

Confidential Filing

Removal of the limitations
on FRG Naval Shipbuilding

GERMANY

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July 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
14-7-80							
21-7-80							
31-8-80							
6-9-81							
PREM 19/768							



JF1489

Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

→ AJC Germany

6 September 1982

J E Holmes Esq
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AH

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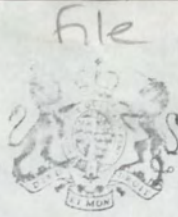
Dear John

Thank you for sending me a copy of your letter of 26 August to Tim Flesher about the removal of WEU limitations on armaments. We do not foresee any serious industrial repercussions and can agree to your proposals.

2 I am copying this letter to Tim Flesher, Richard Mottram and Richard Hatfield.

Yours sincerely
David Saunders

DAVID SAUNDERS
Private Secretary



de

Germany

10 DOWNING STREET

From the Private Secretary

31 August 1982

Thank you for your letter of 26 August about the removal of WEU limitations on armaments. The Prime Minister has agreed to the line proposed in your letter.

I am copying this to Richard Mottram (Ministry of Defence), Jonathan Spencer (Department of Industry) and Richard Hatfield (Cabinet Office).

Timothy Flesher

John Holmes, Esq.,
Foreign and Commonwealth Office.

BT



Prime
Minister

Foreign and Commonwealth Office

London SW1A 2AH

Agued.

DF

26 August, 1982

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Dear Tim,

Removal of WEU Limitations on Armaments

✓ Lord Carrington sent a memorandum to the Prime Minister on 11 July 1980 recommending, in response to a request from SACEUR, inspired by the FRG, that the Western European Union (WEU) Council should agree to cancel the restrictions on German naval ship-building contained in paragraph V of Annex III of Protocol III of the Modified Brussels Treaty. The Prime Minister agreed to this and the Council subsequently cancelled the restrictions. As a consequence of discussions in the WEU Assembly two further issues of a similar type are now coming on to the agenda of the WEU Council. These are:

/ (a) to cancel the remaining discriminatory restrictions on FRG production in the Treaty. These are on production of certain missiles and strategic bombers (paragraphs IV and VI of the List at Annex III to Protocol No III of the Modified Brussels Treaty);

/ (b) to reduce the list of weapons to be controlled by the Agency for Control of Armaments (ACA) (Annex IV of the Protocol III).

The first question is the only one specifically directed towards the FRG. The Germans themselves have yet to make up their minds as to what attitude they should take. But they, like us, will be conscious of the fact that the Assembly are likely to return to the issue if the Council do not give them satisfaction. Restrictions on FRG manufacture of certain weapons (in this case the production of missiles with non-nuclear war heads and of a range exceeding 70 km and bomber aircraft for strategic purposes) are no longer appropriate to the FRG's role today in the Western Alliance. These remaining restrictions on the FRG can be amended or cancelled by a two-thirds majority of the WEU Council, if SACEUR so recommends and the government of the FRG so requests. The Germans are naturally sensitive about the restrictions in the WEU Treaty which discriminate against them even though they have so far as we know no plans (or need) to construct missiles or strategic bombers. If the Germans seek a change it would be wounding for us to oppose them and we have no obvious direct interest in obstructing their desires.

/A



A question mark perhaps arises, to which the Germans will be as sensitive as ourselves, over the Soviet attitude. There is no question of the Germans giving up their unilateral undertaking not to manufacture nuclear (or chemical and biological) weapons which is enshrined separately in the WEU Treaty. But the USSR may well exploit a decision to lift restrictions in propaganda alleging German plans to produce missiles and bombers. If the Germans are prepared to live with this we do not think we need worry over much. In the circumstances we hope the Prime Minister can agree that if, as we expect, the Germans make informal enquiries of their WEU partners to discover in advance whether there would be a consensus in favour of a formal application by them to lift restrictions we should raise no objections on the understanding that our other partners are also ready to approve.

The second issue, that the Council consider a revision of Annex IV, is of less moment. Annex IV controls (in a largely illusory fashion) listed weapons of all Member States on the Continent. These controls do not discriminate against the Germans as such, though to reduce them while leaving restrictions on the FRG as they are would give an unfortunate impression. We have an interest in reducing the number of weapons listed so that we can pursue our objective of reducing the costs of the Agency which administers the controls on them. We cannot do away with Annex IV entirely but shall do what we can to see that, since it must under the terms of the Treaty exist, the list should contain only the most important weapons of an offensive nature.

I am copying this to the Private Secretaries of the Secretaries of State for Defence and Industry and Sir Robert Armstrong.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
Private Secretary
10 Downing Street

IV. LONG-RANGE MISSILES AND GUIDED MISSILES

- (a) Subject to the provisions of paragraph (c) and (d) long-range missiles and guided missiles are defined as missiles such that the speed or direction of motion can be influenced after the instant of launching by a device or mechanism inside or outside the missile, including V-type weapons developed in the recent war and subsequent modifications thereof. Combustion is considered as a mechanism which may influence the speed.
- (b) Parts, devices or assemblies specially designed for use in or with the weapons referred to in paragraph (a) shall be deemed to be included in this definition.
- (c) Proximity fuses, surface-to-air and air-to-air guided missiles for anti-aircraft defence, air-to-surface guided missiles for tactical defence, and surface-to-surface guided missiles for naval tactical defence quipped with non-nuclear warheads and of a range not exceeding 70 km, are regarded as excluded from this definition.
- (d) Guided anti-tank missiles are also regarded as excluded from this definition.

VI. BOMBER AIRCRAFT FOR STRATEGIC PURPOSES

ANNEX IV

LIST OF TYPES OF ARMAMENTS TO BE CONTROLLED

1. (a) Atomic,
(b) biological, and
(c) chemical weapons,
in accordance with definitions to be approved by the Council of Western European Union as indicated in Article I of the present Protocol.
2. All guns, howitzers and mortars of any types and of any rôles of more than 90 mm. calibre including the following component for these weapons, viz., the elevating mass.
3. All guided missiles.
Definition: Guided missiles are such that the speed or direction of motion can be influenced after the instant of launching by a device or mechanism inside or outside the missile; these include V-type weapons developed in the recent war and modifications thereto. Combustion is considered as a mechanism which may influence the speed.
4. Other self-propelled missiles of a weight exceeding 15 kilogrammes in working order.
5. Mines of all types except anti-tank and anti-personnel mines.
6. Tanks, including the following component parts for these tanks, viz:
 - (a) the elevating mass;
 - (b) turret castings and/or plate assembly.
7. Other armoured fighting vehicles of an overall weight of more than 10 metric tons.
8. (a) Warships over 1,500 tons displacement;
(b) submarines;
(c) all warships powered by means other than steam, diesel or petrol engines or gas turbines;
(d) small craft capable of a speed of over 30 knots, equipped with offensive armament.
9. Aircraft bombs of more than 1,000 kilogrammes.
10. Ammunition for the weapons described in paragraph 2 above.
11. (a) Complete military aircraft other than:
 - (i) all training aircraft except operational types used for training purposes;
 - (ii) military transport and communication aircraft;
 - (iii) helicopters;
 - (b) air frames, specifically and exclusively designed for military aircraft except those at (i), (ii) and (iii) above;
 - (c) jet engines, turbo-propeller engines and rocket motors, when these are the principal motive power.



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27 AUG 1982

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Gratman



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-930 7022

MO 14/3

21st July 1980

Dear George,

*NRAA
Phd 22/7*

REMOVAL OF THE LIMITATIONS ON FRG NAVAL SHIPBUILDING

My Secretary of State has seen the Foreign and Commonwealth Secretary's minute to the Prime Minister of 11th July and also Michael Alexander's letter to you of 14th July.

My Secretary of State would not wish to object to the proposition that we should accede to the German request but he has commented that what the Germans really want to do with a relaxation in the provisions of the Brussels Treaty, once they have secured this, remains to be seen. If the Germans choose to expand their Navy (and on this you will have seen the report in today's "Times" on which Mr Pym hopes that HM Embassy Bonn will be offering urgent comments) this could have the advantage of adding to Alliance capability in a way less likely to prove politically sensitive than might an expansion of the Germans' already predominant Central Region forces. But this is something on which it would be premature for the United Kingdom to form a view until our own ideas on division of effort are clearer following the work commissioned by OD at the Committee's meeting on 8th July. The implications for the British shipbuilding industry will need watching.

I am sending copies of this letter to Michael Alexander; the Private Secretaries to the other Members of OD and to the Secretary of State for Industry; and David Wright (Cabinet Office).

*Yours and
Bill Norbury*

(B M NORBURY)

G G H Walden Esq

CONFIDENTIAL

22 JUL 1980



CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

14 July 1980

REMOVAL OF THE LIMITATIONS ON FRG NAVAL SHIPBUILDING

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 11 July to her on this subject. She has agreed that we should not raise objection to the removal of the remaining WEU restrictions on German naval shipbuilding.

The Prime Minister has asked me to say that she would much have preferred to have been consulted on this problem at an earlier stage. She would have liked to have been able to consider the implications, particularly for our own shipbuilders, in more detail.

I am sending copies of this letter to Brian Norbury (MOD), Ian Ellison (Department of Industry), and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

George Walden, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Free Germany
Trade Home office

KRB



PM/80/52

PRIME MINISTER

Removal of the Limitations on FRG Naval Shipbuilding

1. At the request of the FRG, SACEUR has recommended in a letter dated 2 July (copy attached at Annex A) that the Western European Union (WEU) Council should agree to cancel all the remaining restrictions on German naval shipbuilding contained in paragraph V of Annex III of Protocol III of the Modified Brussels Treaty (Annex B).

2. You may recall being briefed on this subject for your first meeting with Chancellor Schmidt following the elections last May. I enclose a copy of the MOD brief for ease of reference (Annex C). Although the Germans have not in fact raised the matter with us following the exchanges of 1978/9, there now seems to be some head of steam behind the German request, since the German Ambassador made a point of asking me during Herr Albrecht's visit whether we could agree to the subject being decided at the next meeting of the WEU Council, now scheduled for 21 July. I imagine that the Germans have their own elections in October very much in mind in seeking the removal of what they see as an anachronistic and now irrelevant restriction. I attach (at Annex D) a factual paper setting out the WEU aspects of the problem in greater detail and covering also for comparative purposes the position of French forces in the FRG.

3. The key facts about the German request are that the Federal Chancellor is known to be personally interested in it; the last Government committed themselves to support it;

/all our

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*1. This is a...
very much indeed
It will be...
further. We are...
hastened and...
pressured. What...
do we...
in...
at Reg A.*

*Lord Carrington recommends that
you should go along with the proposal
Alps?*

*Ph...
- 1/7*



all our partners in the WEU appear also to have promised support and, since the decision in WEU is taken by two-thirds majority, we have no power to block it. I also think that the request is justified on its merits. I hope, therefore, that you can agree that we should go along with what is proposed with a good grace and minimum delay. It could create the wrong impression if the British representative at the WEU Council meeting on 21 July was without instructions or if we had to ask for the item to be removed from the agenda.

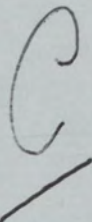
4. There may be some Soviet criticism of the removal of the restrictions, though, in the aftermath of Helmut Schmidt's visit to Moscow, this seems not all that likely. But I do not see why there should be significant domestic opposition to our agreeing to the German request, especially since the last Labour administration had already agreed to it. The press have got hold of the story and are displaying some interest in it, but reports so far have neither contained nor provoked any criticism of what is seen as the inevitable outcome. Officials have looked again at the economic consequences for our own shipbuilders of allowing the Germans to compete freely in the warship market and it appears that the only area of possible difficulty will be submarines. But I would regard it in any case as improper for us to seek to shelter our industry behind the provisions of the Brussels Treaty, which were framed with very different purposes in mind. The foreign policy arguments all point to the same direction; given the alleged acquiescence of all our partners, an attempt by us to delay or refuse the German request would undoubtedly provoke considerable irritation on the part of Chancellor Schmidt and a further closing of Franco-German ranks. Since we have no right of veto our objections would in any case be without effect, thus giving us the worst of all worlds.

/6. We shall



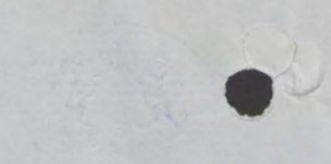
6. We shall need later to consider further the NATO implications of the German request. SACEUR's letter mentions the 'burden sharing' concept, implying an expanded future role for the German Navy in the North Atlantic. There is no hard evidence that the Germans are contemplating any immediate change in their present role (see Annex D), but the idea clearly has its attractions for them.

7. I am sending copies of this, and enclosures, to the Secretaries of State for Defence and Industry and to Sir Robert Armstrong.


(CARRINGTON)

Foreign and Commonwealth Office

11 July 1980



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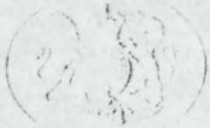
W.E.U. SECRET
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Letter dated 2nd July, 1980, from
General B. Rogers, Supreme Allied Commander Europe,
to the Secretary-General

"The General Inspector of the Bundeswehr of the Federal Republic of Germany has informed me that the permanent representative of the Federal Republic of Germany to Western European Union has been instructed to introduce into the W.E.U. Council the formal request of his Government for the cancellation of the provisions of Paragraph V of Annex III to Protocol No. III of the revised Brussels Treaty.

I fully support the request by the Federal Republic of Germany to cancel the limitations on the construction of naval ships by the Federal Republic. Therefore, in accordance with the procedure prescribed in Article II of Protocol No. III of the Treaty, I recommend that the request for cancellation be approved by the W.E.U. Council.

At a time when the requirements of "burden sharing" and "division of labour" were never greater within the Alliance, it would seem prudent to exploit the defence resources across the entire spectrum of the potential of member nations. Thus, the cancellation of the restrictions of the German Navy would be of great benefit to the Alliance as well as to all W.E.U. partners."



Paragraph V of Annex III of Protocol No. III which the FRG seeks to delete reads as follows:

V WARSHIPS, WITH THE EXCEPTION OF SMALLER SHIPS FOR DEFENCE PURPOSES

'Warships with the exception of smaller ships for defence purposes' are:

- (a) combat vessels of more than 3,000 tons displacement, with the exception of:
 - 8 destroyers to be equipped with tactical missiles for sea combat, the displacement of which shall not exceed 6,000 tons, and
 - 1 training ship of 4,800-5,000 tons displacement;
- (b) permanent auxiliary vessels of more than 6,000 tons displacement;
- (c) submarines of more than 1800 tons displacement;
- (d) all warships which are driven by nuclear power.'

The Paragraph has already been amended 5 times at FRG request, in 1958, 1961, 1962, 1963 and 1973.

EXTRACT FROM BRIEFING FOR CHANCELLOR SCHMIDT'S VISIT TO LONDON,
MAY 1979

Relaxation of the Brussels Treaty Restrictions on German Shipbuilding

1. The German Foreign Office asked at official level in July 1978 for British support for a request to the WEU Council for the abolition of paragraph V of Protocol III to the Modified Brussels Treaty of 1954, which constrains German naval shipbuilding. They said that France had already concurred. The Germans offered no justification, but their motives appear to be both political and commercial. (They see the restrictions as anachronistic.) It is relevant that both Chancellor Schmidt and Herr Apel have close links with Hamburg, a major shipbuilding centre. After several months of interdepartmental consideration of the implications, UK decided to agree the German request, subject to SACEUR making a recommendation in accordance with article II of Protocol III. During his visit to Germany in April, Mr Mulley informed Herr Apel of HMG's decision. Subsequently the FCO has confirmed this to the German Embassy.

THE WEU AND FORCES IN EUROPE

A. THE MODIFIED BRUSSELS TREATY

1. The Brussels Treaty was signed in 1948 by France, Britain and the Benelux countries, and set up the Brussels Treaty Organisation. Its primary purpose was defence cooperation, in particular against the possible resurgence of a militaristic Germany. There were also clauses about economic, social and cultural cooperation.

2. In 1954 in Paris the Treaty was modified and 4 Protocols were added, while Italy and the Federal Republic of Germany acceded. The name of the Organisation was changed to Western European Union and the Assembly and the Armaments Control Agency were set up.

Principal Provisions of the Treaty

3. With the onset of the cold war, the original purpose of a defensive alliance against Germany was soon redundant. WEU was a direct result of the failure to establish the European Defence Community among the members of the European Coal and Steel Community. The French could not accept a common defence policy and structure without Britain; Britain was not prepared to go so far towards European integration.

4. The resulting compromise was a discriminatory treaty allowing German rearmament and participation in NATO. For the United Kingdom it meant a commitment to maintain forces on the mainland of Europe (originally 4 divisions and the Second Tactical Air Force, reduced in 1958 with the Council's acquiescence to 55,000 and the air force), but no limit on force and armaments levels outside that area. The Federal Republic agreed not to produce certain types of weapons (atomic, biological and chemical as well as a list of other types, including warships and guided missiles, which is capable of amendment). All the continental members agreed that their force levels should be kept within limits to be agreed by the Council and subject to inspection.

/(British



(British forces alone are not subject to WEU inspection.)

5. The main Treaty contains no provision for amendment. But the UK undertaking (in Protocol II) not to withdraw its forces on the mainland of Europe against the wishes of the majority of the parties to the Treaty is qualified by the provision: 'This undertaking shall not, however, bind her in the event of an acute overseas emergency. If the maintenance of the UK forces on the mainland of Europe throws at any time too great a strain on the external finances of the UK, she will, invite the North Atlantic Council to review the financial conditions on which the UK formations are maintained.' Protocol III, containing the restrictions on German weapons manufacture, is capable of amendment except in respect of atomic, biological and chemical weapons and the missiles and shipbuilding paragraphs have in fact been amended on nine previous occasions.

B. IMPLICATIONS FOR STRENGTH AND ROLE OF FEDERAL GERMAN NAVY

6. The Federal German Navy's (FGN) NATO role is to control, with Denmark, the Baltic approaches and defend German sea supply routes. The FGN has 7 guided missile destroyers, 4 destroyers, 6 frigates, 24 submarines (18 new Type 206), 12 minehunters and 45 minesweepers plus smaller ships. In addition, 6 Type 122 frigates (3,800 tons) are now being built for delivery to FGN 1981-85. No new submarines are needed till 1990s. German yards are currently building frigates and submarines (1,700 tons and below) for export. Rumoured that the Germans may build in 80s a bigger class of submarine (not suitable for the Baltic/North Sea).

/7.



7. The principal immediate effect of cancelling the shipbuilding provision would be the overdue legalisation of the FGN's Type 122 building programme: these ships are privately admitted by the Germans to be larger than the Treaty restrictions allow. It would also give scope for building further Type 122 frigates and larger fleet replenishment ships as well as larger submarines for FGN and export if the Germans had resources for this and decided - as it is far from certain that they will - to give expansion of their navy priority over the claims of the other services. In theory the Germans would also be allowed to build nuclear powered warships, but in view of likely German and Allied political sensitivities it is unlikely that this is a real prospect in the near future.

8. For the FGN to take on a deep-water role would mean assigning ships to SACLANT (and possibly CINCHAN) as well as to SACEUR, which would have to be agreed by all concerned in NATO. Despite evident German interest, there is no sign that the FRG is immediately contemplating a move in NATO.

C. POSITION OF FORCES IN THE FRG

9. Current BAOR establishment is 58,000 men. Owing to undermanning, actual figure is 53,500. Adding in women and UK-based Staff in NATO headquarters gives a total of 55,650 UK personnel on the continent which is the most recent figure submitted to the WEU under the terms of the Treaty.

10. French troops have been in Germany since 1945. In 1966, following French withdrawal from the NATO military structure, France and FRG concluded a bilateral agreement on the stationing of French forces in Germany. Relations between the French forces in Germany and NATO are governed by the Ailleret-Lemnitzer (then SACEUR) agreement of 1967: there is no French commitment vis-à-vis the WEU. They claim currently to maintain 47,000 soldiers on German soil. French dispositions differ from the British in two major

/respects



respects:

- (a) French troops are stationed very close to the French border, mostly at Baden-Baden (making it especially difficult to be sure how many are on the German side of the border);
- (b) Three quarters of French troops are short-service conscripts.

11. Comparisons with BAOR, as regards both role and equipment are therefore difficult. BAOR is part of NATO's front line: the French are not, and are not equipped to be. Against BAOR's 600 Chieftains, the French have under 500 AMX-80 tanks, inadequately armed and protected against modern Soviet armour: but not due for replacement until the mid-1990s. By the mid-1980s their forces will have been re-equipped with new fighting vehicles (except tanks); until then their equipment will remain of modest quality. These deficiencies in part reflect the greater emphasis in French defence policy on the deterrent forces (about 19% of their defence budget) and - to a lesser extent - on operations outside Europe.

12. The Brussels Treaty laid down permitted maxima for FRG land, naval and air forces, but according to a formula so vague that it is difficult to determine what the precise figure should be. In practice the Bundeswehr has stayed within a self-imposed limit of 495,000 men, which is some 13,000 below the most commonly accepted maximum figure permitted by WEU.

