dealing with the international situation. But he hoped that allied governments would bear the election campaign in mind. He was grateful to the Prime Minister for the way she had handled Herr Strauss' letter about the cultural centre in Berlin. Notwithstanding the election campaigns and some recent public pronouncements, he hoped that the United States would not be under any misapprehension about the position of the Federal Republic and indeed of France. Both were very strong allies indeed. Both would support the Americans. Indeed they would support the Americans even where they thought the policies were wrong, eg on the boycott of the Olympics. Chancellor Schmidt said that in discussing the political dangers, the looming dangers in the economic field should not be overlooked. If, as a result of developments in the Gulf, the West's supply of oil was interrupted, even for a short period, the international banking system could easily collapse. The Euro currency market was inadequately supervised and a chain of bankruptcies could be set off. The economic actions of the Arab governments were not predictable. Taken as a whole, the prospects were frightening. Finance Ministers should be discussing questions such as how to cope with a crisis of confidence in the Euro currency market.

Future Action

At various points in their discussion the Prime Minister and Chancellor Schmidt touched on the question of action in the weeks ahead. They agreed that the Summit meeting in Venice was an obvious opportunity for substantial discussion of the West's reaction to events in Afghanistan but that it was a long way off. They therefore envisaged a timetable including the following elements:-

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a. Trilateral discussions, perhaps at official level, between France, the FRG and the UK to prepare comments on the American paper recently circulated by Mr. Vance. (Recent British and German papers would provide a good starting point.) For the most part these comments should be conveyed to the Americans in written form, but it should be envisaged that some of the comments might have to be oral;

b. Co-ordination of the European viewpoint at the meetings of the Council of Ministers (Foreign Affairs) in Brussels on 10/11 March and, possibly, at the subsequent meeting of Foreign Ministers of the Nine in April. It was for consideration whether the Americans could be associated with one of these meetings in some way. Whether or not this was possible there should be

c. At least one and possibly two meetings of the Foreign Ministers of the Four (US, UK, FRG and France) before the Venice meeting.

d. [redacted] of Government, [redacted] A meeting of the Four Heads/ together with their Foreign Ministers, immediately before the Venice summit. The meeting should allow for several hours discussion. It should be either in Italy or, if this proved impossible to arrange in view of Italian susceptibilities, before the Heads of Government concerned arrived in Italy. Chancellor Schmidt and the Prime Minister were both prepared to envisage Italian participation but thought that this was unlikely to be acceptable to the French. It was agreed that urgent thought would be given to this proposal in the next few days and that a considered British view would be communicated to Chancellor Schmidt before his visit to Washington next week.

e. The Venice summit should not be exclusively devoted to a discussion of economic problems, serious though these were. The first day should be devoted to political problems and the second to the usual agenda. While recognising that there

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might be difficulties with the Japanese, both Chancellor Schmidt and the Prime Minister considered that it was time the Japanese were involved in discussion of the political issues.

f. The Prime Minister hoped that the communique of the Venice summit would be short and could be limited to the subjects actually discussed at the summit. Chancellor Schmidt agreed.

[The above summary of the discussion on future action has been agreed with Dr. Ruhfus.]

Ruhfus
-

25 February, 1980.

cc. Master Set

Europe PA - Budget

File

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bc: Lord Privy
Seal's Office

10 DOWNING STREET

From the Private Secretary

25 February 1980

Dear George,

Visit by Chancellor Schmidt: Community Budget

As you know Chancellor Schmidt called on the Prime Minister this morning. I attach the record of that part of their discussion which dealt with the Community Budget.

I am sending copies of this letter and its enclosure to John Wiggins (HM Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

George Walden, Esq.,
Foreign and Commonwealth Office.

TCR

cc. Major Sec

Euro Ppt - Budget

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10 DOWNING STREET

From the Private Secretary

25 February 1980

Dear George,

Visit by Chancellor Schmidt: Community Budget

I am sending you under separate cover the record of that part of Chancellor Schmidt's discussions with the Prime Minister relating to the Community Budget. I should also record that the Prime Minister and the Foreign Secretary had a word at Chequers yesterday about the proposal, referred to by Chancellor Schmidt, that the President of the Commission should attempt to draft a possible package solution to the budgetary problem. The Prime Minister decided that he should not be encouraged to do so, since the consequences of a leak would be unacceptable. It would be preferable for the elements in such a package to be allowed to emerge fortuitously.

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

Yours ever

George Walden, Esq.,
Foreign and Commonwealth Office.

Michael Alexander

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cc. Master Sec.

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Euro PA - Budget.
Growth - EMS

PARTIAL RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND
THE CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY, HERR SCHMIDT,
AT NO.10 DOWNING STREET ON 25 FEBRUARY 1980

Present:

Prime Minister Chancellor Schmidt
Mr. Michael Alexander H.E. Dr. Jürgen Ruhfus

* * * * *

COMMUNITY BUDGET

Chancellor Schmidt said that he hoped the Commission would come up with a proposal capable of resolving the problem of Britain's contribution to the Community Budget. The approach currently being adopted to the European Council would get nowhere. Either far more effective preparations should be put in hand or the budgetary question should be pushed into the background. The Prime Minister agreed that better preparation was needed. She was not prepared to have a repeat of the disastrous meeting in Dublin. But the problem could not be pushed into the background. There would have to be some movement on 31 March. Failing such movement her position would become impossible.

The Prime Minister asked whether the difficulty lay in the failure of anyone so far to come up with the right scheme for solving the problem or whether it was a question of the unwillingness of the other members to pay the bill. Chancellor Schmidt said that no-one had done a sufficiently thorough-going or sophisticated analysis of the problems. Too much of the talk had been in terms of gross figures. These figures needed to be broken down into their components i.e. the contributions made by the VAT, by tariffs, by levies and MCAs. The role of the various funds, e.g. the social and regional funds, needed to be considered in more depth. All this could only be done either by the Commission or by the Presidency.

Chancellor Schmidt asked whether the Prime Minister would be prepared to take the lead in proposing the revision of the CAP.

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The Prime Minister said that she would but that she considered the chances of getting support from the others would be small. Chancellor Schmidt said that the Prime Minister might be right but the effort would have to be made. Failure to reform the CAP would be more painful and more damaging than any reform. He agreed with the Prime Minister that it might take three or four years or even a little longer to put through an effective programme of reform. The Prime Minister repeated that she would be willing to make the effort but observed that it would be easier if the Commission's own proposals in the area did not invariably damage British farming.

Chancellor Schmidt said that if Britain could make a gesture on fish and find a way of solving the sheepmeat problem it would enormously improve Britain's negotiating position. He recognised Britain's views on the latter subject but sometimes it was necessary to acquiesce in things that were wrong. It would also be very helpful if Britain were to join the EMS. The Prime Minister said that Britain would continue to press ahead in good faith with the negotiations on fish and sheepmeat - as indeed we had done immediately after Dublin where fish was concerned. As regards EMS, if Britain had joined in the autumn, the present exchange rate would have taken us well out of the grid. The effort to have stayed within the grid would have resulted in a major increase in the money supply. Chancellor Schmidt said that whether or not Britain was in the EMS, the exchange rate was going to rise. He did not think that membership of the EMS would alter the fate of British currency one way or the other. There might be some difficulties. Indeed the Federal Republic had experienced some itself. But British membership of the EMS would help Europe as a whole greatly. He hoped that the Prime Minister would think seriously about it.

Chancellor Schmidt asked whether the Commission should be instructed to produce a possible package solution to the Budget problem. He and Lord Carrington had discussed the idea with President Jenkins at dinner two days previously. Mr. Jenkins had said that the Commission bureaucracy was probably incapable of producing such an approach. All that he could do would be to write a personal letter setting out a solution to the nine Heads of Government.

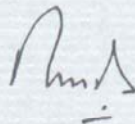
CONFIDENTIAL

/The

The Prime Minister said that she thought it should be for the Presidency to follow up this idea. She doubted whether in present circumstances the Commission President (whom Chancellor Schmidt had noted was under suspicion of being excessively favourable to the British viewpoint) carried sufficient weight. Signor Cossiga very much wished to be helpful. Although he had problems of his own, it looked as though he would probably remain in office until the Venice meetings. Chancellor Schmidt agreeing that Signor Cossiga should be asked to carry the matter forward said that he should nonetheless be urged to make full use of the Commission in doing so. The Prime Minister agreed. Chancellor Schmidt also suggested that Signor Cossiga should be told that the Prime Minister and the Chancellor had discussed the question of reform of the CAP and had agreed that steps to achieve this should now be put in hand. The Prime Minister agreed that this message should be conveyed to Signor Cossiga by each Government's representatives.

Structure of the Commission

Chancellor Schmidt commented that Mr. Jenkins was a good but not a great President of the Commission. (The only really effective President of the Commission, according to Chancellor Schmidt, had been M. Monnet. He had been willing to exploit all the potentialities of his position while remaining in the background.) The Commission as presently organised was an impossible organisation. There was no need to have more than four or five Commissioners. Unfortunately, the smaller members would never agree to a radical reduction in the number of Commissioners. Perhaps an inner Cabinet should be envisaged. The Prime Minister agreed with Chancellor Schmidt's analysis.



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cc J Parsons.



Germanist
BIF 27-2-80
To CS

10 DOWNING STREET

From the Private Secretary

20 February, 1980.

Visit of Chancellor Schmidt: 27/28 March

Since my letter to you of 5 February, we have discussed the arrangements for this visit, and agreed to put to the Germans an expanded version of the programme outlined in that letter.

Dr. Sellaer has just rung from the Chancellery in Bonn, to give the Chancellor's reply. He has accepted the revised proposal in full. This means that:-

- (a) The Chancellor and Herr Genscher will arrive in this country early on the evening of Thursday, 27 March;
- (b) They will have a private dinner with the Prime Minister and the Foreign and Commonwealth Secretary at Chequers, following which Herr Genscher will go to Bledlow where he will spend the night as Lord Carrington's guest. The Chancellor will spend the night at Chequers;
- (c) There will be a tete-a-tete between the Prime Minister and Chancellor Schmidt at Chequers on the morning of Friday, 28 March. This will be joined at an appropriate moment by Lord Carrington and Herr Genscher;
- (d) Chancellor Schmidt will not come to London at all on Friday. The plenary meeting with the other Ministers involved in the visit will take place at Chequers on the Friday afternoon. Chancellor Schmidt's Ministerial colleagues will fly to London on the Friday morning;
- (e) Chancellor Schmidt and the Prime Minister will go to Cambridge from Chequers on Friday evening to participate in the Konigswinter Dinner there;
- (f) The Chancellor will return to Hamburg from Cambridge after the Konigswinter Dinner.

/ Clearly

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- 2 -

Clearly a number of points now require urgent consideration. Perhaps the most immediate is to decide how many Ministers we would expect to accompany the Chancellor and whether or not they should go to Chequers for lunch. My own preliminary view is that there might be advantage in organising separate Ministerial lunches in London and inviting the Ministers to go to Chequers after lunch for the plenary, returning to Heathrow direct from Chequers for their flight home. However, this needs considering with some care. Dr. Sellar told me that the Germans would find it helpful to have an early indication of our thinking about numbers.

Another point for early decision is whether or not we use a helicopter (or helicopters) for the Chancellor's journeys from Heathrow to Chequers and from Chequers to Cambridge. Chancellor Schmidt will inevitably have a number of staff with him.

The question of the number of those accompanying Chancellor Schmidt may also give rise to difficulties in the context of the limited accommodation at Chequers. I should be grateful if Protocol and Conference Department could liaise with Caroline Stephens about this.

Dr. Sellar and I agreed that further discussion of the arrangements for this visit should now take place through Embassy channels. Over to you!

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

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

SP

Lord Carrington has spoken to the ^{Germany} P.M. about this. (2)

PRIME MINISTER

f.a. Phut 18/2

Chancellor Schmidt

The Foreign and Commonwealth Secretary mentioned to you the other day the possibility that Chancellor Schmidt would be paying a private visit to this country shortly to see his daughter and that Mr. Jenkins might take the opportunity to arrange a meeting between the Chancellor and Lord Carrington to discuss the Budget problem. It is now hoped that the Chancellor's visit will take place next weekend and that Mr. Jenkins will give his dinner on the evening of Saturday 23 February.

I think we shall
take up a meeting
deliberate now.

15 February 1980

I can go
no further than the
amount indicated
to G. J. P. C.
Phut

in two B-Books Pt. 3
Germany

CONFIDENTIAL

file

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10 DOWNING STREET

From the Private Secretary

14 February 1980

VISIT OF CHANCELLOR SCHMIDT AND EUROPEAN
COUNCIL MEETING

You wrote to me on 11 February about the briefing arrangements for Chancellor Schmidt's visit to this country and the subsequent European Council meeting. I can see no difficulty about the procedure proposed in the final paragraph of your letter.

I am sending a copy of this letter to Paul Lever (FCO).

M. O'D. B. ALEXANDER

KRF

David Wright, Esq.,
Cabinet Office.

CONFIDENTIAL

CONFIDENTIAL

on Euro P57 - Connolly - Pt 3



CABINET OFFICE

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

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

Ref: A01377

11th February 1980

Dear Michael,

Visit of Chancellor Schmidt on 28th March and the
European Council Meeting on 31st March/1st April

You sent me a copy of your letter of 5th February to Paul Lever about the briefing arrangements for these two meetings. I can confirm that we are content with the deadline of 21st March for the briefs, provided this could be set at noon that day.

I should of course emphasise that since there will inevitably be a lot of activity going on between 21st and 28th March, this will mean that the briefs on the crucial budget issue will essentially be of a background nature. The line to take will be subject to last minute revision.

Can I take it that the same responsibilities for commissioning and co-ordinating briefs will be followed on this occasion as was the case for the Dublin European Council and the Cossiga visit? Namely the FCO will commission the European Council briefs and we in the Cabinet Office will do the same for the Schmidt visit. I am sending a copy of this letter to Paul Lever (FCO).

Yours ever,

David

(D. J. Wright)

M. O'D. B. Alexander, Esq

Top copy on
from Ppt: Pt 2
Budget.

Clive:

26 March

CLIVE

I have discussed with Michael.
 Let us begin Cabinet at 0930.
 Do you start for the briefing meeting based on
 a 0930 Cabinet or a 1000 Cabinet? If the latter, can
 we still begin the briefing meeting at 1030 or at 1045?
Budget Cabinet/Briefing for Schmidt and
European Council

John
7th

You asked me to have a further word
 with Nick about the necessity of the
 Prime Minister sitting in on the second
 day of the Budget Debate, i.e., Thursday,
 27 March. Nick is quite clear that she
 should, if possible, do so as there will
 be some major speeches being made, mostly
 on the Opposition side.

D. Healey
kicks off
with the

Opp's considered views MS

Robert Armstrong has come up with the
 following suggestion: that the Budget
 Cabinet takes place on Wednesday, 26 March
 (Budget Day) at 10.00 a.m. or even 9.30(?)
 and that the European Council briefing
 meeting should start at 1100 and run
 through to 1300 hours. There would be a
 normal Cabinet starting at 1030 on Thursday
 27th.

Could I have your views on this
 suggestion, please?

7 February 1980

FILE cc

VLB Germany

cc Gurobol
(Comms) Pt 2.

CONFIDENTIAL

cc CO
See Goodchild

1) B/F 29. 2. 80
2) B/F 21. 3. 80

Overtaken
by Lottel
of 29/2/80
Lef

5 February 1980

Visit of Chancellor Schmidt: 28 March

We need to begin thinking about the arrangements for the Anglo-German bilateral due to take place on Friday, 28 March. In doing so, it will probably be best to proceed on the assumption that there will not be an early European Council; that the European Council Meeting on 31 March/1 April will go ahead as planned; and that it will have our budget problem as the major item on its agenda.

I should be grateful if the briefs for the bilateral could reach me by 21 March. These will obviously overlap in large measure with the briefs for the European Council Meeting. Subject to the views of David Wright, I think it will be convenient to regard 21 March as the deadline for the briefs for the European Council also. It is not going to be easy to fit a briefing meeting into the following week, but possible timings are under discussion. Since the Prime Minister and Chancellor Schmidt will be dining with the Konigswinter Conference at Cambridge, the only meal that we shall be offering Chancellor Schmidt will be lunch. It will, therefore, have to be a delegation lunch for at most 32. It would be helpful to have an outline guest list by 29 February.

The need for the Chancellor and the Prime Minister to get to Cambridge early on a Friday evening is going to cause obvious logistic problems. I should be grateful if Protocol and Conference Department could pursue these. We may have to think of using a helicopter.

I have had a word with Otto von der Gablentz in the Chancellery in Bonn as to whether Chancellor Schmidt would be prepared to spend either the Thursday night or the Friday night in this country. He thought that the Chancellor would wish to fly to London from Bonn on the Friday morning and to return direct to Hamburg the same evening. This will give rise to a further set of problems. Is there an airfield near Cambridge which Chancellor Schmidt's plane could use? Will the Germans need separate aircraft for the Chancellor and his Ministerial companions?

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

(SIGNED) M ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

Germany

Extract from summary record of a plenary meeting between the
PM and Herr Schmidt in Bonn on Wednesday 31.10.79 at 1700

At the end of the meeting, Chancellor Schmidt raised the question of the timing of the next Anglo/German Summit. He and the Prime Minister agreed that it should if possible be combined with the Konigswinter meeting in Cambridge on 28 March.

CONFIDENTIAL

FILE

28

GERMANY



10 DOWNING STREET

From the Private Secretary

3 October 1979

ANGLO/GERMAN CONSULTATIONS: KÖNIGSWINTER

I wrote to you on 26 September on this subject.

I have now heard from Chancellor Schmidt's office that the Chancellor looks forward to visiting the UK on 28 March for bilateral discussions with the Prime Minister and to going on to the Government Dinner at the Königswinter Conference in Cambridge that evening.

I have agreed with Chancellor Schmidt's office that against this background it would be desirable for the Auswärtiges Amt and the FCO to work together to ensure that another date, and preferably a later one, is chosen for the meeting of the European Council. If it were quite impossible to find another date for the European Council, the timing of the Anglo/German meeting could no doubt be adjusted, but there are obvious attractions in sticking to the present proposal and it may not be easy to find another date on which the Chancellor would be prepared to come to the UK in the middle of his election campaign.

The Chancellor's office have told the organisers of the Königswinter Conference in Germany about the proposal that the two Heads of Government should attend the Government Dinner in Cambridge. You may like to do likewise at this end.

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

M. O'D. B. ALEXANDER

George Walden, Esq.,
Foreign and Commonwealth Office.

TCR

CONFIDENTIAL

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10 DOWNING STREET

DG
Germany

cf Ewo Pol (June 1979)
'Future Dates of Ewo,
Council Meetings.'

From the Private Secretary

26 September 1979

ANGLO/GERMAN CONSULTATIONS: KONIGSWINTER

Paul Lever wrote to Bryan Cartledge on 13 August about next year's Königswinter Conference in Cambridge. He enclosed a copy of a letter from Sir Frank Roberts indicating that Chancellor Schmidt might be thinking of attending.

I have been in touch with Chancellor Schmidt's Office in the last few days about this and have discussed the question with the Prime Minister. I also consulted Roderic Lyne orally about the suitability of holding next year's Anglo/German consultations at the end of March. The upshot is that it now looks very probable that it will suit both the Prime Minister and Chancellor Schmidt to combine the first of next year's Anglo/German consultations with attendance of both the Prime Minister and the Chancellor at the Government Dinner of the Conference on 28 March. The Prime Minister would be content with this arrangement, and Chancellor Schmidt's Office will be ringing early next week to confirm that it would suit Herr Schmidt.

Assuming that the date is confirmed, we shall have to take early action in Brussels to make it clear that 28 March is no longer a possible date for a meeting of the European Council. We will also need to get in touch with Sir Frank Roberts. It is clear from the letter enclosed with Paul Lever's letter under reference that he will welcome the prospect of having two Heads of Government present to celebrate the Königswinter's 30th anniversary.

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

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

[Handwritten signature]

CONFIDENTIAL



(1)

10 DOWNING STREET

Prime Minister.

Chancellor Schmidt's office
have ^{now} learned to say that 28
March would suit them well for
next Spring's bilateral and that
the Chancellor would work forward
to accompanying you to ^{the} Konigs-
winter Dinner at Cambridge. The
FCO see no policy difficulty about
that timing - tho' we shall want to
try to ensure that the European
Council does not meet until
early April. Shall I confirm the
date?

Yes our Prime

PRIME MINISTER

Letter to PLO

to PLO

ⓧ

Königswinter Conference: March 1980

Next year will see the 30th anniversary of the Königswinter Conference. The Conference is to be held at Cambridge.

Chancellor Schmidt's office rang me last week to say that the Chancellor was thinking of attending the Government Dinner on the evening of 28 March. They wondered whether:

- (a) You yourself planned to attend (I rather think that the Chancellor's attendance would be conditional on your own); and
- (b) If the Chancellor were to come, the early part of the day could be taken up with the six-monthly bilateral meeting between you and him (the Chancellor's office indicated that it would not be easy, in the run-up to the ^{German} Election, to offer a wide choice of dates for the bilateral)?

I did not consult you about this at once because ^athe discussion was due to take place in Brussels on the same day as the Chancellor's Private Secretary rang to decide whether a European Council should not be held on 27/28 March. In fact no decision has been reached about the timing of the European Council and it would now be open to you and Chancellor Schmidt to pre-empt the Community decision by deciding that your bilateral should take place then.

Would you like me to establish whether, in terms of Anglo-German business, a meeting at the end of March looks sensible and, if so, to pursue the discussion with Chancellor Schmidt's office?

Has
planned
not

PLO

25 September 1979



Foreign and Commonwealth Office

London SW1A 2AH

Miss Williams

to note ✓

13 August 1979

NOBAM yet.

BM

14/8

Dear Bryan,

KÖNIGSWINTER CONFERENCE IN CAMBRIDGE, MARCH 1980

I enclose a copy of a letter from Sir Frank Roberts to the PUS about next year's Königswinter Conference in Cambridge. The PUS has said in reply that it was useful to have this hint that Chancellor Schmidt may be thinking of attending and that we would expect a formal invitation to the Prime Minister if this looked like turning into a serious proposal.

The 30th Königswinter will be something of a milestone, and the Prime Minister may be attracted by the idea of attending for an evening if it turns out that this is Chancellor Schmidt's intention. You may wish to note this therefore as a possible engagement for 28 March 1980 and as a point which could be discussed when the Prime Minister and Herr Schmidt meet in Bonn on 31 October.

Yours etc

(P Lever)

Bryan Cartledge Esq
10 Downing Street
LONDON SW1

cc Mr. Whitehead

(Hd)

Bonn

2000-201/2

JUL 13

25 KENSINGTON COURT GARDENS
LONDON W8 5QE

WED

cc: Mr. Bullard / Mr. Ferguson
Hd Planning Staff
PS
PS/LB
PS/PUS

May Hunt
2/7

Mr. Vereker
Mr. Cairns

June 27th, 1979

We can only bear this in mind for the
time being

PERSONAL AND CONFIDENTIAL

Dear Michael,

I thought I should let you know at an early stage in connection with next year's Königswinter Conference at Cambridge that Lilo Milchsack is hoping that Helmut Schmidt will make a personal appearance. He has been an active and long-standing member of her Deutsch-Englische Gesellschaft and has told her that he will do his best to come as it will be the thirtieth conference and just possibly the last - at all events in this country - with Lilo herself playing the lead role on the German side, although I personally have my doubts about this. Stefan Thomas, who is the General Secretary of the DEG and who has very good contacts in higher SPD circles, told me in Berlin last week that he had just seen Helmut Schmidt, who had confirmed that it was his intention to come over to Cambridge, with of course all the usual reservations about possible other commitments. He made it clear, however, that if he did come he would assume that there would be equivalent high-level British interest shown, i.e. by the Prime Minister herself.

I suppose the obvious occasion for Helmut Schmidt would be the Government Dinner which usually takes place on the evening of the Friday, which next year will be March 28th. Had it not been for this unexpected news from Germany I should have been approaching you in the autumn to express the hope that the Foreign Secretary himself would agree to host the dinner, and this would of course be most agreeable to us.

I don't imagine there is very much we can do about this at this stage, but I thought you ought to know of what seems more than just a possibility and I shall of course keep you informed of developments.

Yours ever
Frank K Roberts

Sir Michael Palliser, GCMG
Foreign and Commonwealth Office
Whitehall
London SW1.

PART 1 ends:-

BGC to Reute 25. 5. 79

PART 2 begins:-

FCO to BGC 13. 8. 79