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808

PREM 19/1036

Prime Minister's meetings with  
Chancellor Kohl in Germany.

GERMANY

Part 1: June 1980

Part 4: October 1980

PART 4

438

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>13.10.82</del>							
<del>14.10.82</del>							
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<del>25.10.83</del>							
<del>31.10.83</del>							
25.10.83							

PREM 19/1036

PART 4 ends:-

HE Ambassade to Bullard 26/10

~~Duty Clerk to AJC 25/10~~

PART 5 begins:-

Bonn tel <sup>78</sup> 986 4/11.

CONFIDENTIAL

Sir Jock Taylor KCMG

BRITISH EMBASSY,  
BONN.

26 October 1983



Sir J Bullard KCMG  
FCO

(1) cc Private Secretary  
PS / Burgess Young  
PS / PVS  
Defence Dept.  
Mr Coles, No. 10 ✓

~~Prime Minister.~~

*Dear Julia*

(2) WED.

M 38/10

*MR 4/10*

CHANCELLOR KOHL'S GOVERNMENT AFTER ONE YEAR IN OFFICE

1. It is just over a year since Chancellor Kohl came to power in Bonn. He entered office promising that his Government would reduce the country's record levels of unemployment and re-affirm the FRG's traditional pro-Western foreign policy stance. As Kohl himself put it, the new Coalition would lead the FRG out of the crisis into which it had been dragged by 13 years of SPD mis-rule. A year later, how does his Government's record look?

2. This letter attempts to answer the question in some detail. But the short answer must be that they have not, by any yardstick, done badly. Although some of the hopes - in particular for rapid economic recovery - remain unfulfilled, the Government have produced a resounding election victory, made a start with putting the economy on a sounder basis, pursued a sensible policy of continuity abroad, and have made no major mistakes. They continue to enjoy widespread support - if elections were held today

/they

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they would undoubtedly retain their large majority - and the Opposition is divided. The Chancellor himself has come through his first year in office well. Although solid and rather unimaginative, he has shown notable political skill; and he commands the firm allegiance of his party and enjoys widespread respect in the country. I have to add, however, that we have as yet not seen the Chancellor under real pressure to take difficult decisions. His method of management - leaving it to his Ministers to sort out difficult problems, eg economic policy - has allowed him to stand back a bit; he has faced no leadership problem over the nuclear debate. If there is evidence of lack of decision making, it relates to a relatively minor issue - namely the choice of the next Federal President. This is causing a bit of criticism in the CDU.

### The Economy

3. The new Government have from the start seen their main task as putting right the economy, and the electorate saw it that way too: it was because Kohl's team were seen as more competent than the SPD to direct the economy that they won the March election by a comfortable margin. Their strategy has been to consolidate and reduce public expenditure which had risen dramatically under the SPD. The Chancellor promised no quick fixes. He made clear that economic recovery would be difficult and that some sacrifices would be necessary. But he claimed that his Government could produce an upswing.



4. A year later, the economy is picking up and output is rising. Central government borrowing has been reduced and the growth of the Federal Budget brought below that of GDP.

This has been paralleled by even more rapid progress at Land and local authority level. Real GDP growth, better than forecast, will be achieved this year, and a further increase in growth confidently expected next year.

Activity in the construction sector and consumer demand have both risen as a result of government measures. Business profits have improved and investment has also slightly increased. The outlook for exports is marginally better.

5. But the recovery remains modest and fragile and the outlook beyond 1984 is uncertain. Unemployment continues to rise and is expected to average 2.5 million next year. The government have yet to come to grips with problems of declining industries such as coal, steel and shipbuilding.

They also face other problems: in particular how to finance their promised tax cuts, how to tackle the complicated subject of pension reform, and how further to streamline the social security system.

6. So, while basic confidence in the Government's economic policies remains, there is nowadays a fair amount of impatient criticism. This was perhaps inevitable once the honeymoon period was over, but is in sharp contrast to the euphoria that greeted the Chancellor's election victory in March, especially in business circles. The critics

/include



include some senior people in the CDU itself. The cuts in government expenditure so far have been large and unpopular enough to affect the CDU's showing in regional elections but still short of the radical cure which some in the CDU wanted introduced as soon as the government took office. One leading conservative newspaper has criticised Kohl for caution and compromise and for failing, unlike President Reagan or the Prime Minister, to take the painful decisions necessary to put the economy on a healthier basis.

7. It is too early to reach a final judgement. The real economic tests lie ahead. CDU Headquarters, however, believe that the Government are now entering a difficult phase and their fortunes may decline to a low point in 1985, when regional elections are due in three important Länder. Unless the economy is clearly picking up by then, the Government could face a drubbing, and the pressure from within the CDU for a U-turn in economic policy could grow.

#### Foreign Policy

8. Here the balance is much more positive. Kohl has surprised many people by the speed with which he has established himself as a leader to be reckoned with on the international scene. He has convincingly reaffirmed his Government's commitment to the Community and NATO, and done a great deal to restore the relationship with the United

/States



States from the low point it reached in the last years of the Schmidt Government.

9. INF has been the theme which has dominated the Government's first year. They made clear from the start their commitment to the Double Decision and their determination to go ahead with deployment if necessary. They left no doubt that they would stand firm to this commitment even in the face of possibly violent demonstrations. But they also avoided the impression of being Washington's poodle. Kohl showed by visits to Washington and Moscow that he was encouraging both super-powers to negotiate seriously. The close consultations between Bonn and Washington throughout the year and the clear US willingness to take German views into account in formulating their negotiating position enabled the Chancellor to claim, quite rightly, that German interests were being fully represented at Geneva.

10. Far from threatening the stability of West German democracy, as the pessimists had predicted last year, the peace movement's demonstrations this autumn have so far passed off quietly and have put the Government under no real pressure. They still face the prospect of further, and possibly sharper, demonstrations as the deadline for deployment draws closer. But the threat to NATO of the German Government reneging on the Double Decision, which would have been real had the SPD remained in power, has been averted.





11. Yet, while adhering firmly to NATO policy, the Government have surprised their opponents and some of their supporters by the energy with which they have pursued the dialogue with Eastern Europe, and with the GDR in particular. Their opponents' prophecies last year that the new Government would cause a freeze in relations with the FRG's Eastern neighbours have proved well wide of the mark. Particularly striking has been the change in attitude of Strauss and the CDU/CSU right wing. After one year, Chancellor Kohl can draw satisfaction from the achievement of his Government in managing to continue the dialogue with Moscow in a difficult East-West climate and producing, if anything, a slight improvement in relations with Poland and the GDR. Even Schmidt has publicly expressed admiration for this last achievement.

### Other Policies

12. In other policy areas, the Government's record is not bad. They have introduced a number of reforms in domestic policies to placate their right wing (in particular to tighten legislation covering immigration and public demonstrations), which the Government's opponents have castigated as reactionary but which have turned out to be considerably more moderate than expected. On ecological issues (which are of considerable importance here) the new Government have been very active and determined, particularly over "acid rain" of which we shall hear much more.

/The



### The Chancellor

13. Kohl dominates the political scene and exudes a relaxed and optimistic self-confidence. Despite the grumbling about his handling of the economy, he has consolidated his power base and is now unchallenged within the CDU. He has shown what an able Party politician he is. He has placed his trusties in key positions in government. He has skilfully kept Franz-Josef Strauss at bay, and works closely with Genscher, with whom he gets on personally very well.

14. There is however some criticism of his style which, as I remarked in my despatch of 1 July 1983, depends more on personal contact than on bureaucratic procedures. The Cabinet no longer meets weekly, and the Federal Chancellery is operating disjointedly. Coupled with the Chancellor's reluctance to give a firm lead, at least on economic issues, this creates an impression of drift and lack of co-ordination. So long as the Government continues to notch up some achievements and to avoid serious mistakes no-one is likely to worry too much about this: but if they hit a bad patch, their style of governing could come under active criticism.

### The Government Team

15. The Cabinet, though not exciting in style, gives an impression of competence. Genscher, the senior Foreign Minister in Western Europe, has a firm grip on foreign

/policy



policy, though he still shows the scars of the past two years' internal political strains and is not much loved in his Party or in the country. Stoltenberg, the Finance Minister, is undoubtedly the Chancellor's heir-apparent and has probably grown most in stature during the last year. Wörner (Defence) is highly competent and gets on well with the Bundeswehr, though his relationship with Kohl is said not to be particularly close. Lambsdorff (Economics) has been somewhat subdued (though forthright and firm on policy issues), and may yet have to resign as a result of a scandal involving the financing of the political parties. This should come to a head one way or another within the next month or so. If Lambsdorff goes, the Chancellor may be faced with having to reshuffle his Cabinet which could lead to more trouble as the CSU try again to increase their influence at the expense of the FDP.

### The Coalition

16. After considerable initial problems, the Coalition seems to be beginning to settle down. The FDP's long-term future is a worry. But, although it has still to rebuild much of its electoral support after switching coalition partners last year, the Chancellor believes it will succeed and clearly reckons on a long period in office with its support. There is still some bickering between FDP and CDU, but it is little more than shadow boxing. The FDP needs to profile itself as liberal for electoral reasons while the

/CDU/CSU -



CDU/CSU - and Strauss in particular - has not yet fully reconciled itself to dependence on the FDP for a governing majority. But neither has any alternative to the present coalition and neither will take the differences to the point of endangering it. Strauss's disruptive antics do not have much support from his Party colleagues in Bonn, and he increasingly gives the impression of being far more vocal than relevant.

### The Opposition

17. The problems of the Government, however, are nothing to the disarray of the Opposition. The SPD has surprised even the pessimists with the speed with which it has moved to the left on key issues, especially INF. The special party conference next month is now virtually certain to commit the SPD to opposing deployment. It is possible that the left will then go on to question other aspects of the SPD's traditional foreign and security policies. Some leading members of the Party are already calling for a review of the FRG's attitude to NATO itself. Some moderates recognise that the SPD's preoccupation over the last year with INF has only undermined the Party's electoral support. They and some of the left too are trying to shift the emphasis of the SPD's attack to economic policy. But the SPD is barren of new ideas and has no convincing alternative economic policies to offer. Meanwhile, the Greens are becoming increasingly irrelevant. The Federal Party is divided on a whole range of key issues. The Parliamentary Party is also split, and has failed to make any impression in the Bundestag.

The Future

18. The Kohl Government may well face more difficulties in their second year than in their first, notably on the economic front. Unless the economy picks up well, their showing in Land elections may be poor. Kohl will need to get a grip of the management of the Federal Chancellery or find a lieutenant who can do so. His lack of imagination and vision may become more evident as time goes on. But these factors do not cause me to revise my view that the CDU/FDP Government have every chance of being in office until the 1987 elections and quite probably after that. We should be glad, for the interests of the West and the UK are far safer in their hands than those of the increasingly irresponsible SPD.

*Yours ever*

*Jock*

Jock Taylor

cc: Chanceries:

UKDEL NATO  
UKREP BRUSSELS  
WASHINGTON  
ATHENS  
COPENHAGEN  
PARIS

/BRUSSELS

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- 11 -



BRUSSELS  
THE HAGUE  
ROME  
LUXEMBOURG  
ANKARA  
MADRID  
OSLO  
MOSCOW  
EAST BERLIN  
BMG BERLIN  
VIENNA  
STOCKHOLM  
CGs IN THE FRG  
CICC(G)

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-- 1 NOV 1963



ASL.



10 DOWNING STREET

ANGLO/GERMAN SUMMIT

Briefing Meeting.

① I mentioned that Michael Topping would be away in the US for this.

MAFF suggest their M/S John MacGregor should attend instead.

Is this OK? Yes.  
AR 25/10

② Sir M. Franklin is going to the Palace - can Derek Andrews come instead?

Yes.

Mark

AR 25/10

25/10





Foreign and Commonwealth Office  
London SW1A 2AH

Telephone 01- 233 3648

*AR 25/10.*  
*h-c.*

Miss Lindsay Wilkinson  
Cabinet Office  
70 Whitehall  
LONDON SW1

Your reference

Our reference

Date 24 October 1983

*Dear Lindsay,*

BRIEFING FOR ANGLO-GERMAN SUMMIT: 8-9 NOVEMBER

1. We spoke about changes to the list of briefs enclosed with your letter PS(83)26 of 17 October to Private Secretaries. I now enclose a revised list which takes account of these changes. There is one further additional brief - Renegotiation of the Lomé Convention - which we agreed would be Brief Number 9(q), FCO (ECD(E)) consulting ODA and Treasury.
2. I should also record that MOD wish to be consulted about Brief Number 8(i) on Central America.
3. I am copying this letter to the recipients of yours and to departments concerned within the FCO.

*Yours ever,*

*Edin*

C A Munro  
Western European Department

cc:

PS/Sir Antony Acland  
PS/Mr P E Middleton  
PS/Sir Clive Whitmore  
PS/Sir William Ryrie  
PS/Sir Anthony Rawlinson  
PS/Sir Brian Hayes  
PS/Sir Kenneth Couzens  
PS/Sir Michael Franklin  
PS/Sir George Moseley  
PS/Mr M E Quinlan  
PS/Mr D J S Hancock  
PS/No. 10

Assistants in:

ACDD	MAED
APD	MED
CRD	NENAD
Defence Dept	MCAD
EED	NED
ESID	SAD
ERD	SAmD
ESSD	SaFD
ECD(E)	Soviet Dept
ECD(I)	TRED
FED	WAD
FID	CAFD
HKD	

LIST OF BRIEFS FOR ANGLO-GERMAN SUMMIT  
8-9 NOVEMBER 1983

PMVC(83)

<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
1. General Brief	FCO(WED)	as appropriate
2. European Questions:		
(a) General Brief on the European Community	FCO (ECD(I))	as appropriate
(b) EC Financing	FCO (ECD(I))	Treasury
(c) Agricultural Matters	MAFF	FCO (ECD(I)), Treasury
(d) Enlargement	FCO (ECD(E))	Treasury, DTI
(e) EC/Turkey	FCO	MAFF, Employment, Treasury
(f) International Trade Issues, inc EC/ United States and EC/Japan	DTI	MAFF FCO (ECD(E), ERD, FED)
(g) Internal Market	DTI	FCO (ECD(I)), Treasury
(h) Industrial Policy	DTI	FCO (ECD(I), MAED), Treasury
(i) Future of Airbus Industrie	DTI	FCO (MAED, EGD(I)), Treasury
(j) Steel	DTI	FCO (ECD(I), Treasury
(k) Lead-Free Petrol	DOE	FCO (ECD(I))
(l) Acid Rain	DOE	FCO (ECD(I), MAED)
(m) EC/Greenland	FCO (ECD(E))	
(n) Political Cooperation	FCO (ECD(E))	
(o) Implementation of The Solemn Declaration	FCO (ECD(I))	
(p) European Development Fund	FCO (ECD(E))	ODA
(q) Renegotiation of Lomé Convention	FCO (ECD(E)) CONFIDENTIAL	ODA, Treasury

MVC(83)

<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
3. International Economic Issues:		
(a) Prospects for the World Economy	Treasury	FCO (ERD/ESID)
(b) International Debt	Treasury	FCO (ERD/ESID)
4. Arms Control and Disarmament, including CDE and MBFR	FCO (Defence Dept)	MOD, FCO (ACDD, NED)
5. Bilateral Defence Matters, British Forces Germany	MOD	FCO (Defence Dept, WED, MAED), Treasury
6. East/West Relations (including Poland)	FCO (Soviet Dept)	Treasury, FCO (SAD, TRED, EED ESID), MOD
7. Inner-German Relations and Berlin	FCO (WED)	MOD
8. Other International Issues:		
(a) Arab/Israel and Lebanon	FCO (NENAD)	MOD
(b) Iran/Iraq	FCO (MED)	MOD
(c) Falklands	FCO (FID)	MOD, FCO (ERD/SAMD)
(d) Argentina	FCO (FID)	
(e) Cyprus	FCO (SED)	MOD
(f) Gibraltar	FCO (SED)	MOD
* (g) Chad	FCO (WAD)	FCO (NENAD)
(h) Southern Africa/ Namibia/Zimbabwe	FCO (SAFD)	FCO (CAFD), MOD
* (i) Central America	FCO (MCAD)	FCO (SAMD), MOD
* (j) Hong Kong	FCO (HKD)	FCO (FED)
(k) UNLOSC	FCO (MAED)	

\* Denotes Background Brief only

MVC(83)

<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
(1) North Sea Conference	DOE	MAFF, FCO (MAED)
9. Bilateral Relations:		
(a) General	FCO (WED)	as appropriate
(b) Energy	Energy	DTI, Treasury, FCO (ESSD, NED, MAED)
* (c) Culture	FCO (CRD)	DES, FCO (WED)
10. German Scene:		
* (a) Political	FCO (WED)	
* (b) Economic	Treasury	FCO (ESID)
11.*Relations between the United Kingdom, France and Germany	FCO (WED)	MOD

\* Denotes Background Brief only



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10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

Anglo/German Bilateral Summit

Thank you for your minute of 18 October.

The Prime Minister agrees that preparations should go ahead on the basis of the proposals which you have outlined.

AJC

20 October 1983

MR



no re

10 DOWNING STREET

*From the Private Secretary*

MISS WILKINSON

Anglo/German Summit: Prime Minister's  
Briefing Meeting

I agree with the list of participants in your minute of 20 October. We should try to stick strictly to this. Yesterday's briefing meeting for the Anglo/French summit was too crowded.

ASL

20 October 1983

NR



Ref. A083/2972

MR COLES

Prime Minister's Briefing Meeting for Anglo-German Summit:  
8-9 November 1983

I should be grateful for your agreement to the following Ministers being invited to attend the Prime Minister's briefing meeting at 11.30 am on Tuesday 8 November 1983:

Foreign and Commonwealth Secretary  
Chancellor of the Exchequer  
Secretary of State for Defence  
Secretary of State for Trade and Industry  
Minister of Agriculture, Fisheries and Food

2. You may also wish the following officials to be invited:

Sir Antony Acland	FCO
Sir Julian Bullard	FCO
Mr P E Middleton	Treasury
Sir Brian Hayes	DTI
Sir Anthony Rawlinson	DTI
Sir Clive Whitmore	MOD
Sir Michael Franklin	MAFF
Sir Jock Taylor	Her Majesty's Ambassador, Bonn
Sir Robert Armstrong)	
Mr A D S Goodall )	Cabinet Office
Mr D F Williamson )	

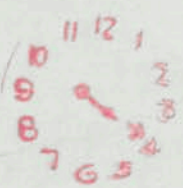
LINDSAY WILKINSON

20 October 1983



COMMISSIONER

20 OCT 1983







10 DOWNING STREET

Prime Minister

I am sorry to burden  
you with this lengthy minute.  
but I ~~am~~ think you can  
without difficulty say "Yes"  
to the last proposal!

A. J. C. <sup>20.</sup>/<sub>6</sub>

Yes pd

Ref.A083/2922

MR COLES

Anglo-German Consultations: 8-9 November 1983

The next in the regular series of Anglo-German consultations, led by the Prime Minister and the Federal Chancellor, will be held in Bonn on 8-9 November.

2. Anglo-German relations are in good shape. Thanks to frequent meetings at the top, the will to co-operate is strong, but there is still plenty of scope to give this political and practical effect. There is a need to make sure that the Germans give us maximum support on Community issues. The Prime Minister is likely to find the Federal Chancellor preoccupied with the controversy over INF deployment. By the time of the Summit, cruise missiles are due to start arriving in Britain and Pershing II will be shortly due in Germany. The Opposition SPD hold their special conference on 18-19 November. It is expected to come out against deployment, notwithstanding Helmut Schmidt's role in Government as a main European author of the dual track decision.

3. For the average German voter economic problems, notably unemployment, appear to be the number one priority. The economy is growing only slowly by German standards. The OECD forecasts GNP growth of  $1\frac{3}{4}$  per cent in 1984, following  $\frac{1}{2}$  per cent in 1983. Such growth as there is has arisen mainly from private consumption and construction. Doubts have been raised about the recovery being sustained in the absence of increased export demand, of which there is little sign. In the course of the winter, the Government will face continuing problems over unemployment, and acute difficulties in the steel, shipbuilding and mining industries. Public expenditure cuts already made will not make the handling of these problems easier. As the Federal Chancellor's CDU has a strong trade union wing, he will be particularly concerned about unemployment, especially among the young. The rise in consumer prices in 1982 was 5.3 per cent and is expected to stabilise at around 3 per cent for both 1983 and 1984. Despite the uncertainties, the Government has expressed increasing optimism about prospects; it continues to attach great importance to budgetary consolidation.

4. The Federal Chancellor's personal position remains strong, although his supremacy is not as clear cut as it was at the time of the London Summit on 22 April, following his outstanding victory in the Federal elections on 6 March. As problems have arisen, there has been criticism in the media and elsewhere of his lack of grip and of his relaxed management style. As the Land elections in Hesse and Bremen in September made clear, the electorate is becoming impatient with the Government's failure to deliver on its promise of an economic upturn. Although these elections were bad for the CDU (who in Hesse lost 6 per cent), they did serve to stabilise the FDP, who despite their failure in Bremen had an unexpected and psychologically important success in the much more important election in Hesse. This will have served as endorsement of their alliance with the CDU in Bonn and will have helped to dispel doubts about Herr Genscher's future as Party Chairman, and by extension, as Vice Chancellor and Foreign Minister.
5. For the Prime Minister, a major backdrop to the Summit will be her recent visit to Canada and the United States. The Prime Minister will also have just seen Monsieur Mitterrand at the Anglo-French Summit, 20-21 October. The Federal Chancellor will have visited Japan and Indonesia from 31 October to 5 November.
6. The initiative for Ministerial attendance at the Summit lies with the Federal Chancellor, but the Prime Minister has said that she would like the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence, the Secretary of State for Trade and Industry and the Minister of Agriculture to accompany her. Informal soundings reveal that the Germans would be happy to invite them and would field their Post Minister as well as Count Lambsdorff for talks with the Secretary of State for Trade and Industry. This would enable us to bring home to the Germans that the protectionist attitudes of the German Bundespost seriously inhibit co-operation in the field of high technology.

7. The main areas for discussion will closely resemble those for the Anglo-French Summit and are likely to be:

- (i) East/West Relations, Defence and Arms Control  
The Federal Chancellor will undoubtedly want to pursue in some detail discussion of East/West relations in the light of the Korean airliner incident, the Prime Minister's visit to Washington, and Mr Andropov's statement of 28 September. A powerful Soviet propaganda offensive is being mounted. The Federal Chancellor is likely to express serious concern about the continued downswing in East/West relations and to echo Herr Genscher's view that the East/West dialogue is in danger of ceasing. He may be critical of the harshness sometimes evident in the United States approach, and he can be expected to repeat his view that a United States/Soviet Summit would be beneficial. However, his mind will be largely on the defence aspects of East/West relations. Although the Korean airliner and the new United States INF proposals will have helped, he still needs to work hard to convince those on the middle ground of the nuclear debate (who are influenced by the active German peace movement) that serious negotiations are going on in Geneva. The press briefing on INF after the Prime Minister's visit to Bonn on 21 September was a valuable joint contribution to the debate, and we should aim for a similar public reassurance on 8-9 November that deployment will go ahead in the absence of success at the INF talks. The picture has been complicated by the decision to put back the Bundestag debate until 21 November.

This will be the first Summit at which national armament directors will report to Ministers of Defence on equipment collaboration. The Summit will follow the first trilateral Defence Ministers' meeting for four years. We hope the Summit can

take forward the task of identifying possible areas of defence collaboration, especially the Future Combat Aircraft.

(ii) The European Community, especially Prospects for the Athens European Council on 6 December

If we can convince the Federal Chancellor that we share his enthusiasm for a more successful Community, this would encourage him to persuade his colleagues and officials that the present negotiations offer a unique opportunity for a new departure. The Prime Minister's discussions with him on 21 September revealed that there are still some important differences between the British and German Governments. In the last resort the Germans will probably move to support more decisively a "safety net" approach to budgetary contributions but they have been less determined than we would wish so far; this is perhaps surprising, given that Germany is an even larger net (unadjusted) contributor than the United Kingdom; and paradoxical at a time when French Government views seem to be moving a little closer to ours (particularly on the need for adjustments to be on the payments rather than the receipts side of the account). But the largest difference is on our proposal for a legally binding financial framework for CAP expenditure. A flow of financial support for uneconomic family farms, especially in Bavaria, remains as, if not more, important to a German Government incorporating the CSU than it was to its predecessor. The long-term consequences for the Community of failure to come to grips with CAP expenditure would be extremely serious for all the partners. The Prime Minister will have the opportunity to impress on the Germans the need for effective control of CAP expenditure.



(iii) The Outlook for the World Economy and the Economic Summit

North America is leading the world economy out of recession. Europe is recovering more slowly. The United Kingdom is growing at a faster rate than Germany, although inflation there is less than in the United Kingdom. High American interest rates, fuelled by large prospective United States budget deficits, remain a particular bone of contention with the Germans. Prospects for growth, inflation and unemployment are likely to form the centrepiece of discussion at next year's Economic Summit in London; the problems of exchange rate variability and international debt will also be considered.

8. The subjects I have outlined and others which will inevitably come up by November will all, as usual, have transatlantic relations as a backdrop. In addition, the Prime Minister may want to discuss in some depth the Middle East, Central America and Falkland Islands, and perhaps Southern Africa. The elections in Argentina and, almost certainly, the United Nations General Assembly vote on the Falkland Islands will take place in the week before the Summit. The Germans, like several other major allies, will come under increasing pressure after the Argentine elections to relax their policy on the supply of arms to Argentina. Our regular contacts on this subject with the German Administration at Ministerial level will need to be followed up.

9. It was announced at the November 1981 Summit that officials should keep the bilateral relationship under review and produce a progress report to Heads of Government at a further meeting. Officials have started work in London and Bonn on a report, but the results will not be ready for submission to Heads of Government before the spring 1984 Summit.



10. I enclose a suggested list of briefs, the preparation of which will be co-ordinated in the usual way by the Cabinet Office.

11. I should be grateful if you would seek the Prime Minister's approval for preparations for the Anglo-German consultations to go ahead on the basis of the proposals outlined above.

A handwritten signature in black ink, consisting of the letters 'R' and 'A' in a stylized, cursive script.

ROBERT ARMSTRONG

18 October 1983

LIST OF BRIEFS FOR ANGLO-GERMAN SUMMIT  
8-9 NOVEMBER 1983

<u>PMVC(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	General Brief	FCO(WED)	as appropriate
2.	European Questions		
(a)	General Brief on the European Community	FCO(ECD(I))	as appropriate
(b)	EC Financing	FCO(ECD(I))	Treasury
(c)	Agricultural Matters	MAFF	FCO(ECD(I)) Treasury
(d)	Enlargement	FCO(ECD(E))	Treasury DTI
(e)	EC/Turkey	FCO	MAFF Employment Treasury
(f)	International Trade Issues, inc EC/United States and EC/Japan	DTI	MAFF FCO(ECD(E), ERD, FED)
(g)	Internal Market	DTI	FCO(ECD(I)) Treasury
(h)	Industrial Policy/ Future of Airbus Industrie	DTI	FCO(ECD(I), MAED)
(i)	Steel	DTI	FCO(ECD(I))
(j)	Lead-Free Petrol	DOE	FCO(ECD(I))
(k)	EC/Greenland	FCO(ECD(E))	
(l)	Political Co-operation	FCO(ECD(E))	
(m)	Implementation of The Solemn Declaration	FCO(ECD(I))	
(n)	European Development Fund	FCO(ECD(E))	ODA



## CONFIDENTIAL

<u>PMVC(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
3.	International Economic Issues		
	(a) Prospects for the World Economy	Treasury	FCO(ERD/ESID)
	(b) International Debt	Treasury	FCO(ERD/ESID)
4.	Arms Control and Disarmament, including CDE and MBFR	FCO(Def Dept)	MOD FCO(ACDD,NED)
5.	Bilateral Defence Matters, British Forces Germany	MOD	FCO(Def Dept,WED,MAED) Treasury
6.	East/West Relations (including Poland)	FCO(EESD)	Treasury FCO(SAD,TRED,ESID) MOD
7.	Inner-German Relations and Berlin	FCO(WED)	MOD
8.	Other International Issues		
	(a) Arab/Israel and Lebanon	FCO(NENAD)	MOD
	(b) Iran/Iraq	FCO(MED)	MOD
	(c) Falklands	FCO(FID)	MOD FCO(ERD/SAmD)
	(d) Argentina	FCO(FID)	
	(e) Cyprus	FCO(SED)	MOD
	(f) Gibraltar	FCO(SED)	MOD
	* (g) Chad	FCO(WAD)	FCO(NENAD)
	(h) Southern Africa/ Namibia/Zimbabwe	FCO(SAFD)	FCO(CAFD) MOD
	* (i) Central America	FCO(MCAD)	FCO(SAmD)
	* (j) Hong Kong	FCO(HKD)	FCO(FED)
	(k) UNLOSC	FCO(MAED)	

\* Denotes Background Brief only

CONFIDENTIAL

<u>PLC(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
9.	Bilateral Relations		
	(a) General	FCO(WED)	as appropriate
	(b) Energy	Energy	DTI FCO(ESSD,NED,MAED)
	*(c) Culture	FCO(CRD)	DES, FCO(WED)
10.	German Scene		
	(a) Political	FCO(WED)	
	*(b) Economic	Treasury	FCO(ESID)
11.	Relations between the United Kingdom, France and Germany	FCO(WED)	MOD

\* Denotes Background Brief only

910  
CONFIDENTIAL

MR 15/10  
h.a.  
Cabinet Office,  
70 Whitehall,  
London SW1 2AS

17 October 1983

PS(83) 26

Dear Private Secretary,

Anglo-German Summit: 8-9 November 1983

This letter sets out the briefing arrangements for the Anglo-German Summit which is to take place in Bonn on 8-9 November 1983.

The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex A. Instructions on format are at Annex B and C. Those preparing briefs should note carefully the details on the format of briefs set out in Annex B. Departments should, therefore, aim to ensure that, apart from the General Brief, individual subject briefs do not exceed two sides of paper. Departments should ensure that the resumes of their briefs are with the Foreign and Commonwealth Office by close of play on 27 October 1983 at the latest.

70 copies of each brief should be sent to the Cabinet Office as soon as they are ready. They should reach the Cabinet Office by 12.00 noon on Friday 4 November. They should be addressed to Mr R D Roscoe in Committee Section, who should be consulted (tel no 233 7343) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Mr P E Middleton, Sir Clive Whitmore, Sir William Ryrrie, Sir Anthony Rawlinson, Sir Brian Hayes, Sir Kenneth Couzens, Sir Michael Franklin, Sir George Moseley, Mr M E Quinlan, Mr D J S Hancock and to John Coles at No 10.

Yours sincerely,

(Signed) LINDSAY WILKINSON (MISS)

CONFIDENTIAL

LIST OF BRIEFS FOR ANGLO-GERMAN SUMMIT  
8-9 NOVEMBER 1983

<u>PMVC(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	General Brief	FCO(WED)	as appropriate
2.	European Questions		
	(a) General Brief on the European Community	FCO(ECD(I))	as appropriate
	(b) EC Financing	FCO(ECD(I))	Treasury
	(c) Agricultural Matters	MAFF	FCO(ECD(I)) Treasury
	(d) Enlargement	FCO(ECD(E))	Treasury DTI
	(e) EC/Turkey	FCO	MAFF Employment Treasury
	(f) International Trade Issues, inc EC/United States and EC/Japan	DTI	MAFF FCO(ECD(E), ERD, FED)
	(g) Internal Market	DTI	FCO(ECD(I)) Treasury
	(h) Industrial Policy/ Future of Airbus Industrie	DTI	FCO(ECD(I), MAED)
	(i) Steel	DTI	FCO(ECD(I))
	(j) Lead-Free Petrol	DOE	FCO(ECD(I))
	(k) EC/Greenland	FCO(ECD(E))	
	(l) Political Co-operation	FCO(ECD(E))	
	(m) Implementation of The Solemn Declaration	FCO(ECD(I))	
	(n) European Development Fund	FCO(ECD(E))	ODA

## CONFIDENTIAL

<u>PMVC(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
3.	International Economic Issues		
	(a) Prospects for the World Economy	Treasury	FCO(ERD/ESID)
	(b) International Debt	Treasury	FCO(ERD/ESID)
4.	Arms Control and Disarmament, including CDE and MBFR	FCO(Def Dept)	MOD FCO(ACDD,NED)
5.	Bilateral Defence Matters, British Forces Germany	MOD	FCO(Def Dept,WED,MAED) Treasury
6.	East/West Relations (including Poland)	FCO(HESD)	Treasury FCO(SAD,TRED,ESID) MOD
7.	Inner-German Relations and Berlin	FCO(WED)	MOD
8.	Other International Issues		
	(a) Arab/Israel and Lebanon	FCO(NENAD)	MOD
	(b) Iran/Iraq	FCO(MED)	MOD
	(c) Falklands	FCO(FID)	MOD FCO(ERD/SAmD)
	(d) Argentina	FCO(FID)	
	(e) Cyprus	FCO(SED)	MOD
	(f) Gibraltar	FCO(SED)	MOD
	*(g) Chad	FCO(WAD)	FCO(NENAD)
	(h) Southern Africa/Namibia/Zimbabwe	FCO(SAFD)	FCO(CAFD) MOD
	*(i) Central America	FCO(MCAD)	FCO(SAmD)
	*(j) Hong Kong	FCO(HKD)	FCO(FED)
	(k) UNLOSC	FCO(MAED)	

\* Denotes Background Brief only

CONFIDENTIAL

<u>PMVC(83)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
9.	Bilateral Relations		
	(a) General	FCO(WED)	as appropriate
	(b) Energy	Energy	DTI FCO(ESSD,NED,MAED)
	*(c) Culture	FCO(CRD)	DES, FCO(WED)
10.	German Scene		
	(a) Political	FCO(WED)	
	*(b) Economic	Treasury	FCO(ESID)
11.	Relations between the United Kingdom, France and Germany	FCO(WED)	MOD

\* Denotes Background Brief only

THE FOLLOWING INSTRUCTIONS ABOUT FORMAT SHOULD BE FOLLOWED CAREFULLY

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex C. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should whenever possible be no more than two sides long.
- (b) The main body of each brief should comprise three sections: a very brief statement of the United Kingdom Objective (normally no more than a couple of lines); a concise list of Points to Make; and a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject. Briefs should not be divided into separate self-contained subsections.

Layout

- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) As shown in the specimen at Annex C, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (eg PMVC(83) 10) with the date of circulation below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on plain white paper, with each page bearing a security classification at top and bottom (as in Annex C). Care should be taken that the reproduction method employed results in clear readable copies.
- (h) It is important that, on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, a revise should be prepared. It should be set out in the form described at (e) above, with the brief number amended to show that it is a revise (eg PMVC(83) 10 (Revise)). Subsequent revises should be numbered (eg PMVC(83) 10 (Revise 2); etc). If it is a question of adding material to the brief rather than revising its existing contents, an addendum may be prepared, in the form described at (e) above with the brief number (eg PMVC(83) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when a revise or an addendum is in preparation and also about corrigenda to briefs.
  
- (j) Additions to the list of briefs in Annex A require the authorisation of the Private Secretary to the Secretary of the Cabinet.



[CLASSIFICATION]

ANNEX C

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

[Leave  
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PMVC(83) [Serial No as specified in Annex A] COPY NO [in red]

[Date]

ANGLO-GERMAN SUMMIT  
8-9 NOVEMBER 1983

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[SUBJECT] [Insert subject in capitals]

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

[At foot of last page on left-hand side:-]

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

[Date of origin]

[CLASSIFICATION]

Subject  
cc Master  
ops



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10 DOWNING STREET

THE PRIME MINISTER

22 September 1983

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL NO. T137AA/83

My dear Chancellor Kohl,

Thank you very much indeed for your kind welcome and generous hospitality yesterday evening. It was a pleasure to see you again and to be able to have our usual free and frank discussions. I hope we shall be able to remain in close touch as we deal with the very difficult issues which we both know confront us in the next few months.

Thank you also for the delightful gift of wine.

I send you my warmest best wishes.

Yours sincerely  
Margaret Thatcher

His Excellency Herr Dr. Helmut Kohl

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10 DOWNING STREET

cc: HMT  
MAFF  
DTI  
DT/Trans  
MOD

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DSG

*From the Private Secretary*

CO 22 September 1983

PRIME MINISTER'S VISIT TO BONN

I enclose Robin Butler's record of the conversation which took place at a working dinner between the Prime Minister and Chancellor Kohl on 21 September (I have sent you separately a record of the tete-a-tete conversation which preceded the dinner).

I am copying this letter and enclosure to John Kerr (HM Treasury), Robert Lawson (Ministry of Agriculture, Fisheries and Food), Jonathan Spencer (Department of Trade and Industry), Dinah Nichols (Department of Transport), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office). I should be grateful if you and they would restrict circulation of the record to those who have an essential operational need to know of its contents.

**A.L. COLES**

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

DSG

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DSG

PS/Prime Minister.

H of C

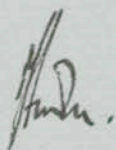
cc: Minister

## BRIEFING FOR THE PRIME MINISTER

## FRG/GDR RELATIONS AND VON WEIZSÄCKER/HONECKER MEETING

1. Chancellor Kohl might mention the accelerated but limited thaw in relations with the GDR. Both sides seem keen that this should withstand any deepening of East/West tensions in Europe following INF deployment. The GDR have the additional motive of a difficult hard currency debt position which makes them crucially dependent on FRG trade and credit. They recently obtained a c.£250 million credit guaranteed by the Kohl government and may require more.

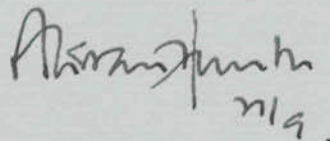
2. The latest development was a meeting of the Governing Mayor of Berlin, von Weizsäcker, with Honecker in East Berlin on 15 September. This was unprecedented and the Allies in Berlin would have welcomed fuller prior consultation. We have, however, been fully briefed on what took place.



P J Fowler

21 September 1983

cc Ambassador.





Mr Coles ✓

*Mr 29  
h.*

LEBANON: DO WE BRIEF THE GERMANS?

1. You will have seen from the situation report that, subject only to final Italian agreement expected hourly, the programme of diplomatic action by European MNF contributors should get under way today. I have arranged to be informed immediately Italian agreement is forthcoming, and the Prime Minister will probably wish to inform Chancellor Kohl in this case without going into any detail. The MNF contributors will be briefing their European partners more fully in slightly slower time and in the capitals where the diplomatic action is taken (ie Damascus, Beirut etc).

B S T Eastwood  
21 September 1983

Private Secretary to Prime Minister

AR 27  
h.a.

CHANCELLOR KOHL'S ENGAGEMENTS

1. The Prime Minister may like to be aware that the Chancellor's engagements include the following which may be relevant to her conversation with him:-

- (a) He yesterday saw Ratu Mara the Fijian Prime Minister, who later this week will be in BAOR to attend a presentation to Fijian soldiers who have been serving with the British forces there.
- (b) The Italian Prime Minister, Signor Craxi, is due in Bonn on 23 September.
- (c) The Chancellor, whose scheduled visit to Israel at the end of August was called off because of Prime Minister Begin's resignation, is to visit Arab countries in the Middle East early next month. His itinerary is:-  
Amman 5/6 October  
Cairo 7/8 October, and  
Riyadh 9/10 October.

2. The Chancellor's office have confirmed to us again today that he will not be going to New York for Mrs Gandhi's summit, despite a newspaper report this morning to the contrary.

*A J Hunter*

21 September 1983

A J Hunter

copies to: Ambassador  
Minister  
Minister (E)  
Counsellor (E)

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10 DOWNING STREET

From the Private Secretary

21 September 1983

Dear Brian,

Visit of the Prime Minister to Bonn, 21 September

The Prime Minister visited Bonn today following her visit to British Forces, Germany. She called on Chancellor Kohl and had a tête-à-tête conversation of approximately an hour, followed by a working dinner.

I enclose a record of the tête-à-tête conversation. I should be grateful if you and other recipients of this letter would circulate the record only to those who have an operational need to know of its contents.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours ever

John Major

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

SJ

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SUBJECT

EX MASTER SECRET

8

NOTE OF A WORKING DINNER BETWEEN THE PRIME MINISTER AND  
CHANCELLOR KOHL AT THE CHANCELLERY ON WEDNESDAY, 21 SEPTEMBER, 1983

Present:

Prime Minister  
H.M. Ambassador in Bonn  
Mr. F. E. R. Butler  
Mr. A. J. Coles  
Mr. B. Ingham

Chancellor Kohl  
H.E. the German Ambassador to  
London  
Herr Boenisch  
Herr Lautenschlager  
Herr Starbreit

\*\*\*\*\*

European Airbus

Chancellor Kohl said that a decision would have to be taken next winter about Germany's participation in further development of the European airbus. He was not proposing a substantive decision on this occasion but would like to ask the Prime Minister to look at the matter and have a further discussion when they next meet, before a decision had to be made. His own provisional view, without having access to the detailed financial conclusions, was that if Britain and Germany decided not to participate in the airbus project, it would peter out and this would be the effective end of a European aircraft industry. This might be a decision which would be regretted in the long term, and his provisional view was that it would be worth going ahead on these grounds, even if the financial prospects looked unpromising.

The Prime Minister said that she would be prepared to have a further discussion about this with Chancellor Kohl. The view of the British Government had hitherto been that the project should only go ahead if the aircraft would have a commercial future. It would not be worth building an aircraft which required substantial public funds, could not be sold and had to be imposed on national airlines, which would then require a subsidy to run it. She agreed in principle that it was desirable to retain both an air frame and an aeroengine industry in Europe, but she reminded Chancellor Kohl that there was already European co-operation on the Tornado and consideration would have to be given to a new combat aircraft.

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/Chancellor Kohl



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Chancellor Kohl said that he was asking no more than that the Prime Minister should look at the matter with an open mind. He agreed that a careful market analysis should be undertaken, but was inclined to think that a military European aircraft industry would not be viable unless it was underpinned by a civil aircraft industry.

#### Economic Developments

In reply to a question from Chancellor Kohl about the development of the economy in Britain, the Prime Minister said that growth was probably running at a rate of about 2 per cent this year. There were continuing difficulties in certain industries, particularly shipbuilding, steel (especially special steels) and coal. In the medium term, exports were likely to be depressed by the debt problems of the developing countries, the disappearance of surpluses among the oil producers and increasing competition from the newly industrialised countries. The electronics industries were flourishing and creating new jobs, but these were still not quite keeping up with the decline in jobs in the older industries and the underlying rate of unemployment was continuing to rise slowly.

Chancellor Kohl said that the problems in Germany were very similar. Unemployment was declining slightly at present but was likely to increase again next year, which would be the first of a three year peak of school-leavers as a result of a bulge in the birth rate. He had had to appeal to the employers and trade unions to find an extra 30,000 training places next year. This appeal had been successful and 45,000 new places have been produced. Another problem for Germany was an excessive number of people coming out of universities. Unless there was a reduction, which the Government were now seeking, there would be 100,000 excess teachers by the end of the decade. Germany too was facing problems through the decline in shipbuilding, steel, coal and fishing. The prospect for exports was not bright, and the only industries which were doing well were those which catered mainly for export demand, notably building, chemicals and motor vehicles. He felt that the United States' economic policy, through its effect on interest rates, was doing

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more to create an anti-American feeling in Europe than the deployment of missiles; but he saw no prospect of achieving a change before the United States presidential elections.

The Prime Minister commented that President Reagan would agree on the desirability of reducing United States interest rates. But he had been faced with a problem because his predecessor had neglected defence expenditure and boosted social programmes. President Reagan had restored the defence programmes but had been unable to persuade Congress to make any further cuts in social expenditure. He had also relied on a belief, which she considered fallacious, that growth would generate revenue which would subsequently reduce the budget deficit. She thought that the United States' economy might run into problems even before the United States elections, through a resurgence of inflation. She drew Chancellor Kohl's attention to the measures taken by Mr. Lubbers to contain wage and pension costs in the Dutch budget, while increasing VAT and reducing the tax on companies.

Chancellor Kohl said that he had himself frozen civil service pay until mid-1985, and had spread the uprating of social security benefits so that one year's uprating had been removed. These measures were affecting more than half the population. The provision of jobs for school leavers in Germany was impeded by the high rates which the unions had negotiated for them: the Government did not make any contribution towards training places at present, but he was planning to introduce a contribution in the following year. A considerable problem for the German Government was the State Railway system, in which the deficit was expected to increase by some £600,000 in the current year: considerable reductions would have to be made in the network, and these would be very controversial.

/European Budget

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European Budget

The Prime Minister said that she had been worried by indications given by the Italian Foreign Minister during Signor Craxi's visit to London that the Italians were not expecting a solution to the European budget problem in December. She would deplore it if the impetus imparted by Chancellor Kohl at Stuttgart was lost. Much would no doubt depend on the date at which the European budget ran out of funds, but she was in no doubt that a fundamental reform had to be made, since the Common Agricultural Policy was now ridiculous and the system of financing was grossly unfair both to Germany and to Britain.

Chancellor Kohl said that he had not changed his position on the budget. The European Community was politically essential to Germany, but it was no good having the European Community as a roof to Germany if the roof was leaky. It was absurd that milk was now subsidised by 120 per cent. In his view, the sorting out of the CAP and the system of financing took priority over the development of new policies. He was not opposed to new policies provided that these problems were first solved.

At Chancellor Kohl's invitation, Herr Lautenschlager reported on the progress of discussions so far. He suggested that it would have been wrong to expect much progress to be made before now. In Brussels this week the positions of the various countries had been clearly stated, and negotiations would begin in earnest in October. The German Government regarded the expansion of the budget as linked to enlargement, since they did not believe that it would be possible to enlarge the Community without an increase in own resources. The Prime Minister questioned this view. Herr Lautenschlager continued that the Commission's proposals on agriculture created problems in relation to external trade, the proposed milk quotas and the tax on oils and fats. But, since eight countries out of ten were not even prepared to accept the Commission's proposals, Germany was inclined to think that proposals on the lines of those put forward by the Commission were the most that were likely

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to be achieved. They would have the advantage that a subsequent change in the agricultural regime could only be authorised by a special meeting in which Finance Ministers would take part. The Prime Minister commented that she regarded the Commission's proposals as unacceptable in certain respects. There would no doubt be pressure to exempt small farmers from quotas. It was unlikely that a fundamental solution would be found, unless funds to finance the policy were no longer available.

Chancellor Kohl said that he sympathised with the Prime Minister's view that the Common Agricultural Policy would only be reformed through pressure on its funds. He regarded the problem over milk in Germany as being one about dairy factories, rather than farmers. He wished to continue to support, for social, ecological and political reasons, those who relied on farming for their main income. They were essential to the stability of German society. He did not believe that small farmers were inefficient. Whereas 18% of the German population had been full-time farmers in 1950, the number had now diminished to about 5%. But a result of the CAP was that industrialists had set up milk factories containing cows which never saw the light of day, were fed on imported fodder and kept entirely to produce the milk which attracted subsidy: this was not farming, and he did not wish to support it.

The Prime Minister commented that she did not dissent from what Chancellor Kohl had said about the case for maintaining a healthy agricultural sector: she too saw a healthy farming sector as essential on economic and social grounds. But she did not believe that this justified the current CAP. Help for small farmers who faced special problems in particular areas should be provided through the national aids. But she saw no reason why small farmers should have a right to sell their produce at a guaranteed price, when no-one would think of giving such a guarantee to other small businesses. It would be essential to take this opportunity to devise a policy which was basically sound and was not merely a patched-up compromise. Chancellor Kohl commented that there did not appear to be much between the British and the German positions in principle; but there would clearly be problems in working out the details.

/ Concluding remarks

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Concluding remarks

Chancellor Kohl said that he warmly welcomed the Prime Minister's visit to the British Forces in Germany. This demonstrated confidence in Germany also, and solidarity at a time when fateful decisions would have to be taken. The British Government could rely on the pledged word of the German Government, and in their will and resolution to do what was right. The reform of the European Community was important but was secondary to the maintenance of peace and freedom. The Prime Minister said that she would only want to add one thing to what Chancellor Kohl had said. She regarded the European Community as a major factor in the maintenance of peace and freedom: that was why she was committed to membership of it and why she regarded it as essential to find a fair and lasting financial basis.

21 September 1983

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SUBJECT

cc MASTER

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4

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE  
CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY AT 1900 HOURS  
ON 21 SEPTEMBER 1983 AT THE FEDERAL GERMANY CHANCELLERY IN  
BONN

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Present:

Prime Minister	Chancellor Kohl
Mr Coles	Herr Starbreit
Interpreter	Interpreter

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Chancellor Kohl said that he was glad that the Prime Minister had paid a visit to the British Forces in Germany whose role was so important. The Prime Minister said that she had spent two extremely rewarding days. The British Forces were very professional and were engaged in a heavy training programme. It was clear that the co-operation between them and their German colleagues was first class. Chancellor Kohl said that he had just received a visit from a senior NATO officer who was not given to compliments but who had warmly praised the British Forces.

Chancellor Kohl then said that if the Prime Minister visited the British Forces again next year, he would like to invite her to spend an extra day visiting the German soldiers. It would be a great honour for them and he would much like to make such an arrangement. The Prime Minister commented that this was a kind invitation.

Chancellor Kohl explained that he would be receiving the Italian Prime Minister in Bonn shortly. He would make it clear to Signor Craxi that Germany's position on INF deployment remained absolutely firm. But he had reports which suggested that the Italian position was less than firm. The Prime Minister said that she had not obtained this impression from her discussions with Signor Craxi in London the previous week. Indeed there

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seemed to be no important difference between his views and those of herself and Chancellor Kohl on INF deployment. Chancellor Kohl said that perhaps Signor Craxi had been misreported. A great amount of rumour-mongering was going on. He had sent a member of his staff, Herr Teltschik, to Washington because there were considerable problems between the White House, the State Department and others about deployment. The US were not very good at handling the psychological aspects of this problem.

There would continue to be domestic problems in this field. The SPD Party Conference at the end of November would probably register a 75 per cent majority against the dual track decision. The left-wing of the SPD were now advocating that Germany should leave NATO. Herr Brandt had recently stated that the Russians ought to leave East Germany and the "other countries" ought to leave West Germany. That would of course mean the end of NATO. The Prime Minister commented that she assumed that Herr Schmidt would speak against such propositions. Chancellor Kohl said that he might but the position was complex. The regional SPD Party Conference in the Stuttgart area had recently voted by 119 votes with 1 abstention and none against on a recommendation to the National Conference that there should be no deployment. Herr Brandt had spoken and said that he had never been in favour of the dual track position. Herr Vogel had been equivocal. Schmidt had taken the line that the party could not withhold support for the two track decision before the Geneva negotiations were over. But he had not said that he was in favour of deployment if Geneva did not produce a result. He implied that he would reserve his opinion until it was clear whether the United States had negotiated seriously. Schmidt no longer had a serious following but the position of the majority of the SPD was very alarming.

The Prime Minister recalled that Herr Kohl had told her before he became Chancellor that about 70 per cent of the German population favoured INF stationing. She believed that if the

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right question was put to them there would still be a big majority. She was constantly being asked by the media about the position in Germany and usually replied in this sense. Herr Kohl stated that if Germany conducted a referendum on membership of NATO 80 per cent of the people would favour such membership. The majority of the press were now on his side for the first time. But this was not true of radio or TV. Despite the difficulties, his Government would pursue its stand until the end. The situation in his own party was excellent,

The Prime Minister asked if opinion had been influenced by Andropov's letter to members of the Bundestag. Had he also sent another letter to the Chancellor? Chancellor Kohl replied that neither Andropov's letter to him nor his letter to the Bundestag had contained anything new. Andropov knew perfectly well that Germany would deploy if there was no result in Geneva. But once deployment had taken place the Russians would continue to talk. There would be no hot war, for the Soviet Union was very cautious - but there would be no cold war either. There would be massive propaganda but sooner or later the Russians would again try to make progress. He had reason to say this.

The Prime Minister said that she believed that the West should make it plain that they wished to continue negotiations and that any rupture would be the fault of the Soviet Union. She assumed that when the Chancellor referred to the possibility of there being no result at Geneva he was referring to a failure to reach agreement on the zero option. Chancellor Kohl confirmed this interpretation. There was a need for the Americans to take the psychological offensive and he was pressing them almost daily to do so. Following deployment there could be a situation in which Andropov would have every interest in meeting President Reagan. The Russians would be likely to try to obtain such a summit before the US Presidential elections.

/The Soviet Union

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The Soviet Union was already making certain arrangements which suggested that they did not foresee a rupture of relations with the West if deployment took place. When he visited Moscow he had raised the question of acid rain with Andropov and Tikhonov. This had become a major issue in Central Europe. More than 30 per cent of the forests of Czechoslovakia had been destroyed in a few weeks. There was a dramatic increase in damage in Germany between March and September this year. Mitterrand had earlier been non-committal on the subject but now had a serious problem in the Vosges. The Russians had shown some interest in the problem. Recently, Andropov had written to him to say that he would gladly accept an invitation to send representatives to a conference to discuss the matter. The Prime Minister warned that this might be an attempt to gain respectability in the wake of the Korean airliner incident. Chancellor Kohl said that he did not think so. Andropov had sent him two letters, the first of which had been dated 12 August. There was no doubt that the Russians had an acid rain problem.

He thought that when the time came next year for negotiations to resume there would be suggestions that all the nuclear powers should get together at the negotiating table. This would have implications for the French and British deterrents. The Prime Minister said that she thought we should be extremely cautious about any such idea. The objective would be to draw into the negotiations French and British strategic deterrents which were a last resort, irreducible minimum. The need in the field of strategic weapons was for the United States and the Soviet Union to agree on substantial reductions. The Russians were employing endless diversionary tactics to keep attention away from the INF talks. They should be exposed.

Chancellor Kohl said that he and the Prime Minister had exactly the same position on the French and the British deterrents. Genscher had pointed out during the Moscow visit

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-5-

that when Schmidt was there two years earlier the issue had not even been raised. He had every confidence in the United States but no-one knew who would be the American President in the next 20 years and the Americans were 4,000 miles away. Paris and London were much closer. He did not need to be more explicit. Mitterrand insisted that he would not let the Soviet Union decide how many nuclear missiles France possessed - and he assumed that the British position was the same. The Prime Minister noted that she and Chancellor Kohl were in complete agreement on this matter. She thought we ought to move disarmament talks on to other ground. She had seen for herself earlier in the day that all our forces needed to have special anti-chemical weapon clothing. The West had no deterrent in the field of chemical weapons and should point out that it had disarmed in this field but that the Soviet Union had not. Chancellor Kohl said that Germany already used this argument.

The Prime Minister said that she thought it important that when President Reagan announced in his UNGA speech on 26 September the new US negotiating position there should be a concerted Allied effort to support him. Chancellor Kohl agreed.

The discussion ended at 2005 hours and was followed up by a working dinner.

A.J.C.

21 September 1983

SECRET

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Prime Minister  
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TO IMMEDIATE FCO

TELEGRAM NUMBER 850 OF 17 SEPTEMBER

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PRIME MINISTER'S MEETING WITH KOHL: 21 SEPTEMBER

1. I THINK THE **PRIME MINISTER** WILL FIND THE CHANCELLOR **IN** GOOD FORM AND ON MOST THINGS **OPTIMISTIC**. THE ASSESSMENT OF THE POLITICAL SCENE **IN** MY TELNO 810 OF 7 SEPTEMBER STILL HOLDS GOOD GENERALLY. DEVELOPMENTS SINCE THEN HAVE MOSTLY BEEN **IN** KOHL'S FAVOUR. THE MEDIA **CRITICISM** OF **HIM** FOR LACK OF **FIRM** LEADERSHIP HAS DIED AWAY. ALTHOUGH THE PROSPECTS FOR THE ECONOMY REMAIN MIXED, RECENT INDICATORS CONFIRM THAT REAL GROWTH HAS DEFINITELY RESUMED (THOUGH THE FUTURE REMAINS UNCERTAIN) AND LAST WEEK'S BUDGET DEBATE **IN** THE BUNDESTAG WENT VERY WELL FOR THE GOVERNMENT. STRAUSS'S EFFORTS TO DRAW ATTENTION TO HIMSELF, **IN** THE HOPE OF ONE DAY SUCCEEDING GENSCHER, HAVE RECENTLY BEEN LESS ACTIVE; AND THERE ARE SIGNS THAT HIS OWN SUPPORTERS, ESPECIALLY **IN** THE BUNDESTAG, ARE BECOMING **IMPATIENT** WITH HIS ANTICS.

2. THE CHANCELLOR WILL HAVE THE **REGIONAL** ELECTIONS OF HESSE AND BREMEN ON 25 SEPTEMBER VERY MUCH **IN** MIND. WHAT MATTERS THERE IS NOT SO MUCH THE FORTUNES OF THE TWO **BIG PARTIES** AS THOSE OF THE FDP. **IF** THEY **JUST GET INTO BOTH REGIONAL** PARLIAMENTS, THE COALITION WILL RECEIVE A SHOT **ON** THE ARM. BUT **IF** THEY DO BADLY, WHICH SEEMS MORE **LIKELY**, STRAUSS'S ATTEMPTS TO DISCREDIT GENSCHER WILL INTENSIFY AND OPPOSITION TO THE LATTER WILL **REVIVE WITHIN** THE FDP. **IN** THOSE CIRCUMSTANCES, KOHL WILL STILL WANT GENSCHER TO REMAIN FDP LEADER AND FOREIGN MINISTER. HE WOULD PROBABLY GET HIS WAY BUT

WOULD HAVE TO ASSERT HIMSELF AGAINST STRAUSS AND OTHERS TO ACHIEVE THIS.

3. THE PRIME MINISTER WILL NO DOUBT WANT TO TELL KOHL HER IMPRESSIONS OF HER VISIT TO BRITISH FORCES GERMANY. BUT THE MAIN SUBJECTS OF DISCUSSION WILL BE INF AND THE COMMUNITY. ON THE FORMER, KOHL MUST HAVE DOUBTS ABOUT GENSCHER'S INTERPRETATION OF GROMYKO'S ALLEGED HINTS IN MADRID ABOUT FLEXIBILITY OVER THIRD COUNTRY SYSTEMS; BUT HE WILL NO DOUBT URGE ON THE PRIME MINISTER THE GERMAN HOPE THAT HMG WILL GO AS FAR AS POSSIBLE IN PUBLIC ON THE QUESTION OF INCLUDING BRITISH NUCLEAR WEAPONS IN ARMS CONTROL NEGOTIATIONS AT SOME STAGE. MEANWHILE, THE EXPECTED HOT AUTUMN OF DEMONSTRATIONS AGAINST INF HAS NOT YET GOT GOING IN GERMANY. THE KOREAN AIRLINES ATROCITY MAY TEMPORARILY HAVE REMINDED WEST GERMAN OPINION OF THE NATURE OF THE SOVIET UNION. KOHL IS SAID TO BE OPTIMISTIC THAT INF ONCE DEPLOYED WILL GO AWAY AS A POLITICAL PROBLEM. BUT THE BEST FORECAST FOR THE COMING WEEKS REMAINS THAT THERE WILL BE VERY LARGE DEMONSTRATIONS AGAINST INF STATIONING AND SOME VIOLENT INCIDENTS. THE NUMBER OF THESE INCIDENTS CANNOT BE PREDICTED; BUT MAY WELL BE SUFFICIENT TO DOMINATE THE MEDIA FOR MUCH OF THE PERIOD BUT NOT NEARLY ENOUGH TO AMOUNT TO A GENERALISED THREAT TO PUBLIC ORDER.

4. IN THE DISCUSSION OF THE EC, I RECOMMEND THAT THE PRIME MINISTER SHOULD CONCENTRATE ON THE GREAT NEGOTIATION, TAKING ACCOUNT OF THE COUNCIL DISCUSSIONS IN BRUSSELS BETWEEN NOW AND 21 SEPTEMBER. DESPITE THE MAJOR INTERESTS WHICH BRITAIN AND GERMANY SHARE AS NET CONTRIBUTORS, THERE IS A DISAPPOINTINGLY WIDE GAP BETWEEN OUR RESPECTIVE APPROACHES TO THE GREAT NEGOTIATION ON AGRICULTURE. IT IS CLEAR THAT THE GERMANS WOULD SETTLE FOR A MUCH LESS RIGOROUS SOLUTION THAN WE PROPOSE; AND EVEN ON THE SAFETY NET THEY HAVE DEVELOPED IDEAS WHICH ARE WEAKER THAN OUR OWN. AS USUAL THEY ARE GREATLY INFLUENCED BY THE AUSWAERTIGES AMT'S CAUTIOUS ASSESSMENT OF WHAT IS NEGOTIABLE. IT WILL BE IMPORTANT TO PERSUADE KOHL OF THE EXTREME IMPORTANCE OF GRASPING THIS OPPORTUNITY FOR LASTING CHANGE, OF THE FLEXIBILITY OF OUR COMMON OBJECTIVES AND OF THE VITAL TACTICAL IMPORTANCE OF PRESENTING A FIRM POINT. THE PRIME MINISTER WILL NO DOUBT WISH TO RAISE THE QUESTION OF OUR 1983 REFUNDS AS AGREED AT STUTTGART BUT I DOUBT WHETHER RAISING THE 1982 RISK SHARING PROBLEM WOULD BE PRODUCTIVE.

TAYLOR



FWZ

LM

10 DOWNING STREET

*From the Private Secretary*

12 September, 1983

PRIME MINISTER'S VISIT TO BONN, 21 SEPTEMBER

Herr Neuer in the Federal German Chancellery rang me this morning.

In response to his questions, I said that I thought the Prime Minister would wish to discuss with Chancellor Kohl East/West relations, defence matters especially INF, Community issues and, depending on developments this week, the Lebanon. I added that in discussing most of these matters the Prime Minister would have very much in mind her forthcoming visit to the United States.

I agreed to the German request that before dinner the Chancellor and the Prime Minister should have a talk of about 30 minutes with only private secretaries present.

The Germans intend to invite to the dinner Sir Jock Taylor, Robin Butler, Bernard Ingham and myself - and we shall be roughly matched on the German side. Finally, I told Herr Neuer that the Prime Minister would hope to leave by 9.30 pm at the latest.

A. J. COLES

Roger Bone, Esq.,  
Foreign and Commonwealth Office

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10 DOWNING STREET

CC FRANCE: Anglo/G.  
Summit ~~Paris~~ Pt 3  
PTA Tours: Anglo German  
Summit - 7/83

From the Private Secretary

13 July 1983

Bilateral Summits

11. I have now agreed with Chancellor Kohl's Office that the next Anglo/German Summit will take place in Bonn on Wednesday 9 November. The details remain to be discussed but the Germans envisage the talks beginning at 1000 and concluding in time for our party to reach London on Wednesday evening.

We should now make another effort to agree a date for the Anglo/French Summit. We could offer Friday 21 October and Friday 18 November. Other possibilities, but these are much less satisfactory, would be Monday 24 October and Monday 31 October. I should be grateful if the Embassy in Paris could discuss these dates with the Elysee and, hopefully, persuade them to opt for Friday 21 October. Once you have obtained agreement to a firm date, I shall consult the Prime Minister about the arrangements and in particular whether she wishes to invite President Mitterrand to arrive on the previous evening for dinner. It would be helpful if the choice of date could be settled in the next few days.

For the time being, I shall take no action on your letter of 12 July about the possibility of the Prime Minister visiting The Hague. While I can see the strength of the case for such a visit taking place in October or November the fact is that the Prime Minister's diary between now and the end of the year is very full indeed and there is unlikely to be much, if any, time for foreign visits apart from those which we have already set in train. But I will return to the question of Mr. Lubbers' invitation when we have settled the date for the French bilateral.

We shall doubtless need to think in due course of a bilateral with the Italians. That, too, may be difficult to fit in before the end of the year. But I take it that there is no point in looking at dates until we have some ideas of the complexion of the new Italian Government.

A. J. COLES

R.B. Bone, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL

a France, Visit of  
Mitterrand, Pt 3

10 DOWNING STREET

From the Private Secretary

27 June 1983

BILATERAL SUMMITS

As you know, it is our turn to invite President Mitterrand to London for the next Anglo-French bilateral Summit. The date which would be most convenient to the Prime Minister is Wednesday, 5 October. Mrs. Thatcher proposes to hold the Summit at Chequers. She would hope that President Mitterrand could arrive in time to begin discussions at about 1000 hours. The Summit would then follow the usual pattern of a lunch followed by a plenary session and a press conference. To facilitate an early start to the morning discussions, the Prime Minister suggests that the President, having arrived at RAF Benson, might take a helicopter to Chequers where the Prime Minister would formally receive him.

I should be grateful if you could establish in due course whether this proposal is acceptable to the French. It may be that, following the proceedings at Stuttgart, you will wish to wait a while before extending this invitation to President Mitterrand. But in any case we should try to settle a date in the next two or three weeks.

B/K As regards the Anglo-German Summit, it is the turn of the Germans. The Prime Minister sees advantage in holding the Summit at a time when Anglo-German attitudes towards the next European Council (6 December) can be concerted. From that point of view, Friday 18 November would be a good choice. I should be grateful if suitable soundings could be taken in Bonn.

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

Keep at

top of file

Caroline

22 April is the agreed date.

Please keep.

MR. COLES

WOL  $\frac{L}{11}$

German Bilateral Dates for 1983

I cannot manage any dates in March.  
All Fridays are already allocated.

The only Friday I can do in April  
is the 22nd, but I see that I have also  
blocked out Wednesday, the 13th. Would  
you like to offer these two dates to the  
Germans?

CS

22 October, 1982



A Logan

file

SPR

8 November 1982

The Prime Minister has asked me to thank you for your letter of 1 November.

Mrs. Thatcher was most impressed by her visit to Berlin and the role which your great City is playing in defending freedom and democracy.

It was kind of you to write.

E. J. COLES

Herr Ulrich F. Kruger

EH

gpm

CONFIDENTIAL

FOREIGN AND COMMONWEALTH OFFICE

DIPLOMATIC REPORT No. 206/82

WRL 026/4

General Distribution

GERMANY (BERLIN)

4 November, 1982

**THE PRIME MINISTER'S VISIT TO BERLIN: 29 OCTOBER, 1982**

*General Officer Commanding, Berlin to  
Her Majesty's Ambassador at Bonn*

SUMMARY

The visit was very successful. This was strongly reflected in both local and national news media (paragraph 1).

2. The last visit to Berlin by a British Prime Minister was by Mr. Heath in 1971. The present visit followed the Anglo-German Summit in Bonn and was the culmination of a steady build-up in senior Ministerial visits since 1980. The Falklands crisis had prevented the Governing Mayor from seeing the Prime Minister in London in April (paragraphs 2-4).

3. The visit lasted seven hours and took in the Berlin Wall, signature of the Golden Book, a meeting with members of the British Military Government and garrison and dinner at Charlottenburg Palace. Highlights were the laying of flowers at the memorial crosses at the Wall, and the Prime Minister's speech (paragraphs 5-8).

4. Chancellor Kohl accompanied the Prime Minister. The Soviet and GDR Ambassadors in London had previously complained this would breach the Quadripartite Agreement. The subsequent Soviet Embassy reaction in Berlin was low-key. Chancellor Kohl's presence restricted the scope for private discussion between the Prime Minister and the Governing Mayor (paragraphs 9 and 10).

5. Media coverage was extensive and favourable; the reaction of the Berliners, including young people, welcoming and warm. There were no demonstrations (paragraphs 11 and 12).

6. The visit has reinforced Britain's standing in Berlin (paragraph 13).

(Confidential)

Sir,

Berlin,

4 November, 1982.

The Prime Minister, the Rt. Hon. Margaret Thatcher, MP, visited Berlin on 29 October, 1982. Since you accompanied her throughout her programme, you were able to see for yourself how very successfully the visit went and the strong resonance it achieved in the Berlin, and the national, news media. It may be helpful nevertheless to record in this despatch something of the genesis of the visit and the shape the Prime Minister's programme took.

2. Among former Prime Ministers, Mr. Wilson had visited Berlin in 1965 and 1969, and Mr. Heath in 1971. When Mr. Callaghan came in January 1976, it was as Foreign Secretary, shortly before he became Prime Minister. It was thus

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11 years since a British Prime Minister last visited Berlin. When Mrs Thatcher assumed office in May 1979, it so happened that the then Governing Mayor, Herr Stobbe, had been invited to visit London a fortnight later; and the Prime Minister was kind enough, amid the preoccupations of forming her Administration, to find time to receive him. She responded to his invitation to visit Berlin with a promise to do so when she could.

3. It was clear even then that the best prospect for a visit would be for it to follow on from one of the annual autumn Anglo-German consultations in Bonn; and that it would be more effective to build up to it as the culmination of a series of previous visits by other members of the Cabinet rather than start at the top. Accordingly we had visits in 1980 by Mr. Pym as Secretary of State for Defence and Sir Ian Gilmour as Lord Privy Seal, followed by Lord Carrington as Foreign Secretary in October last year. The care which Her Majesty's Government have taken to arrange a steady (but not too rapid) succession of senior Ministerial visits has been noted and appreciated in Berlin at all levels from the Governing Mayor downwards.

4. This background helped to give a particular sense of anticipation and of welcome to the arrival of the Prime Minister herself. The Governing Mayor, like all his predecessors, attaches very special importance to his periodic contacts with the Heads of Government of the three Allied Powers. He had already had the honour of being received in Washington and Paris by Presidents Reagan and Mitterrand respectively; but the Argentine invasion of the Falklands on 2 April had inevitably forced the cancellation of his appointment with the Prime Minister in London that day. He was thus all the more pleased when in July we were able to convey the news that Mrs. Thatcher would visit Berlin in October.

5. It was to be her first visit ever to Berlin. We were warned from the outset that it would be difficult for the Prime Minister to spare more than a long half-day, and in the event she spent some seven hours in this city, arriving in the early afternoon and returning to London after dinner that evening. There were four main ingredients to be accommodated in the programme, and we were able to do this without difficulty within the time available. They comprised:—

- (a) a visit to the Berlin Wall;
- (b) a short meeting with the Governing Mayor at Rathaus Schöneberg, followed by the signature of the Golden Book of Berlin;
- (c) a meeting with representatives of the British Military Government and garrison; and
- (d) the Governing Mayor's dinner at Charlottenburg Palace.

Had there been more time available you and I would have liked to show Mrs. Thatcher more of the city, and of the work of the garrison. But that would have been a bonus, and as it was the programme covered all the essentials. We recommended against the holding of a Press conference, in order not to distract in any way from the impact of Mrs. Thatcher's principal message, her speech at the Golden Book ceremony.

6. Two aspects in particular contributed to the success of the visit with the Senat, the media and the public. The first was the Prime Minister's gesture in laying a bouquet of white lilies at the memorial crosses near the Reichstag, which commemorate some of those who lost their lives trying to escape from East Berlin, and the extended tour she undertook with the Royal Military Police of the section of the Wall between the Reichstag and Potsdamer Platz. These were things which

previous official visitors have not, to our knowledge, done. They evinced, and were seen by the media and public as evidence of, a much more genuine interest and feeling about the Wall than the customary, but often rather perfunctory, photo-call in front of the Brandenburg Gate.

7. The second was the clarity and conviction of the Prime Minister's speech at the Golden Book ceremony. The Senat had gathered for this occasion between 400 and 500 invited guests, comprising members of the House of Representatives (although the Alternative Liste boycotted the ceremony), leaders of the political parties and business community, other prominent Berliners, and representatives of the Anglophile societies and the Allied garrisons. The ceremony was televised live in Berlin, and well covered that evening on nationwide TV news programmes. In his graceful speech of welcome the Governing Mayor thanked Mrs. Thatcher for having come, to underline once more the British commitment and guarantee to Berlin. He also made a point both of thanking her for the British action in the Falklands, as a service to the international rule of law, and of drawing the moral for Berlin. He is one of few politicians in Germany who have consistently taken so forthright a line. Not everyone in Berlin approved the British military action in the Falklands at the time—Dr. Vogel, for one, the leader of the Berlin SPD and now his party's new Chancellor candidate, did not. Nevertheless I believe that a majority of thinking Berliners do see our action there as reassuring for Berlin.

8. The Prime Minister spoke next, striking a note which Berlin is no longer much accustomed since the Quadripartite Agreement. But, if this predictably elicited sharp reactions from *Neues Deutschland* and *Tass* next day, it went down well with her audience and the Berliners. The audience could be seen and heard to like it; and virtually all those Berliners to whom we have since talked say they welcomed and found refreshing Mrs. Thatcher's plain restatement of the truth about the Wall and the system it encloses, and her reminder that strength and vigilance are the price of the liberty West Berlin enjoys. Her speech was printed in full next day, not only by the principal local dailies—*Tagesspiegel*, *Morgenpost* and *Welt*—but even by "BZ", the local Springer tabloid; and the accompanying press comment was enthusiastic (BMG telegram No. 125 to Bonn). The Prime Minister left her audience, and readers, in no doubt about British determination to honour our commitments and resist aggression, in Berlin or elsewhere.

9. It may be appropriate at this point to mention Russian reactions to the visit. As soon as it had been announced, the Soviet Embassy in East Berlin were at us repeatedly to enquire whether the Federal Chancellor would accompany Mrs. Thatcher from Bonn. After it became known that he would, the Soviet and GDR Ambassadors in London each made representations that Chancellor Kohl's presence would be in breach of the Quadripartite Agreement. (FCO telegrams Nos. 54 and 57 to BMG, Berlin.) Two days after the visit the Soviet Counsellor in East Berlin called on our Political Adviser to complain that the windows of the Aeroflot office in West Berlin had been broken the previous night (in fact by an enraged Pole). He went on to attribute this violence indirectly to incitement by "recent provocative statements" by British and Senat, as well as Federal, representatives. But these representations were made in low key and without conviction, one felt. It was a help to us in rebutting them that Chancellor Kohl himself, at their joint Press conference in Bonn on the morning of 29 October, had explicitly described his visit to Berlin as being at the Prime Minister's invitation.

10. The presence of the Federal Chancellor during the visit posed some of the usual protocol and practical problems. There had to be interpreters throughout; and, since the Governing Mayor felt that he could not exclude

Dr. Kohl, there was no opportunity (except at dinner) for the Prime Minister to talk to Dr. von Weizsäcker privately without the Chancellor's participation. The latter's insistence that Frau Kohl should attend what had been intended as a business discussion at the Rathaus, between the Prime Minister and Governing Mayor in a tightly restricted circle, changed the character of that meeting. But the Governing Mayor had made it plain to us privately beforehand that, whilst he found that arrangement rather extraordinary, he was not disposed to resist the German Chancellor's wishes. In any case, Dr. von Weizsäcker said, he had not intended to raise substantive matters with the Prime Minister: the substance was her visit itself. Other matters could be dealt with through the usual channels.

11. I have already referred to the extensive and favourable media coverage of the visit, but here I might add that, in addition to printing Mrs. Thatcher's speech, the papers next day were full of human interest items about the reactions of the crowds who had gathered at the Reichstag, Potsdamer Platz and Schöneberg Rathaus to see Mrs. Thatcher, and of her contacts with them. Along her route in from Gatow local residents turned out to wave her welcome, including the complete clientele of a ladies' coiffeur in their curlers and wraps! At the Reichstag a crowd of five or six hundred had gathered, and it was good to see that they were predominantly younger people. Everywhere the atmosphere was spontaneous, relaxed and warmly welcoming. The press made much of the Berlin bear, whom one of the bystanders presented to Mrs. Thatcher at the Potsdamer Platz.

12. Although we had had some prior indications that local IRA sympathisers were planning to demonstrate, and that some of the militant anarchists among the squatters hoped to provoke a violent confrontation with the police, we also knew in advance that they were finding very little support. On the day itself nothing of the sort occurred. A single man was spotted, on the Heerstrasse, carrying a "No more heroes" placard.

13. All in all the Prime Minister's visit could not have been more successful. My staff and I are much in her debt for the time and trouble she took to make it so; and her meeting with garrison representatives at my Headquarters was of course a highlight of its own for us. But I should like to add our thanks too to the Prime Minister for the way in which her visit has reinforced the respect and affection in which Britain is held in Berlin, and in so doing materially assisted us in our task. Since the visit we have had many messages of congratulations and thanks from our Berlin friends, foremost among them the Governing Mayor.

14. I am sending copies of this despatch to Her Majesty's Ambassadors at East Berlin, Moscow, Paris and Washington, to the UK Permanent Representative to NATO, and the Secretariat, Commanders-in-Chief Committee, Germany.

I am Sir

Yours faithfully

J. D. F. MOSTYN,  
*Major-General.*

## 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(82) 47<sup>th</sup> Conclusions, Minute 3

Date: 4 November 1982

Signed Wayland Date 4 April 2013

**PREM Records Team**

~~John Coles~~



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CABINET OFFICE

With the compliments of  
Sir Robert Armstrong KCB, CVO  
*Secretary of the Cabinet*

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

CONFIDENTIAL AND PERSONAL

NOTE FOR RECORD

During the Prime Minister's visit to Bonn on 28th-29th October, I had two opportunities for discussions with the new State Secretary in the Bundeskanzleramt, Herr Waldemer Schreckenberger. We covered the following topics.

Economic Summit 1983

2. Herr Schreckenberger said that the Federal Chancellor had not yet nominated his Personal Representative for the purpose of preparing Economic Summits. I urged upon him the importance of choosing as the Chancellor's Personal Representative somebody who would be so in a real sense. We had encountered some difficulties in the last two years because the Personal Representative of the President of the United States had been somebody in the State Department who was not in fact close to the White House or to the President himself. Herr Schreckenberger asked how I came to be the Prime Minister's Personal Representative and how I fitted it in with my other duties. I said that my predecessor had been chosen for this role, and when I took over Mrs. Thatcher had asked me to continue. It represented a significant commitment in terms of time and travel; but, if the Prime Minister asked you to take on something, you took it on and did it to the best of your ability.

3. Herr Schreckenberger said that, when President Mitterrand visited Bonn, he and the Federal Chancellor had discussed the dates for the next Economic Summit. President Mitterrand was clearly angry about the way in which this had been handled, with virtually no prior consultation, and not even the courtesy of a message from the President himself. It was still not clear that the President would attend the Summit on 28th - 30th May, 1983.

4. Herr Schreckenberger asked for our views on the style, format and preparation of Summits. I spoke to the brief (approved by the Prime Minister) which had been prepared for my recent meeting with Mr. Allen Wallis. Herr Schreckenberger commented that that made three Heads of Government who apparently shared broadly similar views on these matters: the President of the United States, the French President and the British Prime Minister.

CONFIDENTIAL AND PERSONAL

European Community Budget

5. The subject was raised by Herr Schreckenberger. I rehearsed the British arguments for a durable solution to the problem of our net contribution. I said that the British Government was firmly committed to membership of the European Community, but the disproportionate size of our net contribution remained a stumbling block for British public opinion. I reminded him of the Community's commitment to find solutions for unacceptable situations. I said that this was not just a matter of the perception of the Community in the United Kingdom, but also of the fundamental health and welfare of the Community: the cohesion of the Community and its ability to develop on the lines envisaged by Herr Genscher and Signor Colombo depended on the elimination and avoidance of strains of this kind within the Community. We should like to put this matter behind us all, so that the United Kingdom could contribute unreservedly to the development of the European Community.

6. Herr Schreckenberger asked about the minimum political requirement for an interim solution, if a permanent solution was not attainable in time. I said that we needed a solution which covered at least three years. I suggested that one possibility might be to repeat the pattern of the 30th May 1980 package for a further three years, with a similar risk-sharing formula. I indicated that some further modest adjustment in respect of the "trop payé" might be possible to envisage in the context of a solution that was in other respects acceptable. I emphasised that we saw ourselves as having a common interest with Germany, the other net contributor, in setting limits to agricultural expenditure and in seeking to limit our liability to contribute.

7. Herr Schreckenberger said that this subject had been briefly discussed when President Mitterrand came to Bonn. President Mitterrand had talked in terms of a solution which was limited in time and digressive. The new Federal Government would want to limit its contributions to the same extent as its predecessor.



CONFIDENTIAL AND PERSONAL

Fisheries

7. I stressed the importance of an agreement, and said that I knew that the Prime Minister very much hoped that the Federal Chancellor would join her in bringing pressure to bear on the Danish Government to get into line. Herr Schreckenberger took note. He said that the agreement was not really good enough for the Germans: the ship-building and fishing industries in Northern Germany were in a very bad way, and the agreement would not do much to help them.

Overseas Development and Global Negotiations

8. Herr Schreckenberger asked about the position of the British Government on these matters. On global negotiations I said that we were prepared to go along with the formulation agreed at Versailles, and did not want to see any further changes to it. The amount which we could afford by way of official development assistance was limited, and our priorities were to concentrate on the poorest and least developed countries and on assistance for indigenous energy and food production.

German Political and Economic Situation

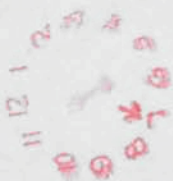
9. Herr Schreckenberger talked a certain amount about this, but said nothing that added anything to what German Ministers said during the course of the bilateral discussions.

REA

ROBERT ARMSTRONG

2nd November 1982

NOV 1982





ULRICH F. KRÜGER  
MITGLIED DES ABGEORDNETENHAUSES  
VON BERLIN  
CDU-Fraktion

D-1000 BERLIN 45, den  
Kadettenweg 58  
Telefon: (030) 8 33 22 94

24  
Nov. 1st, 1982

Dear Madame,

as a member of the Berlin House of Representatives whose constituency at Berlin-Kreuzberg has been gained for my party first in history and as a citizen of our city I want to extend to you my upright thanks for your coming to our city and for your tough and straight address you have given to us at the Brandenburg Hall. Your message most encouraging has proved there are statesmen in the world who are willing to let everybody know what has to be said for the sake of peace in liberty on a basis of justice and self-determination.

I must confess that such words have become rare more and more. Too many politicians including such in my country have neglected to get to the point.

Moreover I want to thank you for your visit and stop at the wall. By your act of reverence to all victims of this monster dividing a whole nation so rigidly you have touched the minds of many, many of my fellow-citizens we shall never forget.

Together with our Lord Mayor Richard von Weizsäcker most of us thank your great nation who by all your governments have proved their attitude to guarantee a free and democratic present as well as a future and we are sure to rely on that.

My wish is that you and your government may always be successful in finding the right means in politics full of wisdom and endurance and under the guidance of our Lord the master of history.

God bless you so much.

Yours  
very sincerely  
Ulrich Krüger

GRS 620

UNCLASSIFIED

FM BMG BERLIN 011220Z NOV 82

TO PRIORITY BONN

TELEGRAM NUMBER 125 OF 1 NOVEMBER 1982

AND TO PRIORITY F C O

INFO PRIORITY EAST BERLIN, MOSCOW, WASHINGTON, ALL CONSULATES  
GENERAL IN FRG

*MS*

BONN TEL NO 931: PRIME MINISTER'S VISIT: BERLIN PRESS REACTIONS

1. THE PRIME MINISTER'S VISIT WAS THE LEAD STORY IN EVERY LOCAL PAPER AND THE COMPLETE TEXT OF HER SPEECH AT THE GOLDEN BOOK CEREMONY WAS CARRIED IN THE MAIN PAPERS, TAGESSPIEGEL, BERLINER MORGENPOST AND BZ. PRESS COMMENT WAS ENTHUSIASTIC AND THERE WAS EXTENSIVE PICTORIAL COVERAGE.

2. DER TAGESSPIEGEL (INDEPENDENT) HEADLINED ITS REPORT QUOTE MRS THATCHER CALLS FOR STRENGTH AND DETERMINATION UNQUOTE. THE BERLINER MORGENPOST (SPRINGER PRESS), UNDER THE HEADLINE QUOTE MRS THATCHER AT THE WALL: FREEDOM WILL CARRY THE DAY, EVEN OVER THERE

UNQUOTE COMMENTED QUOTE SHE DOES NOT LOOK ONE BIT LIKE AN QUOTE IRON LADY UNQUOTE. SHE IS NOT ENDOWED WITH ORDINARY, RUN-OF-THE-MILL CHARM, BUT RADIATES SOMETHING MORE. SHE IS BRIGHT AND COOL, JUST LIKE THE TOTALLY UN-BRITISH WEATHER WHICH GREETED HER WITH BLUE SKIES.....UNQUOTE. VOLKSBLATT BERLIN (SOCIALIST) HEADED ITS REPORT QUOTE SHARP ATTACK ON POLICIES OF COMMUNIST STATES. MRS THATCHER: THE WALL IS A DISMAL MONUMENT TO AN IDEOLOGY OF VIOLENCE UNQUOTE. BZ (CONSERVATIVE TABLOID) DEVOTED ITS ENTIRE FRONT PAGE TO THE VISIT WITH HUGE HEADLINES QUOTE MAGGIE: MY THREE GREATEST BERLIN EPISODES UNQUOTE. WHICH ACCORDING TO THE NEWSPAPER, WERE THE WALL, THE HEART-FELT WELCOME BY THE BERLINERS AND A LOCAL MAN WHO PRESENTED THE PRIME MINISTER WITH A BERLIN TEDDY BEAR. THREE MORE PAGES CARRIED AN IMPRESSIVE ARRAY OF PHOTOGRAPHS. BILD ZEITUNG (SPRINGER TABLOID) HAD AS ITS BANNER HEADLINE QUOTE AT THE WALL: MAGGIE BOWS TO THE DEAD UNQUOTE PLUS ONE AND A HALF PAGES OF REPORTS AND PICTURES. MORGENPOST, BZ AND BILD ALL EMPHASISED HOW MUCH THE PRIME MINISTER APPEARED TO HAVE ENJOYED HER VISIT.

3. EDITORIAL COMMENT IN BERLINER MORGENPOST UNDERLINED THAT ALL THOSE WHO WERE WILLING TO LIVE WITH THE WALL HAD BEEN SHAMED BY MRS THATCHER AND HER EXPRESSION OF THE DEEPEST SHOCK: QUOTE IT SAYS MUCH ABOUT THE QUALITY OF MRS THATCHER THAT, RIGHT AWAY, SHE TURNED HER SHOCK AT THE QUOTE MONSTER UNQUOTE INTO POLITICAL TERMS. SHE NOT ONLY RE-AFFIRMED BRITAIN'S UNSHAKABLE COMMITMENT TO BERLIN: SHE DREW THE

*/CONCLUSION*

CONCLUSION, HERE AND NOW, FROM THE REALITIES OF THE WORLD AS REFLECTED IN BERLIN: SHE CALLED ON THE WEST TO SHOW DETERMINATION AND STRENGTH.... RICHARD VON WEIZSAECKER SAID YESTERDAY THAT BERLIN WAS THE PLACE WHERE THE AIMS OF BRITONS AND GERMANS, I.E. PEACE AND FREEDOM, CONCENTRATED TO FORM ONE UNION. MRS THATCHER'S VISIT HAS UNDERLINED THIS UNION IMPRESSIVELY AND SINCERELY UNQUOTE.

4. TAGESSPIEGEL AND MORGENPOST ALSO REPORTED STRONG SOVIET REACTIONS IN THE FORM OF A TASS NEWS AGENCY REPORT PLUS AN AQUALLY SHARP ATTACK BY THE EAST GERMAN AGENCY, ADN, WHICH BOTH APPEARED ON THE FRONT PAGES OF THE GDR PRESS. COMMENTATOR FRIEDHELM KEMNA OF DIE WELT SAID THAT RARELY HAD BERLIN'S MESSAGE TO THE FREE WORLD BEEN EXPRESSED SO CLEARLY AND SO EMPHATICALLY: AND HE WENT ON QUOTE MARGARET THATCHER'S VISIT TO BERLIN WAS REASSURING AND ENCOURAGING FOR ALL GERMANS BUT ESPECIALLY FOR THE NEW GOVERNMENT ..... UNQUOTE.

5. THE LOCAL BROADCASTING ORGANISATION, SENDER FREIES BERLIN (SFB), TRANSMITTED THE GOLDEN BOOK CEREMONY LIVE, INTRODUCING THE PROGRAMME WITH A TEN-MINUTE NEWS FILM BIOGRAPHY OF THE PRIME MINISTER PREPARED BY THE CENTRAL OFFICE OF INFORMATION. A FULL REPORT OF THE VISIT WAS THE MAJOR PART OF SFB'S EVENING NEWS MAGAZINE. ZDF (2ND GERMAN TV) REPORTED HIGHLIGHTS OF THE VISIT IN HEUTE JOURNAL LATER IN THE EVENING. THE CITY'S TWO RADIO STATIONS BROADCAST LIVE MRS THATCHER'S SPEECH AND GAVE LIVE COMMENTARIES ON ARRIVAL, AT THE WALL, AND AT THE RECEPTION FOR MEMBERS OF THE BRITISH MILITARY COMMUNITY.

MOSTYN

FCO/WHITEHALL  
WED

**THIS TELEGRAM  
WAS NOT  
ADVANCED**

*Stephens*  
MISS STEPHENS

ANGLO/GERMAN SUMMIT

It was agreed in Bonn that the next Summit would take place on 22 April.

Meanwhile, could you give me two or three dates in the period January to March when we could contemplate an Anglo/Italian Summit?

*A. J. C.*

1 November 1982

*file*  
CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

1 November 1982

*Dear Brian,*

ANGLO/GERMAN SUMMIT: 28-29 OCTOBER

I enclose a record of the plenary discussion between British and Federal German Ministers on 29 October.

I am copying this letter and enclosure to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), Jonathan Spencer (Department of Industry), John Rhodes (Department of Trade) and Richard Hatfield (Cabinet Office).

*You are*

*filed.*

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL

*lu*

SECRET



10 DOWNING STREET

*From the Private Secretary*

1 November, 1982.

Anglo-German Summit

I enclose a record of the tete-a-tete discussion between the Prime Minister and Chancellor Kohl in Bonn on the evening of 28 October.

I am sending copies of this letter and its enclosure to Jonathan Spencer (Department of Industry), Richard Mottram (Ministry of Defence), and Richard Hatfield (Cabinet Office). I should be grateful if you could ensure that the record is not circulated outside Private Offices except where this is operationally essential.

E. H. COLES

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

SECRET





10 DOWNING STREET

*From the Private Secretary*

1 November, 1982.

I enclose a note of a short meeting which took place between the Prime Minister, the Chancellor of the Federal German Republic and the two Foreign Ministers in Bonn at 1100 hours on 29 October. The German side particularly asked that the contents of this discussion should be very closely protected. I should therefore be grateful if you would give it the minimum circulation consistent with the need to know.

A. J. COLES

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

SECRET

CONFIDENTIAL



10 DOWNING STREET

Principal  
*From the Private Secretary*

1 November 1982

I enclose a note of the tete-a-tete meeting which took place between the Prime Minister and the Chancellor of the Federal German Republic at 0915 on Friday 29 October, before the plenary meeting. I should be grateful if you and other recipients would restrict it so far as possible to Private Offices, and only make it available to others to the extent that it is operationally essential to do so.

I am copying this letter, and the enclosure, to John Kerr (HM Treasury), Richard Mottram (MOD), Julian West (Energy), Jonathan Spencer (Industry), John Rhodes (Trade), Robert Lawson (MAFF) and Richard Hatfield (Cabinet Office).

F. E. R. BUTLER

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

GRS 330  
UNCLASSIFIED  
FM BONN 301125Z OCT 82  
TO PRIORITY FCO  
TELEGRAM NUMBER 931 OF 30 OCTOBER  
INFO ROUTINE BMG BERLIN  
INFO SAVING EAST BERLIN MOSCOW WASHINGTON PARIS CGS IN THE FRG

PRIME MINISTER'S VISIT TO BONN AND BERLIN 28/29 OCTOBER: GERMAN MEDIA COVERAGE.

1. DESPITE TWO STRONG RIVAL STORIES (VOGEL'S NOMINATION AS SPD CHANCELLOR-CANDIDATE AND THE SPANISH ELECTION RESULT) THE PRIME MINISTER'S VISIT TO BERLIN AND THE BONN CONSULTATIONS EARLIER IN THE DAY DOMINATED THE EARLY EVENING TV NEWS PROGRAMMES OF 29 OCTOBER AND GOT GOOD COVERAGE LATER IN THE EVENING.

2. TODAY'S PAPERS GIVE SIMILARLY WIDE COVERAGE, ALMOST ALL WITH FRONT PAGE ITEMS, MANY WITH PHOTOGRAPHS. HEADLINES INCLUDE QUOTE MRS THATCHER IN BERLIN: ONLY STRENGTH LEADS TO NEGOTIATIONS UNQUOTE (DIE WELT), QUOTE EVERY STONE OF THE WALL DEMONSTRATES BANKRUPTCY UNQUOTE (KOELNISCHE RUNDSCHAU), AND QUOTE NO VISIT TO HONECKER AS LONG AS THE WALL STANDS UNQUOTE (NRZ).

3. THE TWO MAJOR CONSERVATIVE DAILIES (FAZ AND DIE WELT) AND ZDF (SECOND GERMAN TELEVISION) COMMENTED FAVOURABLY ON THE BERLIN VISIT. ZDF SAID THAT IT WAS BOTH RIGHT THAT THE PRIME MINISTER CAME TO BERLIN, AND THAT SHE SAID WHAT SHE DID. WELT'S FRONT PAGE LEADER, HEADED QUOTE ENCOURAGEMENT UNQUOTE, SAYS THAT THE PRIME MINISTER IDENTIFIED BERLIN'S MESSAGE CORRECTLY AS ONE OF WARNING AND HOPE. FAZ SAYS THAT HER PRESENCE DEMONSTRATES YET AGAIN THE FAILURE OF THE SOVIETS TO CHANGE THE STATUS OF THE CITY. LIKE SOME OTHER PAPERS, IT DESCRIBES THE BOUQUET SHE LAID AS A GESTURE FOR WHICH THE WHOLE COUNTRY SHOULD BE GRATEFUL.

4. THE CENTRE-RIGHT SUEDEUTSCHE ZEITUNG (SZ) AND THE PRO-SPD FRANKFURTER RUNDSCHAU (FR) CONCENTRATE ON THE BONN CONSULTATIONS IN RESERVED (AND RATHER ILL-INFORMED) EDITORIALS. BOTH PICK UP THE PRIME MINISTER'S PHRASE ABOUT QUOTE BEING ON THE SAME WAVELENGTH UNQUOTE (AS DO REPORTS IN SEVERAL OTHER PAPERS): BUT FR COMMENTS THAT THOUGH IT IS TRUE OF EUROPEAN AND FOREIGN POLICY, HERR KOHL AND HIS TEAM HAVE NOT, AT LEAST UP TO NOW, ADOPTED MRS THATCHER'S ECONOMIC AND SOCIAL RECIPES. THE SZ SEES THIS VISIT AS PROVIDING AN OPENING FOR CLOSER ANGLO-GERMAN COOPERATION (WHICH MUST NOT HOWEVER BE AT THE EXPENSE OF FRANCO-GERMAN RELATIONS). FOR THE FIRST TIME IN SOME YEARS, IT SAYS, A BRITISH PRIME MINISTER HAS COME WITHOUT QUOTE ASKING FOR BENEFITS FOR THE BRITISH TAXPAYER UNQUOTE.

FCO PLEASE PASS SAVING TO ALL EXCEPT CGS IN THE FRG

TAYLOR

FCO WHITEHALL  
WE D

REPEATED AS REQUESTED

THIS TELEGRAM  
WAS NOT  
ADVANCED

ANGLO-GERMAN CONSULTATIONS: 28 and 29 October 1982

RECORD OF CONVERSATION AT THE PALAIS SCHAUMBERG, BONN,  
29 October 1982

*MR 9*  
*h.a.*

Present:

Graf Lambsdorff,  
Federal Economics Minister

Sir Geoffrey Howe,  
Chancellor of the Exchequer

Herr Stoltenberg,  
Federal Finance Minister

Mr Patrick Jenkin,  
Secretary of State for Industry

Dr Tietmeyer,  
Deputy Secretary, Federal  
Economics Ministry  
State Secretary-designate at  
the Federal Finance Ministry

Sir K Couzens,  
HM Treasury

Mr K Binning,  
Department of Industry

Dr Müller-Thuns,  
Deputy Secretary,  
Federal Economics Ministry

Mr P Unwin,  
British Embassy

Dr Goldschmidt,  
Federal Economics Ministry

Mr J Kerr,  
HM Treasury

Dr Heck,  
Federal Finance Ministry

Miss Caroline Varley,  
Department of Industry

Mr A J Beamish  
British Embassy

GATT

1. Graf Lambsdorff, referring to exchanges the previous evening at dinner, said that the German view was that it was very important to hold the proposed Ministerial meeting. Earlier in the week at Luxembourg the French had been very pessimistic about the prospects for a meeting and inclined to doubt whether it should be held. This line of thinking should be resisted. Holding the meeting was important as a demonstration of the industrialised countries' continuing

/faith

-2-

faith in an open trading system. It was also very important that the meeting should be a success, if only a modest one. He thought that it ought to be possible for the industrialised countries to agree some compromise with the developing countries on safeguards. But it would be important at the same time for the newly-industrialising countries to accept some of the GATT disciplines. He pointed out that the GATT was an operational organisation and that a renewal of the OECD pledge on trade would not be enough. His mention of the services sector provided an opportunity for Sir Geoffrey Howe and Mr Jenkin to stress the need for progress on freeing insurance services and air fares. Mr Jenkin also mentioned the telecommunications sector and pointed out that the British telecommunications authorities had the most liberal purchasing regime in the world. Others should follow suit. Referring to the meeting earlier this week in Luxembourg, Graf Lambsdorff said that the contribution of Mr Rees had been very valuable insofar as it helped to contribute to bridging the gap between the Germans and the French. There were still differences between the UK and the FRG however. He understood British concern about tariff imbalances but reaffirmed German commitment to maintaining open markets and combatting restrictions to trade. Sir Geoffrey Howe said that the British attached great importance to reasserting the commitment to free trade and on that account the GATT Ministerial was an important occasion. A key factor however was the readiness of the NICS to liberalise their tariff policies. From the United Kingdom's point of view the problem was to persuade public and industrial opinion that free trade was actually beneficial. In present circumstances this was becoming increasingly difficult. For example British motor car exports to Spain had to cross a 36 per cent tariff barrier

/whereas

-3-

whereas Spanish car imports to Britain had to cope with only four per cent. Spain was no longer a developing country. On the contrary, especially in the motor field and given these tariff advantages, she was highly competitive. Such an imbalance might not pose such problems for Germany but the British car industry was not as competitive and could not be expected to cope indefinitely with the present situation. Some argued that the problems with Spain would be solved by her entry to the Community but that was still some years off, could be delayed and there were likely in any case to be transition periods. Brazil and Japan and Korea and other countries also presented problems in particular sectors. If such countries were unwilling to make a move then the UK would have to consider taking measures herself. UK frustration arose partly from the slowness of international consultation and agreement. This had been the experience on Japan. The UK did not want to restrict Japanese imports but the present situation was very difficult. Europe would have to act together. Unless it did so or unless it threatened to do so, the Japanese would make no move. If free trade did not bring visible benefits, why should people continue to subscribe to it?

### Gas Pipeline

3. Graf Lambsdorff said that it was his view that the US sanctions would be lifted, not because of anything the Europeans could give the Americans, but because of the growing pressures from American industry on the American administration. He also pointed out that the American decision to supply grain on credit to the Soviet Union undermined one of the major US objections to the pipeline deal. But he did not expect the sanctions to be lifted before 2 November. In the light of this there was now no call for the Europeans to make any

/concessions

concessions of substance but they should try to help the Americans presentationally. The Germans were in favour of a tighter COCOM and better implementation of it. They opposed widening it to cover high technology that was not military in character. As for credit, they thought that was extremely difficult. The French would point to their 25-year agreement with the Soviets. The Japanese would also be awkward but without the French and the Japanese and indeed some of the smaller countries like Austria and Switzerland, nothing effective could be achieved. Sir Geoffrey Howe noted with interest Graf Lambsdorff's assessment of the situation in America. The decision on credit for grain helped the process of the American policy collapsing under the weight of its own contradictions. Mr Jenkin, referring to discussions about the Shultz non-paper, said that the talks posed some very awkward points for us. It was absolutely essential to make clear to the Americans that agreement to study the issues implied no a priori commitment to particular courses of action. Graf Lambsdorff agreed.

4. Broadening the discussion on EC/US relations, Sir Geoffrey Howe said that lower American interest rates were critical, not only for recovery there but in the United Kingdom and Germany too. Volker's policy adjustments were helpful in this regard but could not be sustained without action on the US budget deficit. The Americans must either cut the deficit or raise taxes, otherwise the American / would never believe that interest rates would come down. Given the policy stance of both the United Kingdom and the Federal Republic, this was a message that both Governments could give to the Americans, not as hostile criticism but as helpful partners. He thought Chancellor Kohl's visit to the United States next month would provide an valuable opportunity for getting this point across and hoped he would be able to take it. Graf Lambsdorff and Herr Stoltenberg agreed.

BRITISH EMBASSY, BONN  
29 October 1982

Distribution List:

Mr Coles : No 10

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GRS 760  
UNCLASSIFIED  
FM BONN 291700Z OCT 82  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 930 OF 29 OCTTBER  
INFO SAVING BMG BERLIN UKREP BRUSSELS UKDEL NATO WASHINGTON

MY TELNO 926 : ANGLO-GERMAN CONSULTATIONS: PRESS CONFERENCE

FOLLOWING IS TRANSLATION OF CHANCELLOR KOHL'S STATEMENT.

TEXT BEGINS

1. MADAM PRIME MINISTER, LADIES AND GENTLEMEN. AS STATE SECRETARY STOLZE HAS JUST SAID, WE HAVE NOW COMPLETED OUR CONSULTATIONS - THE 12TH SUCH ANGLO-GERMAN CONSULTATIONS IN BONN. HOWEVER IT IS MY BELIEF THAT THESE CONSULTATIONS HAVE BEEN GIVEN ADDITIONAL WEIGHT BY THE PRIME MINISTER'S INVITATION TO ME - WHICH HAS GIVEN ME PARTICULAR PLEASURE - TO ACCOMPANY HER TO BERLIN FOR HER FIRST VISIT THERE DURING HER PERIOD OF OFFICE. I THANK HER MOST WARMLY FOR THIS.
2. YOUR VISIT TO BERLIN IS OF THE GREATEST IMPORTANCE FOR US ALL. IT IS A GESTURE OF FRIENDSHIP TO ALL GERMANS WHICH REFLECTS THE DEEP ALLIANCE BETWEEN US THAT YOU ARE TO VISIT THE OLD GERMAN CAPITAL  
,  
THAT WE SHALL TRAVEL TOGETHER TO THE REICHSTAG, AND THAT YOU WILL OBTAIN A PERSONAL IMPRESSION AND EXPERIENCE OF THE SITUATION IN BERLIN. IT IS ONLY POSSIBLE TO UNDERSTAND THE DIVISION OF OUR FATHERLAND AND THE DIVISION OF THE CITY WHEN ONE SEES IT WITH ONE'S OWN EYES, AND I AM MOST GRATEFUL FOR THIS GESTURE.
3. THIS 12TH ANGLO-GERMAN SUMMIT IS THE FIRST MEETING OF THE TWO GOVERNMENTS IN BONN SINCE THE CHANGE OF GOVERNMENT HERE IN THE FEDERAL REPUBLIC. IT WAS WITH GREAT PLEASURE THAT I VISITED YOU FOR DISCUSSIONS IN LONDON 10 DAYS AGO. THAT THIS SHOULD BE SEEN AS THE NORMAL COURSE OF EVENTS SHOWS HOW GOOD ANGLO-GERMAN RELATIONS ARE. IRRESPECTIVE OF WHICH GOVERNMENT IS IN POWER, OR OF CHANGES IN GOVERNMENT, WE SHARE THE BASIC POLITICAL VALUES. OUR FRIENDLY RELATIONSHIP HAS SOLID AND WELL-BUILT FOUNDATIONS. IT IS BASED ON THE COMMON INTERESTS OF OUR TWO COUNTRIES AND GIVEN SUBSTANCE IN OUR INTERNATIONAL AGREEMENTS, BOTH IN THE EUROPEAN COMMUNITY AND IN NATO. GREAT BRITAIN IS ALSO A GUARANTOR OF OUR SAFETY - THE SAFETY OF OUR FEDERAL REPUBLIC OF GERMANY. THE RHINE ARMY HELPS TO MAINTAIN OUR COUNTRY'S FREEDOM: GREAT BRITAIN IS ALSO ONE OF THE PROTECTING POWERS IN BERLIN.

/4. ALL

4. ALL OUR DISCUSSIONS- MY OWN WITH THE PRIME MINISTER AND THOSE OF MY COLLEAGUES WITH THEIR MINISTERIAL COUNTERPARTS - HAVE SERVED TO INTENSIFY OUR RELATIONSHIP. WE NATURALLY TALKED ABOUT INTERNAL DEVELOPMENTS IN OUR OWN COUNTRIES, AND OF THE PRIME OBJECTIVES OF BOTH OUR GOVERNMENTS TO GET OUR ECONOMIES MOVING, AND TO TACKLE UNEMPLOYMENT - PARTICULARLY UNEMPLOYMENT AMONG YOUNG PEOPLE

WE ALSO DISCUSSED INTENSIVELY INTERNATIONAL RELATIONS, AND THE WORLD ECONOMIC SITUATION, WHERE WE ARE FULLY AGREED THAT THE INCREASE IN PROTECTIONISM IS A DANGEROUS DEVELOPMENT. WE HAVE ALSO SPOKEN ABOUT UNSATISFACTORY DEVELOPMENTS WITHIN THE EC, A SUBJECT WHICH IS OF GREAT IMPORTANCE TO WE GERMANS SINCE WE TAKE OVER THE PRESIDENCY IN THE NEW YEAR AND SHALL HAVE TO DO OUR UTMOST TO ENSURE THAT, EVEN IN DIFFICULT TIMES, THE COMMUNITY REMAINS A VALID NEGOTIATING PARTNER.

5. WE WERE IN FULL AGREEMENT THAT AN INTENSIFICATION OF THE PARTNERSHIP WITH OUR FRIENDS IN THE UNITED STATES IS ESSENTIAL IF EUROPE IS TO SURVIVE. WE MUST CLEAR UP THE VARIOUS MISUNDERSTANDINGS OF RECENT MONTHS: FOR US THIS PARTNERSHIP MEANS CLOSE LINKS WHICH TAKE INTO ACCOUNT A SENSIBLE ASSESSMENT OF OWN INTERESTS. WE BOTH AGREED THAT THE SOLUTION WHICH HAS NOW BEEN ACHIEVED IN THE STEEL ISSUE IS AN OPTIMISTIC SIGN FOR FUTURE COOPERATION.

6. OUR DISCUSSIONS HAVE ALSO COVERED THE WORRYING DEVELOPMENTS IN POLAND. BOTH GOVERNMENTS WATCH WITH GREAT SYMPATHY THE VERY SERIOUS SITUATION IN WHICH THE POLISH PEOPLE FIND THEMSELVES. WE ARE AGREED THAT WE SHOULD CONTINUE TO OFFER HUMANITARIAN HELP, AND ABOVE ALL WE ARE AGREED THAT THE POLISH GOVERNMENT MUST STICK TO THE TREATIES IT HAS SIGNED. I AM OF COURSE REFERRING TO THE HELSINKI FINAL ACT WHICH IS SUPPOSED TO GUARENTEE FREEDOM FOR TRADE UNIONS AND CHURCHES.

7. IN CONNECTION WITH DEFENCE POLICY WE AGREED THAT A CONTINUATION OF CLOSE COOPERATION WITHIN THE ALLIANCE WAS ESSENTIAL, AND THAT BRITAIN AND THE FEDERAL REPUBLIC HAD A PARTICULAR CONTRIBUTION TO MAKE IN THIS AREA. WE JOINTLY EXPRESSED THE HOPE THAT THE DISARMAMENT NEGOTIATIONS WOULD MAKE FURTHER PROGRESS, AND IF POSSIBLE PRODUCE POSITIVE RESULTS. I HAVE ALREADY EMPHASISED THAT MY FEDERAL GOVERNMENT, JUST LIKE THAT OF MY PREDESSOR, STANDS BY BOTH PARTS OF THE NATO TWO-TRACK DECISION, THAT THE FEDERAL REPUBLIC WISHES TO BE A RELIABLE AND DEPENDABLE PARTNER IN THE ALLIANCE, THAT WE STAND BY OUR WORD, AND THAT THE SOVIET UNION MUST KNOW THAT ONLY A SUCCESSFUL CONCLUSION AT THE NEGOTIATING TABLE CAN PREVENT THE STATIONING GOING AHEAD AS FORESEEN IN BOTH PARTS OF THE TWO-TRACK DECISION.

8. THOSE WERE THE REMARKS WHICH I HAVE TO MAKE. I SHOULD LIKE TO EXPRESS MY THANKS ONCE AGAIN FOR THE FRIENDLY AND CORDIAL NATURE OF OUR TALKS. I FOUND THIS MOST ENCOURAGING, AND I WOULD LIKE TO ANNOUNCE THAT WE INTEND TO HOLD THE NEXT CONSULTATIONS IN APRIL - PROBABLY ON 22 APRIL - IN LONDON.  
TEXT ENDS

BECAUSE OF LACK OF TIME, THERE WERE NO QUESTIONS AFTER THE TWO PRINCIPALS HAD SPOKEN.  
FCO PLEASE PASS SAVING TO UKREP BRUSSELS UKDEL NATO WASHINGTON.

TAYLOR

[REPEATED AS REQUESTED]  
[COPIES SENT TO NO 10 DOWNING STREET]

STANDARD  
WED  
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CABINET OFFICE

GPS 815  
UNCLASSIFIED  
FM BONN 291400Z OCT 82  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 926 OF 29 OCTOBER  
INFO SAVING BMG BERLIN UKREP BRUSSELS UKDEL NATO WASHINGTON

ANGLO GERMAN CONSULTATIONS: PRESS CONFERENCE

1. THE PRIME MINISTER AND THE FEDERAL CHANCELLOR GAVE A JOINT PRESS CONFERENCE AT 1030Z TODAY. FOLLOWING IS TEXT OF THE PRIME MINISTER'S STATEMENT (CHANCELLOR KOHL'S STATEMENT WILL FOLLOW SHORTLY):

A.J.C. 1/4  
h-a-

1. CHANCELLOR KOHL, THANK YOU VERY MUCH FOR YOUR WARM WELCOME AND FOR THE VERY FRUITFUL AND ENJOYABLE TALKS THAT WE HAVE HAD. THANK YOU ALSO FOR WHAT YOU SAID ABOUT THE VISIT TO BERLIN. I AM VERY PLEASED TO BE ABLE TO GO THERE - VERY PLEASED THAT WE ARE GOING THERE TOGETHER. THIS IS MY FIRST VISIT TO BERLIN. IT IS OF COURSE A UNIQUE CITY, UNIQUE IN THE ARRANGEMENTS FOR ITS GOVERNMENT AND PROTECTION: UNIQUE IN THE COURAGE AND RESOLVE OF ITS PEOPLE. I HAVE NEVER SEEN THE WALL BEFORE AND I EXPECT IT TO BE SOMETHING OF A TRAUMATIC EXPERIENCE. WE NATURALLY RECOIL FROM WALLS THAT KEEP PEOPLE IN, BUT THAT WALL IS AN EVER-PRESENT REMINDER THAT, WHEN PEOPLE ARE FREE TO CHOOSE, THEY CHOOSE FREEDOM.

2. NOW, A LITTLE BIT MORE ABOUT OUR TALKS. CHANCELLOR KOHL AND I HAVE OBVIOUSLY DISCUSSED IN STRATEGIC TERMS: THE DETAILED DISCUSSIONS HAVE BEEN CARRIED OUT BETWEEN THE GROUPS OF MINISTERS TO WHICH CHANCELLOR KOHL REFERRED. IF I MIGHT DIVIDE MY COMMENTS REALLY INTO 3 PARTS: FIRST WE DISCUSSED PROBLEMS IN THE CONTEXT OF THE WESTERN ALLIANCE AND THROUGHOUT EVERYTHING WE HAVE TALKED ABOUT OUR APPROACH IS VERY SIMILAR: IT IS A DETERMINATION TO SAFEGUARD PEACE WITH FREEDOM AND JUSTICE BUT WE WISH TO BE ABLE TO DO THAT AT A LOWER LEVEL OF EXPENDITURE THAN NOW, PROVIDED WE CAN GET AGREEMENT AT ALL STAGES WITH THE WARSAW PACT COUNTRIES - AN AGREEMENT THAT COULD BE PROPERLY RATIFIED. AND SO WE WORK FOR 2 THINGS SIMULTANEOUSLY: A DETERMINATION TO SAFEGUARD LIBERTY AND JUSTICE AND A WISH TO DO IT AT A LOWER LEVEL OF EXPENDITURE PROVIDED WE ARE ABLE TO NEGOTIATE TO DO SO. THERE ARE IN THE WESTERN ALLIANCE 1 OR 2 PASSING PROBLEMS SUCH AS THE SIBERIAN PIPELINE BETWEEN THE UNITED STATES AND OURSELVES. WE HOPE THAT THOSE WILL SOON BE RESOLVED AND THAT SANCTIONS WILL BE LIFTED SO THAT THIS PROBLEM MAY RECEDE AND WE MAY CONTINUE FURTHER TO MAKE PROGRESS ON THE THINGS TH  
ARE  
SO IMPORTANT TO ALL OF US.

3. WE HAD A CONSIDERABLE DISCUSSION ABOUT POLAND, THAT TRAGIC COUNTRY WHOSE PEOPLE SO LONG TO HAVE SOME OF THE FREEDOM WHICH WE TAKE FOR GRANTED AND OF COURSE WE HAD DISCUSSIONS ABOUT THE ECONOMIC STATE OF POLAND, AND THE NEED OF THE PEOPLE TO GET THROUGH THE COMING WINTER.

4. WE THEN TURNED TO THE OTHER LARGE GROUPING OF WHICH WE ARE BOTH MEMBERS, TO THE COMMUNITY. AND I THINK THE NEWS FROM THE COMMUNITY OVER THE LAST FEW DAYS HAS REALLY BEEN VERY GOOD AND HAS GIVEN US ALL RENEWED FAITH IN IT AND A RENEWED DETERMINATION TO SORT OUT OUR PROBLEMS. TO GET A STEEL AGREEMENT WAS AN ACHIEVEMENT, TO GET THE FAIR DEAL ON THE BUDGET AGREEMENT VERY QUICKLY WAS ALSO A GREAT ACHIEVEMENT. WE HOPE MOST EARNESTLY THAT WILL BE FOLLOWED UP BY THE FIRST LONG-TERM AGREEMENT WHICH THE COMMUNITY WILL HAVE MADE FOR A LONG TIME, NAMELY THE FISHING AGREEMENT. IT'S NOT YET CALLED THE COMMON FISHING POLICY BUT 9 OF US ARE AGREED ON SUCH A POLICY, WE HOPE THAT IN THE NEXT FEW DAYS DENMARK WILL JOIN US SO THAT WE CAN ACHIEVE THIS GREAT, NEW POLICY OF A COMMON FISHERIES POLICY FOR THE COMMUNITY AS A WHOLE. THROUGHOUT, OF COURSE, OUR APPROACH HAS BEEN VERY CONSTRUCTIVE TO ALL COMMUNITY PROBLEMS. IF BIG BUDGET PROBLEMS COME UP IN THE FUTURE AND WE SHALL HAVE TO TACKLE THOSE AGAIN ON A STRATEGIC BASIS.

5. THE THIRD GROUP OF SUBJECTS WHICH WE DISCUSSED WAS THE ECONOMIC GROUP AND WE BOTH VERY MUCH LOOKED FORWARD TO THE ECONOMIC SUMMIT (CHANCELLOR KOHL WILL OF COURSE BE SEEING THE PRESIDENT OF THE UNITED STATES BEFORE THAT). WE APPROACH IT VERY MUCH IN THE FEELING THAT THE PURPOSE OF THE SUMMIT IS TO GET TO KNOW ONE ANOTHER'S MINDS AND TO SET IN TRAIN AS MUCH COOPERATION ON POLICIES AS WE POSSIBLY CAN, BECAUSE IN THE END WE ACHIEVE BEST COOPERATION AND THE BEST CHANCE FOR PROSPERITY AND STABILITY WHEN EACH OF US IS ABLE TO SET OUR OWN ECONOMIC HOUSE IN ORDER THEN WE ARE THE BETTER ABLE TO COOPERATE WITH OTHERS. WE VERY MUCH BOTH OF US SUPPORT AN OPEN TRADING SYSTEM AND REGRET THAT IN MANY WAYS OTHER COUNTRIES ARE NOT SUCH VIGOROUS SUPPORTERS OF THAT SYSTEM. WE RECOGNISE THAT TO HAVE AN OPEN TRADING SYSTEM, AND TO HAVE COMPETITION, IT MUST BE GENUINELY OPEN AND IT MUST BE GENUINELY FAIR COMPETITION. THERE ARE A NUMBER OF THINGS ON THE MARKET AT THE MOMENT THAT ARE NOT GENUINELY OPEN AND COMPETITION WHICH IS NOT GENUINELY FAIR.

6. IF I MIGHT JUST SAY ONE WORD ABOUT THE FLAVOUR OF THE TALKS. WHEN WE MET TOGETHER IN LONDON I SAID THAT THERE WAS A GREAT MEETING OF MINDS: THERE IS OF COURSE A GREAT MEETING OF MINDS AND IF I MIGHT JUST CHANGE THE ANALOGY THEY ARE RIGHT ON THE SAME WAVELENGTH. I THINK THE TALKS WE HAVE HAD TODAY BOTH BETWEEN CHANCELLOR KOHL AND MYSELF BETWEEN THE GROUPS OF MINISTERS - THE FOREIGN MINISTERS, THE TREASURY MINISTERS, THE TRADE MINISTERS AND DEFENCE MINISTERS - THEY HAVE GIVEN US A GREAT FEELING OF CONFIDENCE FOR COOPERATION AND FRUITFUL COOPERATION IN THE FUTURE. ONE CAN ASK NO MORE THAN THAT. WE THANK OUR HOSTS MOST WARMLY FOR THEIR HOSPITALITY AND FOR CREATING THE ATMOSPHERE WHICH HAS LED TO SUCH A VERY SUCCESSFUL BILATERAL MEETING.

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BRITISH EMBASSY

B O N N

29 October 1982

A J Coles Esq  
10 Downing Street  
LONDON SW1

*Dear John,*

ANGLO-GERMAN CONSULTATIONS, 28-29 OCTOBER

I enclose, as requested, a draft record of today's Plenary session. In reporting what was said by the last 3 Ministers to speak on each side, we have arranged the record by subjects to allow for easier handling.

*RR 3/4  
h.a.*

*Hausman.*

*Alistair.*

A J Hunter

cc: (with enclosure)

B J P Fall Esq  
Private Secretary to  
Secretary of State,  
FCO  
LONDON

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DRAFT RECORD OF A PLENARY DISCUSSION BETWEEN BRITISH AND FEDERAL GERMAN MINISTERS HELD IN THE FEDERAL CHANCELLERY, BONN, AT 1000 HOURS ON FRIDAY 29 OCTOBER 1982.

## Present:

The Prime Minister  
Foreign & Commonwealth  
Secretary  
Chancellor of the  
Exchequer  
Secretary of State for  
Defence  
Secretary of State for  
Industry

Chancellor Kohl  
Herr Genscher  
Herr Stoltenberg  
Count Lambsdorff  
Dr Wörner

## STATEMENTS BY HEADS OF GOVERNMENT.

1. <sup>Chancellor</sup> ~~Mr~~ Kohl said the talks so far had been conducted in a very friendly atmosphere. They showed that the change of Federal Government made no difference to the closeness of UK/FRG relations - indeed the closeness of political philosophy between the present governments should make even better relations possible. UK/FRG friendship had over the years been based on common interests and common ideas, on membership of the Community and the Alliance. The Germans never forgot that the UK was the guarantor of their security (and it was relevant that the talks had touched on the Falklands crisis). The presence of the Rhine Army in the FRG created a bridge with the UK. He thanked the Prime Minister for agreeing to visit Berlin, and that he would be accompanying her.

2. The UK/FRG talks had been in line with those held with other European partners, and for <sup>Chancellor</sup> ~~Mr~~ Kohl himself a preparation for his visit to the US next month. <sup>His</sup> ~~Discussion~~ <sup>with the Prime Minister</sup> of the world economic situation had looked forward to the next Economic Summit. <sup>He himself</sup> ~~The Germans~~ had emphasised <sup>his</sup> ~~their~~ strong commitment to arms control, but also <sup>his</sup> ~~their~~ resolve to implement the stationing part of the NATO Double Decision if there were no success in the

Geneva negotiations. <sup>He</sup> ~~They~~ had <sup>domestic</sup> ~~internal~~ problems over <sup>INF,</sup> ~~the~~ ~~question~~, and this was an important reason why he intended to hold Federal elections in March. This would enable him to take the stationing decision in the autumn on the basis of a clear moral mandate, which he was confident of obtaining. <sup>3</sup> He and the Prime Minister had agreed that at their press conference they would emphasise their joint view of developments in Poland. Herr Genscher had just returned from Rome and the Vatican with the Federal President, and he would be asking him to report the news about Poland he had brought back. <sup>Note:</sup> ~~[[~~ This was done at a meeting of the two Heads of Government and the two Foreign Ministers after the Plenary session. <sup>7</sup> The Germans were concerned that the beginning of winter would bring further problems in Poland. The Government were delighted that German opinion (especially among the young) was so enthusiastic about humanitarian aid for Poland, and they were re-introducing the free postal service to Poland for the pre-Christmas period. The Community would need to consider how it could provide further humanitarian help e.g. seed to farmers, which would be in short supply next year. Western democracy would be judged by whether it had a human face.

4. <sup>Chancellor</sup> ~~Henry~~ Kohl, said she too had been <sup>pleased by</sup> ~~happy with~~ the talks and with the relaxed atmosphere. Human rights, freedom and justice were indeed important, and discussion of them had led on to discussion of the Western Alliance, East-West relations, and how to maintain our security at a lower level of armaments. She had been grateful for <sup>Chancellor</sup> ~~By~~ Kohl's full account of developments in the Polish situation, which was the crisis of communism. The Polish problem would be difficult to resolve, but she agreed that humanitarian aid was the first step.



5. ~~She and Dr Kohl had discussed preparations for the Economic Summit.~~ She had impressed on the Federal Chancellor the need for the Community to stand together on the Falklands question. HMG had been grateful for the Germans' united support over the Falklands, and to <sup>Chancellor</sup> ~~Dr~~ Kohl for his part in it. She hoped the Germans would abstain on the draft Argentine Resolution before the UN.

6. On the Community, she and <sup>the Federal Chancellor</sup> ~~Dr Kohl~~ had stressed the need to preserve free trade, and to persuade the Danes to <sup>reach</sup> ~~urge~~ a solution on fish: an agreed fisheries policy would be a tremendous step forward.

~~6. She was looking forward to her Berlin visit with excitement and apprehension. Berlin was a tragic city but it also kept the flame of freedom alive.~~

#### FOREIGN AFFAIRS

7. Herr Genscher said that he and the Foreign Secretary had spoken only briefly about the Community and the Falklands, which they had discussed in London the previous week. This time, they had talked mainly about East-West relations.

8. On Poland, they were both concerned at the most recent measures which the Polish Government had taken against Solidarity which would make it less easy for them to win the support of the population. This in turn would make it more difficult to achieve the badly needed improvement in the Polish economic situation.

9. On security issues, he had told Mr Pym about the previous week's joint talks between French and German Foreign and Defence Ministers. They had discussed the various current East-West negotiations and had found that the British and German positions continued to be

/ fully

fully in agreement, which was important for the West as a whole. They had agreed that British and French nuclear systems should not be included in the current US/Soviet negotiations. They had both stressed the importance of upholding both parts of the Double Decision.

10. The Foreign Secretary said he and Herr Genscher had both attached importance to keeping their respective public opinions on their side over INF stationing through 1983. Apart from subjects mentioned by Herr Genscher they had also discussed Latin America, where relations with Europe were good. On the Community there was a great deal of common ground, and the two sides would keep in close touch as negotiations over the Community Budget etc. proceeded.

## DEFENCE

## NATO DOUBLE DECISION

11. Herr Wörner said that he and Mr Nott had both attached importance to proceeding with the NATO Double Decision as planned. The Defence Secretary said he had also agreed with Herr Wörner on the importance of coordinating and synchronising stationing of INF in their respective countries.

## NATO INFRASTRUCTURE

12. Herr Wörner said they had also agreed that an improvement in NATO infrastructure arrangements was urgently desirable as part of the mid term review. The FRG would make a positive contribution. The Defence Secretary greatly welcomed the possibility of German help over NATO infrastructure, which had been a cause of dissension in NATO.

## BRITISH DEFENCE CONTRIBUTION

13. Herr Wörner said the British contribution to NATO was important to the Federal Republic and to Europe. He thanked Mr Nott for the courage and clarity with which, in his speeches at home, he had explained the importance of the Rhine Army for the United Kingdom as well as for its Allies.

~~NATO STRATEGY~~

14. The Defence Secretary said the British Government would sustain its commitment under the Brussels Treaty to maintain forces in Europe (at present 72,000 men in BFG and Berlin). The British would continue as at present to provide 70% of ready forces in the East Atlantic and their amphibious contribution to Norway, as well as the reinforcement base of the UK itself.

~~NATO STRATEGY~~

15. Herr Wörner said he had agreed with Mr Nott that, within the doctrine of flexible response, conventional elements must be enhanced and the credibility of existing strategy strengthened. The Defence Secretary said that some at least of the current ideas in NATO for strengthening conventional forces and raising the nuclear threshold were worth serious consideration. He looked forward to further discussion at the NATO Defence Ministers' meeting in December.

## LESSONS OF THE FALKLANDS

16. Herr Wörner said he had welcomed Mr Nott's account of the military lessons of the Falklands conflict, and the report which the British were preparing would be important for the Germans. *British experience of dealing with public opinion during the Falklands crisis would also be useful to the Federal Republic*

/ EXPORT OF COLLABORATIVE  
ARMAMENTS

## EXPORT OF COLLABORATIVE ARMAMENTS

17. The Defence Secretary said he recognised that exports of collaborative equipment was a politically sensitive subject in Germany. But it would be a great help if the Germans could agree to <sup>the</sup> export of some items e.g. RB199 to India. This would help sustain our defence industrial base.

## STEEL

18. Count Lambsdorff said that he and Mr Jenkin had had talks both separately and with their Finance Minister colleagues. On steel, they were in full agreement that the decision reached within the Community on pricing, production quotas and restructuring should be fully implemented. The question was how to persuade the Commission and the other parties to carry out what they had agreed to do. He had agreed with Mr Jenkin that experts from the FRG, UK, France and The Netherlands should meet soon to prepare the informal Ministers' meeting on 17 November at Elsinore.

19. The Industry Secretary said it was vital to make the steel regime work, and agreed with the proposal for an experts meeting. All Community partners would face real political difficulty in implementing measures over aid and restructuring. Unless all acted in the same direction, none could withstand domestic criticism.

A 320

20. Count Lambsdorff said discussion had been brief; both sides had agreed that the project should only be pursued further if it could be shown to be economically viable. There could not be further budgetary burdens stemming from the project. He had explained this to / the

the French at the Franco-German Summit. Mr Jenkin would speak to the French next week.

21. Count Lambsdorff said this had been discussed in the Council of Ministers in Luxembourg. The French had been pessimistic, but the Germans had pointed out that to cancel the conference, or to fail to achieve at least a limited success, would send the wrong signal over free trade. The British delegation had taken a helpful mediating position. GATT was an operational body: concrete results were needed, the renewal of the OECD trade pledge would not be enough. Something should be done for the LDC's on safeguards: the NICS should be brought to accept GATT disciplines. The British found imbalanced tariff <sup>b</sup>arriers unacceptable.

22. Mr Jenkin stressed that the continuance of the open trading system was vital, but to ~~do that~~ <sup>that end</sup> it was crucial to satisfy our own industry and peoples that the open trading system worked to their advantage. Ways must be found of removing the imbalances which affected particular industries. In addition to persuading the new industrial countries to accept GATT disciplines, progress on services was important to the British Government. On Japan, he had expressed the view to Count Lambsdorff that unless the Community worked out a common position the Japanese would not listen to their attempts to bring a better balance in the EC/Japan.

#### GAS PIPELINE

23. Count Lambsdorff said the 4 pipeline countries were studying the US paper. Their joint position was that stricter COCOM measures would be acceptable, provided they were limited to items with strategic impact.

Action on credit would be very difficult and pointless unless OECD was brought in. There was also a possibility of loopholes through <sup>4</sup>third countries, e.g. Switzerland. His own view was that the United States Administration was coming under increasing pressure from United States industry to lift sanctions. Grain sales to the USSR for credit undermined an important United States objection to the pipeline deal. These two factors would oblige the President to lift the sanctions after 2 November. The Europeans should help presentationally but there was no need for them to give anything on substance.

24. The Industry Secretary said Europe must feel its way. It must not make unnecessary concessions which it would regret, but it must find a way of letting President Reagan off the hook. Agreement to study certain US proposals imply no commitment to concessions.

/ NATIONAL ECONOMIES

## NATIONAL ECONOMIES

25. Herr Stoltenberg said he had explained the decisions which had just been reached on the 1983 Federal Budget, and the Chancellor of the Exchequer had outlined his economic plans and expectations. The Chancellor of the Exchequer thought it would be useful to keep in touch with Herr Stoltenberg, especially on policies to promote the revival of enterprise.

## EUROPEAN COMMUNITY BUDGET

26. Herr Stoltenberg said that he and Sir G Howe had agreed to stick to the 1% ceiling for the foreseeable future. They would have to resist attempts by others to raise the ceiling in the context of Spanish and Portuguese accession. As regards the British contribution it would be realistic to look for a solution of the 1983 problem with a duration of 2 to 3 years. But it would continue to be important to check Community expenditure, especially the common agricultural policy. Both sides had agreed that the European Monetary System contributed stability and convergence; but Sir G Howe had said that the British felt they could not at present join EMS because of special features in the British economy, including Britain's status as an oil producer.

27. The Chancellor of the Exchequer said he had explained why it was in the interests of the Community, as well as of the UK, to solve the British budget problem.

Recurring disputes would damage the Community. <sup>Moreover a</sup> ~~and a~~ situation with only two net contributors was bad for the Community as a whole, and made it difficult <sup>for these two</sup> to control expenditure. CAP spending should grow less rapidly than that of the Community <sup>(budget)</sup> as a whole; and this should be achieved by a sustained reduction in CAP spending rather

~~than by increasing spending in other countries.~~

## WORLD ECONOMY AND IMF

28.. Herr Stoltenberg said he and Sir G Howe had agreed that IMF quotas should be increased by not less than 50%, and that the lending facility should be strengthened. Decisions needed to be taken quickly if confidence was to be restored. We should work for a decision by Ministers at the *interim (the* in early 1983. Sir G Howe said both sides had agreed on the importance of strengthening confidence in the world <sup>*financial system*</sup> economy and in the role of the IMF. Certainly there must be a substantial increase in IMF quotas. He agreed <sup>*that*</sup> a decision must be taken as soon as possible, but we should not commit ourselves to a rigid timetable in case it proved impossible to reach an acceptable decision in time. It was important for the whole world that there should be a resumption of growth in the US, but without an accompanying increase in interest rates. Both the British and the German Governments needed to urge the US, as friends and partners, to achieve a reduction in their budget deficit.

## DATE OF NEXT MEETING

29. The Prime Minister proposed that the next Anglo-German Bilateral meeting should be held in the UK in April. Chancellor Kohl proposed 22 April, and the Prime Minister took note.

*The meeting ended at 1105 hours.*



Head of Chancery

AM/

h-a.

Anglo-German Consultations

The Secretary of State had half an hour's talk with Herr Genscher before the Plenary this morning. Private Secretaries and Herr Genscher's Interpreter were also present. I attach a summary record. I shall be sending copies to Mr Coles (No. 10) and to PS/Mr Nott and arranging for an appropriate distribution in the FCO.

BJP

(B J P Fall)  
Private Secretary

29 October 1982

cc: Bonn  
HM Ambassador  
Mr Mallaby  
PUS  
Sir F Cooper

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Anglo-German Consultations:

Meeting between Mr Pym and Herr Genscher,  
from 9.15;9.45 on Friday 29 October

1. Herr Genscher gave an account of the recent German discussions with the French on defence and security policy. These subjects were explicitly referred to in the Franco-German Treaty but had not previously been discussed as the time had not been thought to be right. President Mitterrand had suggested in February that these matters should be taken up between the respective Defence and Foreign Ministers and the Germans had agreed. But there had been no follow-up and the French had returned to the charge in May. Once again however no dates were fixed for a meeting until the Chancellor and Herr Genscher had gone to Paris on 5 October.
2. Herr Genscher said that the Germans were interested to talk to the French about defence policy as much as possible, given that French troops were stationed in Germany but not integrated in NATO. This inevitably gave rise to questions. Herr Genscher said that the French were clearly giving thought to the place of German territory in their defence policy: should it be regarded as a glacis, or should they regard the French security frontier as being the eastern boundary of the Federal Republic? President Mitterrand seemed to be veering towards the second concept which was a very positive thing. The French were also considering a restructuring of their forces in Germany and the possibility of re-deployment towards the north. At present, in the south-west, they were in the position of least danger.
3. Genscher said that the Germans had found the discussions of particular value and had told the French:
  - i. that it was important that French troop strength should be maintained: restructuring must not mean reducing;
  - ii. the Germans understood the French position about participation in MBFR;
  - iii. French and British systems must not be included in the negotiations between the United States and the Soviet Union;
  - iv. Germany did not have and did not want nuclear weapons;

/v.

CONFIDENTIAL

- v. France and Germany were both members of the western Alliance and knew that their alliance with the United States was vital to their security.

The Germans would continue the discussions with the French on this basis: there was no change in the German position. They would also discuss arms exports, as they did with Britain.

4. Genscher suggested that one reason for the French initiative was President Mitterrand's concern about German public opinion: he was worried about pacifist and neutralist tendencies. The change of Government in Bonn may have done something to calm French apprehensions. Genscher had told Cheysson and Herpu that the French could help to influence German public opinion: the interview which President Mitterrand had given to Stern - in which he had emphasised the need to fulfil both parts of the NATO dual decision - had had quite an impact on German public opinion, coming as it did from a Socialist Head of Government.

5. Genscher said that he had brought up in the talks the importance of the rest of the world to the security of Western Europe. The Germans had a position between that of the Americans and the French on Central America, and were very concerned not to create difficulties with the Americans in this context. The area was one of particular concern to Genscher personally: we must never forget that the withdrawal of Soviet ships from Cuba had been bought in exchange for the withdrawal of US weapon systems from Europe, and that we would be in less difficulty over stationing now if that had not happened. Genscher went on to say that he had told Mr Haig in April that Europeans could help to secure economic stability in Central America: this was a European interest, as well as the way of helping the United States. In Genscher's opinion the Soviet Union was pursuing in Central America a global strategy. They would like in the medium to long-term to bring about a position where public opinion in the United States regarded the Soviet interest in Western Europe as analogous to the US interest in Central America and where some sort of bargain between the super-powers might be struck on this basis. This was not for tomorrow, but it was dangerous. Western Europe should therefore take Central America seriously and work for a common understanding with the United States.

6. In conclusion, Genscher said that the talks with the French had not been sensational. The most striking thing was that it had taken 19½ years for them to get under way.

7. In response, Mr Pym said that the logic of what the

/French

French appeared to be saying pointed to integration within NATO, but it seemed that they still had reservations. Herr Genscher agreed. Mr Pym said that he continued to think that NATO ought to stand back and consider the logic of its present troop deployments in the light of the current threat, but he realised that member countries found it difficult to face up to the possible need for change. Meanwhile, he agreed that it was important that any restructuring of French troops should not lead to reductions. He wondered what the French had in mind when they indicated the possibility of re-deployment towards the north, and whether this was designed to help the Alliance or to help the French. The French clearly had reservations about the idea of making their security frontier the eastern boundary of the Federal Republic but a change in that direction would certainly be welcome. Herr Genscher said that the French seemed to be considering two points in particular: the problem of their shorter range missiles, which if launched could not go beyond the territory of the Federal Republic; and the question of whether to produce the neutron bomb and, if they did, whether to deploy it with French troops stationed in France or with those stationed in Germany.

8. Mr Pym pointed out that the French spent relatively very much more on their nuclear weapons than we did and their conventional force was based on a conscript army. Their reliance on nuclear weapons was quite different in degree from ours. Herr Genscher agreed that any improvement in the French conventional capability would be very welcome. Mr Pym said that we would continue to modernise our own conventional equipment. He would take the occasion of his next meeting with M. Cheysson to explore French thinking further.

9. Mr Pym emphasised the importance of continuing calmly but firmly to implement the dual decision. It was important that the Americans played their hand with due regard for political sensitivities in Europe. The Russians for their part would do their best to mobilise opinion against deployment. Herr Genscher agreed and said that the main Soviet thrust at the moment was to suggest that cruise missiles only be deployed and Pershing set aside. This was highly political, because if Pershing was set aside the FRG would not be involved in the first round of deployment and this would make life impossible for the Italians.

10. In conclusion, Herr Genscher wondered whether it might be useful at the Press Conference to say something about the exclusion of the British nuclear capability from the US/Soviet negotiations to match what had been said in respect of the French at the end of the Franco-German Summit.

PRIME MINISTER

PRESS CONFERENCE

This note sets out some considerations for your Press Conference with Dr. Kohl at 11.30 - 12.30. A draft speaking note, to the extent that it can be written before today's proceedings, is at Annex I.

The period set aside for the Press Conference is not long, bearing in mind translation. You have agreed to forgo the usual radio and tv interviews for want of time. It is therefore important to be fairly short and to the point with your replies to questions for the benefit of broadcasters recording and filming your answers.

In fact, the bilateral talks, as such, will do well to compete with Berlin where the main media interest is centered. A number of British journalists are leaving early for Berlin and will not be at the Press Conference.

Notwithstanding this, there are two domestic issues on which you may be asked to comment:

- the by-elections; and possibly
- the CBI's gloomy economic trends survey

Briefing on these issues is at Annexes II and III.

My contacts with the Press suggest that the following points may be raised:

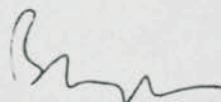
- the effect of the Falklands on BAOR, and on NATO's Naval strength
- Allied (and German) support over the UN resolution on the Falklands and West German arms sales to Argentina

/Siberian pipeline

- Siberian pipeline - where are we?
- Euro-Budget - views of 1982 settlement and prospects for longer term settlement (about which I have been cautious, envisaging a hard fight)
- Franco-German Defence relations; and the
- extent to which Chancellor Kohl's views coincide with yours on East-West relations; economic policy, etc.

TONE

You will recall that you described your talks with Chancellor Kohl on 19 October as a meeting of minds. You will no doubt wish this encounter to be seen in at least as warm a light and to give the impression of a "thickening" of Anglo-German relations. The draft speaking note reflects this objective.



BERNARD INGHAM

29 October 1982

BONN PRESS CONFERENCE - DRAFT SPEAKING NOTE

Chancellor Kohl and I - and a number of our Ministers - have had a most useful bilateral meeting, covering a wide range of issues.

The outcome confirms that our two Governments have a very similar approach to many subjects and has greatly strengthened our relationship.

I described our talks earlier this month as a meeting of minds. That does, in fact, sum up how things are. We are on the same wavelength.

In the course of our talks we have covered, as you would expect,

- international affairs - East/West relations; Poland; trans-Atlantic relations
- Defence matters
- Economic issues - the state of the world economy as well as our own economies, and the central need to maintain the attack on inflation if we are to have a sound basis for recovery and create new jobs

/European

- European Community problems - looking forward, of course, to a long-term settlement of the Budget problem now that we have got 1982 satisfactorily out of the way.
  
- [UN resolution on Argentina, if appropriate.]

There are no bilateral issues between us, so we were able to have free ranging discussions in a very warm and relaxed atmosphere. This is partly why I think the bilateral has been so useful. I now go on to pay my first visit to Berlin to demonstrate the British Commitment to the City and, after viewing the Wall, to make a speech on the theme of freedom - a freedom which is sadly denied to millions on the other side.



BY-ELECTION RESULTS

PECKHAM

Labour	11,349
SDP	7,018
Conservative	2,800

NORTHFIELD

Labour	15,904
Conservative	15,615
SDP	11,453

SEE OVER FOR COMMENT

BY-ELECTION COMMENTS

COMMENTS IN PRESS THIS MORNING

Times - Tories trail third as Labour hold Peckham

Guardian - Labour win Northfield, hold Peckham

FT - Labour take Northfield by a whisker and hold Peckham

Telegraph - Peckham hold by Labour

Mail - First blood to Labour, low poll in Peckham

Mirror - Labour double victory

Compared with last year, Peckham (37.7%) now 38%.

Percentage changes from last year:

Labour - 9.5%

Alliance + 25.2%

Conservative - 16.4%

BBC radio interview by R. Foster

Cecil Parkinson comments - Peckham not as good as I would have wished. Northfield - a substantial consolation. Very much better than predicted.

Peter Shore comments - acknowledge challenge on Northfield, couldn't expect result to be better. (Peckham) Marks a real turn in the future of the Party.

Foster comments - Foot must have been mightily relieved that he didn't lose Northfield.

Z DOWN

Annex III

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TO FLASH BONN

TELEGRAM NUMBER 471 OF 28 OCTOBER  
FOR INGHAM, PRIME MINISTER'S PARTY  
BRIEF ON CBI TRENDS.

1. THE RESULTS SUGGEST THAT BOTH ORDERS AND OUTPUT DECLINED OVER THE PAST FOUR MONTHS: AND THAT SOME FURTHER, SMALL DROP IS LIKELY FOR THE NEXT FOUR. STOCK LEVELS ARE STILL BEING REDUCED.
2. THERE HAS BEEN A MARGINAL DECLINE IN CAPACITY UTILISATION, WITH 76 PERCENT OF FIRMS REPORTED TO BE WORKING BELOW A QUOTE SATISFACTORY FULL RATE OF OPERATION UNQUOTE. NINETY FOUR PERCENT OF PARTICIPANTS EXPECT A SHORTAGE OF ORDERS OR SALES TO LIMIT OUTPUT OVER THE NEXT FOUR MONTHS.
3. LESS OPTIMISM COMPARED TO FOUR MONTHS AGO HAS BECOME APPARENT ABOUT BOTH THE GENERAL BUSINESS SITUATION IN PARTICIPANTS' OWN INDUSTRIES AND FIRMS' EXPORT PROSPECTS OVER THE NEXT TWELVE MONTHS.
4. ANALYSIS OF THE RESULTS AT A DISAGGREGATED LEVEL POINTS TO THE CONSUMER GOODS INDUSTRIES EXPERIENCING RELATIVELY STRONGER TRENDS, WHILE THE INTERMEDIATE GOODS INDUSTRIES, AND MOST NOTABLY QUOTE METAL MANUFACTURE UNQUOTE, AND THE CAPITAL GOODS SECTOR REPORT AND EXPECT A WEAKER PERFORMANCE.
5. NEW EXPORT ORDERS AND DELIVERIES ARE REPORTED TO HAVE DECLINED OVER THE PAST FOUR MONTHS AND A FURTHER SMALL DECLINE IS PREDICTED FOR THE NEXT FOUR.
6. SIXTY EIGHT PERCENT OF FIRMS EXPECT THEIR PRICES RELATIVE TO THOSE OF OVERSEAS COMPETITORS TO LIMIT NEW EXPORT ORDERS, DESPITE A STABILISATION OF EXPORT PRICES: AND 47 PERCENT ITEMISE POLITICAL OR ECONOMIC CONDITIONS ABROAD AS A LIKELY CONSTRAINT.
7. FROM THE SECOND SUCCESSIVE SURVEY, PARTICIPANTS' INVESTMENT INTENTIONS HAVE DECLINED.
8. AVERAGE UNIT COSTS AND FIRMS' DOMESTIC SELLING PRICES ARE INCREASING HISTORICALLY VERY SLOWLY AND A FURTHER SLOWING DOWN IS INDICATED.
9. NUMBERS EMPLOYED ARE REPORTED TO BE CONTINUING TO DECLINE AND A FURTHER REDUCTION IS LIKELY TO OCCUR OVER THE NEXT FOUR MONTHS AT THE SAME RATE. THIS IMPLIES IMPROVEMENTS IN OUTPUT PER HEAD.
10. THE RESULTS OF THE SPECIAL SIX MONTHLY QUESTIONS ON CORPORATE LIQUIDITY SHOW NO CHANGE IN FIRMS' LIQUIDITY OVER THE PAST YEAR WITH THE PROSPECT OF A SLIGHT IMPROVEMENT BETWEEN APRIL 1982 AND APRIL 1983.

NOTE

A TOTAL OF 1700 FIRMS PARTICIPATED IN OUR LATEST QUARTERLY SURVEY. THE QUESTIONNAIRES WERE DESPATCHED TO RESPONDENTS ON 24 SEPTEMBER AND THE CLOSING DATE FOR REPLIES WAS 13 OCTOBER. THE SPECIAL SIX-MONTHLY QUESTIONS ON CORPORATE LIQUIDITY, WHICH WERE FIRST ASKED IN OCTOBER 1974, WERE INCLUDED. THE REDUCTION IN THE CLEARING BANK BASE RATES TO 10 PERCENT WAS ANNOUNCED ON 6 OCTOBER: THE SUBSEQUENT FALL TO 9-1/2 PERCENT OCCURRED ON 13 OCTOBER. THE AVERAGE TRADE-WEIGHTED VALUE OF STERLING DURING THE SURVEY PERIOD WAS ABOUT 1 PERCENT HIGHER THAN DURING THE JULY SURVEY.  
NOT FOR PUBLICATION BEFORE 0030 HOURS, FRIDAY 29 OCTOBER 1982.

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NOTE OF A MEETING BETWEEN THE PRIME MINISTER, THE FEDERAL GERMAN CHANCELLOR, TOGETHER WITH THE FOREIGN AND COMMONWEALTH SECRETARY AND THE GERMAN FOREIGN MINISTER, IN BONN AT 1100 HOURS ON 29 OCTOBER

Present:

Prime Minister  
Mr. Coles

Chancellor Kohl  
Mr. Genscher

Chancellor Kohl invited Mr. Genscher to give the Prime Minister an account of his recent contacts in respect of Poland. Mr. Genscher said that he had put through an intermediary the idea that he should have a meeting with Archbishop Glemp. The proposal had been accepted and he had had a secret meeting with the Archbishop in a building in the Vatican. He would be most grateful if the fact of the meeting, and what transpired, could be kept completely confidential.

It was clear from the meeting that Archbishop Glemp viewed the future with great concern. He was very depressed. His attitude towards Jaruzelski had been surprising. He had taken the line that we should try to keep Jaruzelski in power because whoever followed him would be worse. He was the lesser evil. This did not mean that the Archbishop agreed with Jaruzelski.

Archbishop Glemp was particularly concerned about the economic situation. He was very critical of the American attitude and could not understand why the United States imposed sanctions against Poland while sending wheat to the Soviet Union. It remained to be seen whether there would be a general strike in Poland. Glemp felt that street demonstrations could not be ruled out and that these could lead to bloodshed. The Polish church advised against street demonstrations because of their unpredictability.

Glemp advanced two possible explanations for the legislation against Solidarity. It might have been due to strong Soviet pressure.

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Alternatively, Jaruzelski might have to step down fairly soon and might therefore wish to accomplish as much as possible before he did so.

The Archbishop identified four main groups in Poland - the totally desperate, those who co-operated with the regime, those who were prepared to fight and those who wished to create their own independent structures. The latter were the most interesting and the most deserving of help. They included the three million independent farmers and also large numbers of craftsmen. Glemp sought help from the West for these people.

He (Mr. Genscher) had asked the Archbishop whether the Polish Government was at a loss to deal with its problems. Glemp had replied affirmatively. Until the summer, the Church had been ready to help with a dialogue. But the Government had rejected all its proposals, and by June it was clear that the views of Government and Church could not be reconciled.

He had asked Glemp for his view of Jaruzelski as a man. The reply had been that he was very difficult to assess. Jaruzelski wanted a strong state with peace and order and thought he could achieve this by forcing decisions on Poland. He would resist any return to earlier conditions. But on the other hand, he would do anything he could to avoid Soviet intervention. No one knew whether his main aim was to avoid this contingency or to please the Soviet Union. Perhaps both.

The Archbishop was worried that Poland might again become a cause of war. In this content, he was alarmed that the United States even considered the possibility of limited nuclear war. He had reiterated that it was worth regarding Jaruzelski as a man who should be supported because whoever followed him would be worse.

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/ Glemp

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Glomp had made a plea for help and investment for small businesses so that areas of "social freedom" could be created. He had described draft legislation that would make that possible and was discussing with the Polish Government a larger aid programme for the private sector. But his mind was now turning to more modest help which would take the form of investments in small companies by western groups or individuals. He (Genscher) had told the Archbishop that he would discuss these ideas with appropriate German organisations to see how they would help. All this would be raised with President Reagan when the Chancellor went to Washington in November.

The Prime Minister said that this was a most helpful account. It would be easier to take action if differences over the Siberian Pipeline could be cleared up.

Mr. Genscher said that he was not sure that the Archbishop fully appreciated what economic conditions were necessary for private investment. Investors needed profits. Glomp appeared to be a very sincere, honest man who was heavily burdened by his responsibilities. He felt the shadow of his great predecessor.

Chancellor Kohl said that Glomp only became Primate because it was the personal wish of Cardinal Wyszynski. Other sources in the Church thought Glomp was too pessimistic about the spirit of the resistance. It was clear that the Pope would like him to be more dynamic, and it was evident that Glomp did not understand economics.

Nevertheless, we should find practical ways of helping Poland. The Government would not welcome it, but would probably tolerate it. The idea of giving practical help to farmers and small businessmen was good. They needed simple things like seed grain. Germany was working together with farming organisations in Germany and other European countries, on an initiative, to meet their needs. A small

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effort could have a big effect. If the private sector could be made interested in these ideas, it might not be necessary for Governments to be involved at all. The matter could be left to the Churches and to farming organisations.

The Prime Minister agreed that it should be possible to do something on the practical side. There would be a need anyway for an early discussion of Poland. There was still the question of debt re-scheduling and there was certainly a need to discuss food supplies.

The discussion ended at 1130.

A.S.C.

1 November, 1982.

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RECORD OF A PLENARY DISCUSSION BETWEEN BRITISH AND FEDERAL  
GERMAN MINISTERS HELD IN THE FEDERAL CHANCELLERY, BONN, AT  
1000 HOURS ON FRIDAY 29 OCTOBER 1982

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Present:

The Prime Minister	Chancellor Kohl
Foreign and Commonwealth Secretary	Herr Genscher
Chancellor of the Exchequer	Herr Stoltenberg
Secretary of State for Defence	Count Lambsdorff
Secretary of State for Industry	Dr. Wörner

\* \* \* \* \*

Statements by Heads of Government

Chancellor Kohl said the talks so far had been conducted in a very friendly atmosphere. They showed that the change of Federal Government made no difference to the closeness of UK/FRG relations - indeed the closeness of political philosophy between the present governments should make even better relations possible. UK/FRG friendship had over the years been based on common interests and common ideas, on membership of the Community and the Alliance. The Germans never forgot that the UK was the guarantor of their security (and it was relevant that the talks had touched on the Falklands crisis). The presence of the Rhine Army in the FRG created a bridge with the UK. He thanked the Prime Minister for agreeing to visit Berlin, and <sup>said</sup> that he would be accompanying her.

The UK/FRG talks had been in line with those held with other European partners, and for Chancellor Kohl himself a preparation for his visit to the US next month. His discussion with the Prime Minister of the world economic situation had looked forward to the next Economic Summit.

/ He himself



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He himself had emphasised his strong commitment to arms control, but also his resolve to implement the stationing part of the NATO Double Decision if there were no success in the Geneva negotiations. He had domestic problems over INF, and this was an important reason why he intended to hold Federal elections in March. This would enable him to take the stationing decision in the autumn on the basis of a clear moral mandate, which he was confident of obtaining.

He and the Prime Minister had agreed that at their press conference they would emphasise their joint view of developments in Poland. Herr Genscher had just returned from Rome and the Vatican with the Federal President, and he would be asking him to report the news about Poland he had brought back.

[Note: This was done at a meeting of the two Heads of Government and the two Foreign Ministers after the Plenary session.] The Germans were concerned that the beginning of winter would bring further problems in Poland. The Government were delighted that German opinion (especially among the young) was so enthusiastic about humanitarian aid for Poland, and they were re-introducing the free postal service to Poland for the pre-Christmas period. The Community would need to consider how it could provide further humanitarian help, e.g. seed to farmers, which would be in short supply next year. Western democracy would be judged by whether it had a human face.

The Prime Minister, thanking Chancellor Kohl, said she too had been pleased by the talks and with the relaxed atmosphere. Human rights, freedom and justice were indeed important, and discussion of them had led on to discussion of the Western Alliance, East-West relations, and how to maintain our security at a lower level of armaments. She had been grateful for Chancellor Kohl's full account of developments in the Polish situation, which was the crisis of Communism.

/The Polish

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The Polish problem would be difficult to resolve, but she agreed that humanitarian aid was the first step.

The Prime Minister had impressed on the Federal Chancellor the need for the Community to stand together on the Falklands question. HMG had been grateful for the Germans' united support over the Falklands, and to Chancellor Kohl for his part in it. She hoped the Germans would abstain on the draft Argentine Resolution before the UN.

On the Community, she and the Federal Chancellor had stressed the need to preserve free trade, and to persuade the Danes to reach a solution on fish: an agreed fisheries policy would be a tremendous step forward.

#### Foreign Affairs

Herr Genscher said that he and the Foreign Secretary had spoken only briefly about the Community and the Falklands, which they had discussed in London the previous week. This time they had talked mainly about East-West relations.

On Poland, they were both concerned at the most recent measures which the Polish Government had taken against Solidarity which would make it less easy for them to win the support of the population. This in turn would make it more difficult to achieve the badly needed improvement in the Polish economic situation.

On security issues, he had told Mr. Pym about the previous week's joint talks between French and German Foreign and Defence Ministers. They had discussed the various current East-West negotiations and had found that the British and German positions continued to be fully in agreement, which was important for the West as a whole. They had agreed that

/ British

British and French nuclear systems should not be included in the current US/Soviet negotiations. They had both stressed the importance of upholding both parts of the Double Decision.

The Foreign and Commonwealth Secretary said he and Herr Genscher had both attached importance to keeping their respective public opinions on their side over INF stationing through 1983. Apart from subjects mentioned by Herr Genscher they had also discussed Latin America, where relations with Europe were good. On the Community there was a great deal of common ground, and the two sides would keep in close touch as negotiations over the Community Budget etc. proceeded.

Defence

NATO Double Decision

Herr Wörner said that he and Mr. Nott had both attached importance to proceeding with the NATO Double Decision as planned. The Defence Secretary said he had also agreed with Herr Wörner on the importance of coordinating and synchronising stationing of INF in their respective countries.

NATO Infrastructure

Herr Wörner said they had also agreed that an improvement in NATO infrastructure arrangements was urgently desirable as part of the mid-term review. The FRG would make a positive contribution. The Defence Secretary greatly welcomed the possibility of German help over NATO infrastructure, which had been a cause of dissension in NATO.

British Defence Contribution

Herr Wörner said the British contribution to NATO was important to the Federal Republic and to Europe. He thanked Mr. Nott for the courage and clarity with which, in his

/speeches

speeches at home, he had explained the importance of the Rhine Army for the United Kingdom as well as for its allies.

The Defence Secretary said the British Government would sustain its commitment under the Brussels Treaty to maintain forces in Europe (at present 72,000 men in BFG and Berlin). The British would continue as at present to provide 70 per cent of ready forces in the East Atlantic and their amphibious contribution to Norway, as well as the reinforcement base of the UK itself.

#### NATO Strategy

Herr Wörner said he had agreed with Mr. Nott that, within the doctrine of flexible response, conventional elements must be enhanced and the credibility of existing strategy strengthened. The Defence Secretary said that some at least of the current ideas in NATO for strengthening conventional forces and raising the nuclear threshold were worth serious consideration. He looked forward to further discussion at the NATO Defence Ministers' meeting in December.

#### Lessons of the Falklands

Herr Wörner said he had welcomed Mr. Nott's account of the military lessons of the Falklands conflict, and the report which the British were preparing would be important for the Germans. British experience of dealing with public opinion during the Falklands crisis would also be useful to the Federal Republic.

#### Export of Collaborative Armaments

The Defence Secretary said he recognised that exports of collaborative equipment was a politically sensitive subject in Germany. But it would be a great help if the Germans could agree to the export of some items, e.g. RB199 to India.

/This would

This would help sustain our defence industrial base.

Steel

Count Lambsdorff said that he and Mr. Jenkin had had talks both separately and with their Finance Minister colleagues. On steel, they were in full agreement that the decision reached within the Community on pricing, production quotas and restructuring should be fully implemented. The question was how to persuade the Commission and the other parties to carry out what they had agreed to do. He had agreed with Mr. Jenkin that experts from the FRG, UK, France and The Netherlands should meet soon to prepare the informal Ministers' meeting on 17 November at Elsinore.

The Secretary of State for Industry said it was vital to make the steel regime work, and agreed with the proposal for an experts meeting. All Community partners would face real political difficulty in implementing measures over aid and restructuring. Unless all acted in the same direction, none could withstand domestic criticism.

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Count Lambsdorff said discussion had been brief; both sides had agreed that the project should only be pursued further if it could be shown to be economically viable. There could not be further budgetary burdens stemming from the project. He had explained this to the French at the Franco-German Summit. Mr. Jenkin would speak to the French next week.

GATT

Count Lambsdorff said this had been discussed in the Council of Ministers in Luxembourg. The French had been pessimistic, but the Germans had pointed out that to cancel the Conference, or to fail to achieve at least a limited success, would send the wrong signal over free trade. The British

/ delegation

delegation had taken a helpful mediating position. GATT was an operational body: concrete results were needed, the renewal of the OECD trade pledge would not be enough. Something should be done for the LDC's on safeguards: the NICS should be brought to accept GATT disciplines. The British found imbalanced tariff barriers unacceptable.

Mr. Jenkin stressed that the continuance of the open trading system was vital, but to that end it was crucial to satisfy our own industry and peoples that the open trading system worked to their advantage. Ways must be found of removing the imbalances which affected particular industries. In addition to persuading the new industrial countries to accept GATT disciplines, progress on services was important to the British Government. On Japan, he had expressed the view to Count Lambsdorff that unless the Community worked out a common position the Japanese would not listen to their attempts to bring a better balance in EC/Japan trade.

#### Gas Pipeline

Count Lambsdorff said the four pipeline countries were studying the US paper. Their joint position was that stricter COCOM measures would be acceptable, provided they were limited to items with strategic impact. Action on credit would be very difficult and pointless unless OECD was brought in. There was also a possibility of loopholes through third countries, e.g. Switzerland. His own view was that the United States Administration was coming under increasing pressure from United States industry to lift sanctions. Grain sales to the USSR for credit undermined an important United States objection to the pipeline deal. These two factors would oblige the President to lift the sanctions after 2 November. The Europeans should help presentationally but there was no need for them to give anything on substance.

/The Secretary of State

The Secretary of State for Industry said Europe must feel its way. It must not make unnecessary concessions which it would regret, but it must find a way of letting President Reagan off the hook. Agreement to study certain US proposals implied no commitment to concessions.

National Economies

Herr Stoltenberg said he had explained the decisions which had just been reached on the 1983 Federal Budget, and the Chancellor of the Exchequer had outlined his economic plans and expectations. The Chancellor of the Exchequer thought it would be useful to keep in touch with Herr Stoltenberg, especially on policies to promote the revival of enterprise.

European Community Budget

Herr Stoltenberg said that he and the Chancellor of the Exchequer had agreed to stick to the 1 per cent ceiling for the foreseeable future. They would have to resist attempts by others to raise the ceiling in the context of Spanish and Portuguese accession. As regards the British contribution it would be realistic to look for a solution of the 1983 problem with a duration of two to three years. But it would continue to be important to check Community expenditure, especially the Common Agricultural Policy. Both sides had agreed that the European Monetary System contributed<sup>to</sup> stability and convergence; but the Chancellor of the Exchequer had said that the British felt they could not at present join EMS because of special features in the British economy, including Britain's status as an oil producer.

The Chancellor of the Exchequer said he had explained why it was in the interests of the Community, as well as of the UK, to solve the British budget problem. Recurring

/disputes

disputes damaged the Community. Moreover, a situation with only two net contributors was bad for the Community as a whole, and made it difficult for those two to control expenditure. CAP spending should grow less rapidly than that of the Community budget as a whole; and this should be achieved by a sustained reduction in CAP spending.

World Economy and IMF

Herr Stoltenberg said he and the Chancellor of the Exchequer had agreed that IMF quotas should be increased by not less than 50 per cent, and that the lending facility should be strengthened. Decisions needed to be taken quickly if confidence was to be restored. We should work for a decision by Ministers at the Interim Committee in early 1983. The Chancellor of the Exchequer said both sides had agreed on the importance of strengthening confidence in the world financial system and in the role of the IMF. Certainly there must be a substantial increase in IMF quotas. He agreed that a decision must be taken as soon as possible, but we should not commit ourselves to a rigid timetable in case it proved impossible to reach an acceptable decision in time. It was important for the whole world that there should be a resumption of growth in the US, but without an accompanying increase in interest rates. Both the British and the German Governments needed to urge the US, as friends and partners, to achieve a reduction in their budget deficit.

Date of Next Meeting

The Prime Minister proposed that the next Anglo-German bilateral meeting should be held in the UK in April. Chancellor Kohl proposed 22 April, and the Prime Minister took note.

The meeting ended at 1105 hours.

1 November 1982

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NOTE OF A TETE-A-TETE DISCUSSION BETWEEN THE PRIME MINISTER AND  
CHANCELLOR KOHL AT THE CHANCELLERY ON FRIDAY 29 OCTOBER AT 0915 HOURS

PRESENT

Prime Minister  
Mr. Butler

Chancellor Kohl  
Mr. Teltschik

SPANISH ELECTIONS

Chancellor Kohl began by referring to the results of the Spanish elections which had resulted in an overall majority for Senor Gonzalez. This was an unwelcome outcome, and it was worrying that Senor Gonzalez had already made remarks against Nato in his victory speech. The European Community must recognise that the accession of Spain under such a Government would raise more problems than that of olives: although it was not a defence Community, defence issues could not be isolated from other Community interests. A similar problem existed with Greece. The Prime Minister agreed that the European Community was founded on the defence of democratic values and that if these were not firmly defended by all members, the future of the Community would be in doubt. No doubt some allowance must be made for election rhetoric in the statements of S. Gonzalez: Mr. Papandreou had made similar remarks about his attitude to Nato, which had not been reflected in his subsequent actions. But it was worrying that Senor Gonzalez had made such comments at the moment of his election victory.

Herr Kohl said that the poor performance of the Christian Democrats in Spain was a disappointment to him. He had worked hard for them for 4 years and had given financial help, although he had withdrawn some 18 months ago when he saw the direction in which things were going. He had greatly resented the actions of the former Spanish government in involving the King of Spain in the Hamburg elections in the Spring, when the King had been induced to pay a private visit to former Chancellor Schmidt in Hamburg 10 days before the elections. It would now be necessary to try to influence the new Spanish government tactfully, but this would not be easy since the Spanish were a proud people. He felt that he could not be expected to open the gates widely to Spain in the European Community if the Spanish government were to shut the door on defence matters. The Prime Minister commented that it would be a bad start for the Spanish government if they were to withdraw from Nato. Britain had supported the accession

/of Spain

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of Spain to the European Community, but it was difficult for Britain to influence Spain, particularly in the aftermath of Spanish support for Argentina over the Falkland Islands.

#### THE FALKLAND ISLANDS

The Prime Minister said that, when the Resolution on the Falkland Islands came forward in the United Nations, she regarded it as important that the whole Community, and Germany in particular, should at least abstain. She was confident that the German government understood, in the light of their own position on Berlin, that it was just not possible for the British Government, having had our territory invaded and having lost many lives in defence of freedom and justice, to negotiate with Argentina over the Falklands: Argentina had not even agreed to stop hostilities.

Herr Kohl said that, as the Prime Minister knew, the German government had for good reasons shown solidarity with the British Government during the period of hostilities, and he regarded this as being no less important now. Former Chancellor Schmidt had consulted him at the time and the German stance was one of the few matters which had been agreed jointly between them. The Argentine invasion was an act of aggression, and the quality was more <sup>important</sup> than the quantity. <sup>stance of the</sup> The German government had only limited support from German public opinion, because Germany had such close links with the South American countries, particularly Paraguay, Chile, Argentina and Brazil. No countries, including the United States, had so many people of German origin: for example, 4 of the 7 Brazilian cardinals were of German stock. The Prime Minister commented that Brazil had been scrupulous in adopting a neutral position.

Continuing, Herr Kohl said that it was important to work out a common European Community position. A big problem in this was the French, perhaps because they had economic interests at stake. The Prime Minister <sup>commented</sup> that hesitation on the part of the French was surprising since they had been very supportive during the period of the hostilities and they had a number of island dependencies which were similarly near the mainland of other powers. Although economic interests were important, the defence

of freedom and justice was more important. If the Russians invaded Berlin and the Western powers threw them out, it would be ridiculous to suggest that there should then be negotiations with the Russians over Berlin.

#### THE PIPELINE

Herr Kohl said that he had the impression that President Reagan might be making a new move towards a compromise on the pipeline issue involving new proposals on economic relations with the Eastern bloc. The Prime Minister said that she understood that there was to be a meeting in Washington that day of the 7 countries at Ambassador level, at which a paper was being discussed with the Americans. That paper covered not only the supply of strategic materials but also proposals to set up working parties on a number of issues, including credit for Iron Curtain countries and the supply of technology. The paper carried no commitments <sup>except</sup> agreement to avoid certain new contracts while the working parties were in operation. She believed that President Reagan was anxious to lift the sanctions and there was some prospect that the wording of the document would be sufficient to enable him to do so. Having looked at the document, she thought that it should be possible for the seven countries to agree on it.

Herr Kohl agreed that it was desirable to do everything possible to enable the President to lift the sanctions without loss of face. It was evident that the decision to impose sanctions had been a mistake, and there had been no mistaking the triumph in ex-President Carter's voice when he had referred to the decision during his visit to Bonn two days before. Mr. Carter had said that he and his party were willing to help President Reagan off the hook. But Chancellor Kohl was worried that an immediate statement by the President might be premature since he was not sure that the paper in its present form went sufficiently far to help him. The French in particular were proving difficult over it. But it was important that the sanctions be lifted: one aspect of them was that they could so easily be evaded through third countries. The Prime Minister said that she did not think the President was likely to make a statement until agreement had been reached among the seven. She was aware that there were still items of dispute with the French but hoped that it would be possible to find words which did not contain damaging commitments for the Europeans but would be sufficient to help the Americans.

ECONOMIC SUMMIT

Herr Kohl said that President Mitterrand had expressed his annoyance during the Franco/German Summit that the new date for the Economic Summit announced by President Reagan had not been widely agreed, and had said that he would not agree to attend on the proposed dates. He himself could not say how much consultation there had been with Chancellor Schmidt but since he had taken office consultations had not been intense. Herr Kohl regarded it as important that everyone should attend the Summit and also that it should be agreed in advance what was wanted from it. In his view, the Western Governments could not afford another Summit like Versailles when hundreds of people had attended and nothing substantial had emerged. President Mitterrand had himself said that the arrangements for Versailles had been a mistake and that a much more restricted summit was desirable.

The Prime Minister said that she had understood that the proposed date for the Summit had been agreed. It was essential that everybody should attend, and it was absurd to quarrel over dates. She herself would have liked the Summit to have taken place earlier, but the German elections would make this impossible. She agreed that the form of the Versailles Summit had been much too elaborate, as had been the preparatory meetings beforehand. She regarded the informal aspects of the Summit as the most valuable part, so that the leaders could get to know each other and understand each others political difficulties and then they could easily lift a telephone and talk to each other in moments of difficulty. Ottawa had been better in this respect than Versailles. She did not expect magic solutions to emerge from such Summits, but it had been valuable, for example, that the Heads of Government had been able to agree to tackle their economic problems in a financially sound way and to avoid protectionism: this had been helpful to the leaders in relation to their own electorates. She therefore agreed with President Mitterrand that the arrangements at Versailles had been too elaborate. She accepted that some concrete announcement had to be made to prevent the press from writing that the Summit had been a failure, but she did not regard this as the most important aspect.

/Herr Kohl

Herr Kohl agreed. A middle way had to be found between giving nothing to the press and running the occasion entirely for the press. He would tell President Reagan that, while he regarded it as important to have some announcements to give to the press, the Summit would only be successful if there were also real and lasting agreements underlying them. The Prime Minister commented that there would be two problems: the relations between France and the United States were not very good and the President would want some concrete achievement to announce in view of the United States elections in the following year. Such announcements would have to be negotiated beforehand, but very discreetly. Herr Kohl commented that it would also be important for President Mitterrand that some useful announcements emerged: although he had seven years of office, local elections in France could present him with considerable difficulty.

#### ECONOMIC ISSUES IN THE COMMUNITY

Herr Kohl said that he was concerned about the way in which France was adapting its economic policies towards protectionism. These would create problems for the Commission. The Prime Minister commented that agriculture was the area of greatest protectionism within the Community, but there were also many others, for example, insurance and air fares. The French always found a way to restrict imports, whereas Britain and Germany were more scrupulous about observing the rules. Both France and Italy had protectionist agreements with Japan which had been allowed to exist because they were made before the formation of the Community. The Community had to take a close look at these unequal trading arrangements.

Chancellor Kohl suggested that he and the Prime Minister should take a day or a day and a half to discuss this question with a minimum of supporting staff within the next two or three months. He would be willing to come to London for the purpose, and it could be said publicly that other matters were being discussed. This was desirable because Germany would have the Presidency from January, but his principal objective would be to achieve a common strategic approach between Britain and Germany through which they could first tackle the French and then the Latin countries of Europe.

/The Prime Minister

The Prime Minister agreed that it would be useful to try to find a date to have such talks.

#### FISHERIES

The Prime Minister referred to the recent discussions on fish and suggested that it was vital for Britain and Germany that Denmark should subscribe to the recent agreement reached between the other nine EC members. Germany was in the best position to bring effective pressure to bear on Denmark and she hoped that Herr Kohl would use this to ensure that Denmark agreed. Herr Kohl said that a discreet initiative had already been taken with Denmark and he would raise this matter immediately with Herr Genscher. It might be possible to say some more about it in the plenary session. For his part, he found it difficult to understand the Danish attitude.

#### POLAND

Herr Kohl suggested that he and the Prime Minister would need to say something about Poland following their discussions. Contacts between the Federal Government and Poland, including a personal report which Herr Genscher had had from Archbishop Glemp, suggested that the situation was very bad and if there was a hard winter there could be a calamity. Russian intervention would be disastrous but it was becoming increasingly clear that General Jaruzelski could not deal with the situation. The Prime Minister agreed that she and Herr Kohl should make an agreed statement on their concern about the position in Poland.

#### EUROPEAN BUDGET

The Prime Minister said that she would like to say publicly, in relation to the European Budget, that she had welcomed the agreement on the arrangements for 1982 but had stressed to Chancellor Kohl the importance of reaching long-term agreement on the budget issue.

R.R.B.

29 October 1982

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S E C R E T

NOT FOR DISTRIBUTION

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND  
THE CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY AT 1930 HOURS  
ON 28 OCTOBER IN BONN.

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PRESENT

Prime Minister  
Mr. Coles

Chancellor Kohl  
Mr. Teltschik

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Chancellor Kohl opened the conversation by thanking the Prime Minister warmly for deciding to visit Berlin after Bonn. He had a strong personal attachment to the City. The Prime Minister said that she was looking forward to this visit greatly. She expected the sight of the Wall to be profoundly impressive." Chancellor Kohl said that it was a depressing phenomenon. The Prime Minister said that she wondered how the people of Berlin had managed to lead normal lives for so long in these circumstances. Chancellor Kohl said that a ghetto of this kind produced psychological problems. His own political party was very strong in Berlin. To some extent the problems of the City were reflected in the problems of the party. The population was aged, because many young people had left. Then, the residents of Berlin were very attached to the particular houses and particular streets in which they lived. In three districts of Berlin there were large numbers of Turkish workers. In some of the elementary schools there were many more Turkish than German children. This created enormous problems.

Over the next four years, it would be necessary to reduce the number of Turks in Germany by 50% - but he could not say this publicly yet. He had recently discussed the problem with the Mayor of Frankfurt, a city of 500,000 people who included 160,000 foreigners of whom 140,000 were Turks. There were 16 mosques in Frankfurt. The Prime Minister asked whether Turks had the right of citizenship in Germany and whether most of them had their families in the country or not. Chancellor Kohl said that those questions illustrated the problem. It was not that the Turks were foreigners. Germany had no problems with the

/Portuguese,

S E C R E T

Portuguese, the Italians, even the South-East Asians, because these communities integrated well. But the Turks came from a very distinctive culture and did not integrate easily. He instanced the recent case of a 16-year old Turkish girl who was studying at a German school. Her father had arranged her marriage to someone in Turkey. The whole school had protested. This was a clash of two different cultures. Some of the problems arose not with the Turkish workers themselves but with their families. When their children reached school leaving age they often failed to find employment and took work on the black market.

The Prime Minister asked how the Chancellor proposed to reduce the numbers. Did the Turks have a vote? Chancellor Kohl replied that they did not, though left wing politicians wanted them to have this right. His intention was to seek an agreement with the Turkish Government, as part of which development aid to Turkey could be increased. Turkey was very important strategically to Nato. It was also important to try to influence the reintroduction of democracy in Turkey. The skills which Turks had acquired in Germany could be useful to the Turkish economy. He intended to capitalise the insurance payments which Turkish workers had made and give them a lump sum.

It was impossible for Germany to assimilate the Turks in their present numbers. 50% of them would be a different proposition. Special arrangements would have to be made for the schools. Those who were to be integrated must learn German. It was essential that the extreme right in German politics were not able to exploit this issue. They had tried to in the last Hamburg election but without much success except in some working class areas. The British experience was very different. Over 300 years the United Kingdom had accumulated much knowledge of how to deal with foreigners. In colonial days young Britains had gone out into the world. The German colonial experience had been very much shorter.

The Prime Minister asked whether a particular problem would not arise when the date came to implement European Community policy on the free circulation of Turkish workers. Chancellor Kohl said that this was a very big problem which would have to be discussed. He had mentioned it to President Mitterrand. The



French had not yet solved the problem of Algerians living in France. Some 800,000 Algerians now lived there. Germany had integrated some 11 million Germans from East European countries. But they were European and therefore presented no problem.

The Prime Minister said that immigration problems were always more acute during a time of unemployment. When there was plenty of work available, people could more easily be assimilated. The Chancellor commented that the human problem was not solved even then. The Prime Minister agreed. There were over 2 million immigrants in Britain. There were some areas of the country where the police found it very difficult to operate.

The Prime Minister then raised the question of steel. She thanked the German Chancellor for the decision of his Government to endorse the EC Agreement with the United States. Referring to the letter which the Chancellor had sent her earlier in the day, she agreed that the time would come when there would be no need for trade restraints. But that day was some way ahead because of the over-capacity of the world steel industry. Chancellor Kohl commented that he was very afraid that the steel problem would lead to an enormous up-surge in economic protectionism. This was contrary to the political creed of himself and the Prime Minister. The United States would also not take kindly to such a trend. There were many problems. The coal industry was not doing well. The steel industry was sick. In the Saar it was possible that large steel works would collapse. 19,000 jobs were at risk and there was no alternative employment. Moreover, 50% of the main company was owned by Luxembourg interests. The Luxembourg Prime Minister had recently told him that in effect Luxembourg steel workers were now being paid by the Government - in the sense that banks obtain government guarantees for their lending to the steel companies. In Germany, even healthy companies were in the red at the moment.

The Prime Minister commented that no steel company in Europe was making a profit. The labour force and production had been cut. But export markets had also collapsed. So the Community had no alternative but to co-operate and agree on restrictions.

/Chancellor Kohl

Chancellor Kohl said that he agreed. But we must <sup>not</sup> ~~had~~ penalise those companies that had been far-sighted and/rationalised. There was a danger that this would happen while less efficient companies were bailed out by governments. If that occurred it would be difficult to keep the market economy going.

In recent years 12,000 medium sized companies had become bankrupt in Germany. The previous government, disastrously, had done nothing to help them. But these were the dynamic companies who responded equally to changing circumstances. Many of Germany's current problems were not of politics but of the wage-bargaining system. This system had forced up production costs. The Prime Minister said that the easy years were over. Chancellor Kohl said that he was confident that his party would do well in the elections on 6 March. He was unable to offer the electorate promises. But the majority of people understood that the country could not spend more than it was earning. When he had taken office 4 weeks ago, there had been a media campaign against him. But the first serious polls since his election, which had been published in the previous week, had given him a rating 6% higher than that of the Schmidt government. Schmidt had decided not to stand again because he saw that he could not win and also because his party was not prepared any longer to follow his policies. These were the reasons why Schmidt had fallen, not because of Genscher. Indeed, he had said in public that rifts in his own party were a cause of his departure. Those rifts would appear at the next election. The SPD would move to the left and would try, probably without success, to make a deal with the Greens. Chancellor Kohl suggested that in the remainder of the conversation there should be a discussion of defence and security matters and perhaps transatlantic and East/West relations, leaving European problems to be dealt with on the next day. The Prime Minister agreed. She would be interested to hear some account of the Chancellor's talks with President Mitterrand recently about defence policy. We were puzzled by some of the public comment because France was not integrated in Nato. Were the French trying to reach some special agreement? Chancellor Kohl said that he would gladly give an account of the recent Summit.

/President Mitterrand's

President Mitterrand's domestic policies were not like his own. The Prime Minister interjected that they were not like hers either. But reality was bringing him closer.

Chancellor Kohl said that Mitterrand was not particularly committed on domestic policy. He was much more interested in foreign affairs and security. He saw himself rather as a successor of De Gaulle. He made no secret of his background. When he had seen a crucifix in the Chancellor's office he had talked of his Catholic up-bringing. His staff had later commented that they had rarely seen Mitterrand open out in this way. The Franco/German Treaty, now 20 years old, had always contained provisions about co-operation on security. France had three divisions in Germany. It was very important that they should be effective, not just nominal. Mitterrand had had discussions earlier with the German Social Democrats. The latter, at their last party congress, had argued that French nuclear arms should be included in the Geneva talks. His own party had always argued against this idea. Germany now wanted to make use of the provisions of the Franco/German Treaty to ensure that France did not thin down its divisions in Germany. This was important because in two or three years time, owing to the declining birth rate, Germany would have to increase military service from 15 to 18 months. This would probably happen in 1985.

There was now a certain amount of thinking about forward strategy. The idea was that American troops should move closer to the eastern border. The Americans were talking about moving two brigades forward. But they wanted new barracks and that created financial problems for Germany. He would have to discuss this matter when he visited Washington on 15 November. But France was considering whether, if the American troops moved forward, they could move forward too. This was fully consistent with Nato requirements.

Under Pompidou, some French military commanders had maintained unofficial contacts with their American counterparts in Europe, quite contrary to Elysee instructions. Now Mitterrand was quite prepared to envisage such co-operation.

S E C R E T

- 6 -

The Prime Minister enquired whether this meant that in practice Mitterrand was using his co-operation with <sup>Germany</sup> France to achieve integration into Nato. Chancellor Kohl said that he would put it even more strongly. The French divisions were behaving as if they were part of Nato and Paris did not stop them, and this was very important for Germany. If there ever was a confrontation, it was the East/West routes through Thuringia which, as so often in the past, would be used. That was why United States and German troops were deployed in that general area. But behind them were the French. It was essential that there was co-operation between all three.

At the Summit, the French had agreed that they would not reduce their troops in Germany. They had also agreed that nuclear weapons should not be included in the Geneva talks. The Prime Minister said this was very important. She recalled that when Mitterrand had first come to a European Council he had said that he could not see why the nuclear deterrents of France and Britain should not be included in the Geneva talks. She was delighted that he had now come round to our way of thinking. Chancellor Kohl agreed that this was encouraging. But it was logical. To reduce the French and British nuclear deterrents would mean that they disappeared. He hoped that Mitterrand would now be prepared to state his position openly.

Germany would certainly implement the Nato dual decision. But it was very important that its nearest neighbour should be on the side of Germany. In this field it was advantageous that Mitterrand was a socialist, since this would help to blunt the arguments of the unilateralists. A majority of the SPD would vote against the stationing of cruise missiles. Indeed the SPD as a party had never intended to implement the second half of the Nato decision, though Schmidt himself had. The difference between

/ Schmidt

S E C R E T

Schmidt and himself was that Schmidt's party were divided on the matter. Schmidt should have fought against them. He had succeeded in his propaganda abroad in disguising this failure. But he had often failed to fight. Schmidt and he had both agreed that, following Afghanistan, contacts with Moscow should be frozen. He (Kohl) had stood by his promise completely. Most of the German Olympic Committee had come from his party but he had told them that they could not go to Moscow. But when the crucial vote came in the Bundestag, Schmidt had failed to muster his party. He had failed also on the question of aid to Turkey. The Prime Minister commented that Schmidt had been in the classic position of a person whose views were no longer in tune with those of his own party. When the time came to deploy cruise missiles, it would be essential for Germany, Britain and Italy to speak together. The Benelux countries were not firm. Chancellor Kohl said that the biggest worry was the Netherlands. The Prime Minister agreed. There had long been a significant pacifist streak in the Netherlands. We should have to go ahead without them if necessary. Chancellor Kohl agreed. But we should do all we could to retain the support of the Benelux countries on this matter. The key was the Dutch. If they did not join in, the Belgians would opt out as well. But Mitterrand's attitude was the most important of all. The Prime Minister agreed that we must all try to engage the Netherlands and Belgium in this exercise.

The discussion ended at 2045 hours.

A.J.C.

28 October 1982

CONFIDENTIAL

PRIME MINISTER

*Real disarmament*

*head - low level relations - Austria - Poland*

*Budget -> Fish -> Falklands ->*

Your talks with Chancellor Kohl

You will have three main occasions to talk to the Chancellor - a fairly lengthy tête-à-tête this evening, a working dinner, then a short tête-à-tête tomorrow, (there will also be a plenary tomorrow and he will be with you in Berlin).

It will be best to try to get our essential points over in the course of today. I talked with the Chancellor's Office this morning about the kind of subjects you might wish to raise. Based on that talk, you may like to have the following check list.

*Pr. Reagan (Spanish checks)*

*Pipeline issue*

*Strategic industry*

FOR YOUR MAIN TETE-A-TETE THIS EVENING

German/French Summit (volunteered by the Chancellor's Office)

✓ Impressions of Mitterrand

What was covered in the discussions about "security"?

The Chancellor's visit to Washington (15 November)

(also volunteered by the Chancellor's Office)

He wants your advice on the handling of President Reagan and the various personalities he will meet. This could lead in to :-

Trans-Atlantic problems and East/West relations

Pipeline

The non paper

Possibly Poland and your visit to Berlin

✓ Defence

Stress our commitment to the Central Front

Dual track decision on IMF. Problems ahead with the unilateralists.

Falklands

Ⓒ You sent the Chancellor a message yesterday. Try to get a commitment that Germany will not vote for the UN Resolution.

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Genscher -

E/W.

- Poland - Solidarity.

- Security Policy - Missiles.  
Firmly upheld.

- CSECF. - MBFR

Fully in accord.

Francis.

Public opinion on our side

Latin America - relations there

Therapeutic or budgetary resolutions succeed

Canva for confidence

Reference  
Werner

1. Common Markets
2. Infrastructure
3. Disturbance defence effort
4. Nuclear strategy
5. Instruments of cooperation
6. Full-scale conflict
7. Public opinion

John Nott

72 000 Land Forces  
(or RAF Germany)

70% of ready <sup>British</sup> naval forces - E. Atlantic  
Norwegian fjords

RB 195 - Commonwealth defence  
- raising of nuclear threshold

Count hands down

Steel - Prime Quotas, Postwar.  
- Liberalism

British 320 - Proprietary further under in  
budget last to accept.

Luxembourg - G.A.T.T. - [Total - 50]  
revenue

Free trade and welfare  
frontier  
N.I.C. - G.A.T.T.

Spanish auto.  
Economic Council.

Pipe Line  
COCOM - bullet  
develop  
Oil Gas - of

2300 credit - 0.5%

European Community

Budget - common interest as joint paymasters

Fisheries. Record satisfaction on progress. (Remembering Peter Walker's comments at Cabinet, stress crucial importance of Danes coming into line by the next Council meeting on 8 November. British industry won't take any further concessions to Danes. Can Kohl put pressure on Danish Prime Minister?)

Trade problems (This might be a good subject for the working dinner)

Steel - thank them for their efforts over the EC/US agreement.  
The Chancellor has just sent you another message (copy attached)

- Japan
- Spain
- GATT
- Protectionism

Insurance.  
 Air-transport  
 Quota of unit tariff  
 movements 60,000 per  
 "hardening of soft spots"  
 "punishing of beer"

I attach a number of papers which you have not yet had time to see. You may like to glance at these in the plane.

A. J. C.

Patricio Tereira - Steer  
 - Priebe - help Pagan of book  
 "above" - any agreement to  
 study below policies  
 no intervention at all  
 - that we shall go down  
 that road.

R. Schollerberg - LEC rate in Germany  
 28 October 1982  
 D/Mr. Leo bill - unemployment,

|| Study for creating  
centric of own  
resources

Tax incentives for investment  
**CONFIDENTIAL**  
 Budgets.  
 us - inflation  
 20 - 5%  
 interest rate  
 growth of 2  
 later level.



Keep in check. CAP expenditure.

PRR - less contributions for future.

IMZ - contributions up to 50%

- begin 1983

Liabilities - Authority of controls by exp.

- IMF:

- Resumption of growth in states



12  
4/11

RECORD OF A DISCUSSION BETWEEN THE CHANCELLOR OF THE EXCHEQUER  
AND THE FEDERAL GERMAN FINANCE MINISTER IN THE FEDERAL FINANCE  
MINISTRY IN BONN AT 6 PM ON 28 OCTOBER 1982

Present:-

Chancellor	Dr. Gerhard Stoltenberg
Sir Kenneth Couzens	Dr. Horst Schulmann
Mr. P.W. Unwin (HM Embassy, Bonn)	Dr. Pieske
	Dr. Heck
Mr. J.O. Kerr	Herr Schmidt
	Frau Wittler

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FRG, UK, and world economy

Dr. Stoltenberg referred to the new government's economic inheritance, which was worse than they had foreseen. The latest economic forecasts had reduced the growth assumption for 1983 from 3 per cent to nil, and the estimate of tax revenue by DM9.3 billion, while average unemployment throughout 1983 was now put at 2.35 million, instead of the 1.85 million which had been the June forecast. Thus, though making cuts of over DM5.6 billion on their predecessors' 1983 spending plans, the new government were still obliged to contemplate a deficit higher, at some DM41.5 billion, than they had in opposition thought right. Some tax increases were envisaged, though the government was determined to reduce the fiscal burden on trade and industry in the medium term. The level of investment expenditure for 1983 was being increased, and some new incentives introduced, but the process of securing economic revival would, given the world economic picture, be a long haul, with the positive effects of new policies not expected to come through until the second half of 1983.

2. The Chancellor referred to parallels with the 1979 inheritance in the UK, and between the approach of the FRG and UK governments. In 1979 the UK government had inherited a rapidly rising inflation rate, and a large and expanding public sector deficit, and had been



determined to control inflation, monetary growth, and borrowing. Borrowing had been reduced from 6 per cent to 3 per cent of GDP. Inflation had come down from a peak of 22 per cent to some 7.3 per cent, and should be down to 5 per cent by spring 1983. By summer 1981 it had been clear that the bottom of the recessionary trough had been reached, but the expected steady growth had been checked last winter, not least because of the autumn rise in interest rates. We had previously forecast growth of  $1\frac{1}{2}$  per cent this year, but the actual outturn was likely to be only some 0.6 per cent. We now hoped for some  $1\frac{1}{2}$  per cent growth next year, though - as in Germany - much would depend on some resumption of world growth. The annual public expenditure review was complete, and the planned totals for 1983-84 would be held. The PSBR for the current year was likely to be below forecast, largely as a result of the rapid progress against inflation.

3. Dr. Stoltenberg noted that the UK had gone into a recession rather earlier than had the FRG, and could therefore expect also to come out rather earlier. There would be negative growth in Germany in 1982, and not before the second half of 1983 was a positive figure expected. Thus the FRG seemed likely to undergo in 1982 and 1983 what the UK had experienced in 1980 and 1981. He was impressed that the UK 1982-83 PSBR would be only some 3 per cent of GDP: the comparable figure for the FRG would be around 5 per cent. It would be important to reduce it in future years. Following the March election he hoped to be in a position to introduce further and more radical spending cuts, designed to reduce the structural deficit. Public opinion was in fact rather more ready to contemplate decisive action of this kind than the spokesmen of the various interest groups who would be affected were prepared to admit.

4. The Chancellor agreed. Given inevitable domestic sensitivities in all countries facing the problems, e.g. of rising social security costs, it was unfortunate that very little effort had so far been made to encourage international institutions to comment on these



problems in a way which would influence the domestic debate. Secretary Regan's predicament over US "entitlement" programmes was a case in point. In the Chancellor's view, Regan, like the UK and FRG governments, recognised the need to reduce expenditure, and so borrowing, but had as yet proved unable to deliver. The high level of the current, and prospective, US deficit carried a risk that, despite the recent and sensible adjustment in US monetary policies, US, and hence world, interest rates would stay high, thus threatening the prospect of world growth. It would be helpful if Chancellor Kohl could raise this issue with President Reagan during his forthcoming visit to Washington. Since all three governments had the same basic political approach, it was curious that only in Washington was there no sign of effective action to control borrowing. It would of course be important to put the point sympathetically; but it should certainly be put. Dr. Stoltenberg agreed.

#### Community issues

5. Dr. Stoltenberg said that the change of government in Bonn would not entail any major change in the FRG's Community policies. In particular the approach to the problems of the Community budget would remain precisely the same, with a renewed insistence on no infringement of the 1 per cent VAT ceiling. The ceiling would in fact not be at risk for the next couple of years. The financial consequences of enlargement would need further examination in Bonn, though the new government would continue to support enlargement on political grounds.

6. The Chancellor agreed on the importance of maintaining the 1 per cent ceiling. For the UK, the most pressing Community problem was that of our budget contribution. The Government was strongly committed to Community membership, but the Labour Party was increasingly anti-Community, and its criticisms of the effect on us of the budget arrangements had considerable influence on public opinion. Ten years ago it had been assumed that our budget contribution would decline as agriculture's share in total Community spending fell. But agriculture's share had not fallen.



And it had been accepted in 1972 that if the fall did not occur, an unacceptable situation for the UK would arise, and would have to be considered. The fact was that, apart from the FRG, we were the only net contributor, though by any yardstick we were one of the less prosperous Community countries. If no corrective action had been taken, we would have found ourselves paying a net £1 billion every year. The Community had recognised, in the agreement of 30 May 1980, that some corrective machinery was essential. But the agreement then reached was for only three years, and our concern now was that a satisfactory solution, which would deal with the problem for as long as it might last, remained elusive. The UK and the FRG alone had a clear interest in controlling the overall size of the Community budget, which entailed devising a rational system for resource allocation. And it should be possible to reach mutual agreement on a system involving limits on our two national contributions. The present regime of annual rows was disruptive and distracting for the Community, and damaged its image at home and abroad. We were fully prepared to be a modest net contributor, but we thought it right to seek assurance that our future contributions would be modest, and we thought it reasonable that the two net contributors should together seek an effective system of financial control.

7. Dr. Stoltenberg agreed that a more rational system would be desirable, and should be devised before enlargement. But it would take time. For 1983 another arrangement, along the lines of that just concluded for 1982, would be required to deal with the UK problem. In considering a 1983 arrangement, the new FRG government would maintain the position announced by Herr Genscher on 25 May 1982, i.e. that the German contribution to any refund to the UK would be limited.

8. The Chancellor explained that while we accepted the need for another interim arrangement, we could not accept that it should last only one year. A duration of three, or at least two, years was essential, not least to take the issue out of the political arena in the United Kingdom. If the German contribution to UK refunds were to be limited, the negotiation of a satisfactory agreement



would once again be greatly complicated. Dr. Stoltenberg accepted that a two year agreement would be sensible. He also agreed that a further drive to hold down the costs of the CAP would be desirable, and agreed to a suggestion from the Chancellor for bilateral contacts between Finance Ministry experts to try to identify new methods.

9. The Chancellor referred to the recent CFP agreement, and suggested that pressure be brought to bear on the Danish Presidency to accept it. We were close to a major achievement for the Community, and should not let it slip from our grasp. Dr. Stoltenberg agreed.

#### IMF issues

10. The Chancellor referred to the need to increase the resources available to the international institutions to assist problem countries. Agreement on increased IMF quotas was due at the end of 1983, to take effect from the end of 1985. At Toronto it had been agreed that this timetable should be accelerated, with a view to reaching decisions at the Interim Committee Meeting then planned for April 1983. With signs of a growing consensus that a 50 per cent increase in quotas would be appropriate, there was now a case for bringing forward the Interim Committee's Meeting. It would of course be necessary to ensure in advance that agreement at the meeting would be reached: to advance it and succeed would be good for confidence; to advance it and fail would be disastrous. The immediate action was to maintain pressure on the Americans to come into line with other G5 views; and simultaneously to work to reduce unrealistically high ldc expectations.

11. Dr. Stoltenberg said that he strongly favoured a substantial increase in IMF quotas. He would have to report to Cabinet, but was already confident that Chancellor Kohl, and Lambsdorff and Genscher, would agree. He accepted the case for bringing forward the Interim Committee Meeting to January or February, and he was ready to repeat his predecessor's invitation to G5 members to a meeting in Germany in January. The Chancellor thought that G5 might have to meet rather earlier. Dr. Schulmann thought that much would depend on whether the Americans would in fact move into line



with the G5 consensus. If Secretary Regan were to focus on the question, he thought they would. But while it was handled by Sprinkel, he remained rather pessimistic. The Chancellor agreed that it was important to maintain pressure on the Americans. He had signalled his willingness to accept the compromise solution worked out by G5 Deputies. (Dr. Stoltenberg indicated that he had not yet done so.) Chancellor Kohl's visit to Washington would be important. (Dr. Stoltenberg indicated that he would not be accompanying Chancellor Kohl.) Early messages, or perhaps visits, to Regan were clearly desirable.

12. Dr. Stoltenberg said that he could see a case for advancing the G5 meeting into December. He would consider the matter further. And he warmly welcomed the candidature of the Chancellor for the Chairmanship of the Interim Committee: it had the FRG's strong support.

13. The meeting ended at 8 p.m.

*J.O.K.*

J.O. KERR

3 November 1982

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Distribution:-

Mr. Coles (No.10)  
PS/Secretary of State FCO  
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INFO PRIORITY WASHINGTON PARIS MOSCOW UKDEL NATO  
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WARSAW PRAGUE BUDAPEST BUCHAREST EAST BERLIN SOFIA  
BMG BERLIN AND ALL CONSULATES-GENERAL IN THE FRG.

HELMUT SCHMIDT

1. AS REPORTED IN OUT TELEGRAM NUMBER 910 SCHMIDT ANNOUNCED YESTERDAY HIS DECISION NOT TO STAND AGAIN FOR THE FEDERAL CHANCELLORSHIP. HE INTENDS HOWEVER TO STAY IN THE BUNDESTAG AFTER THE ELECTIONS NEXT MARCH.
2. SPEAKING TO THE SPD PARLIAMENTARY PARTY, SCHMIDT GAVE HEALTH AND POLITICAL REASONS FOR THE DECISION. HE HAD HAD THREE MAJOR ILLNESSES IN THE PAST TEN YEARS, AND HIS DOCTORS HAD ADVISED HIM NOT TO SUBJECT HIMSELF AGAIN TO THE STRESSES OF OFFICE. IT WOULD BE DISHONEST TO STAND FOR ELECTION AS CHANCELLOR KNOWING THAT HE COULD NOT SERVE ANOTHER FULL FOUR YEAR TERM. IT WAS IN ANY CASE TIME TO BRING NEW BLOOD INTO THE PARTY LEADERSHIP. BUT IN HIS SOMETIMES BITTER STATEMENT SCHMIDT ADDED THAT HE COULD NOT ABANDON POLICIES WITH WHICH HE HAD BEEN IDENTIFIED AS CHANCELLOR. HE CITED SPECIFICALLY SPD FEUDING OVER ECONOMIC AND FINANCE POLICY, NUCLEAR ENERGY AND GROWING OPPOSITION WITHIN THE SPD TO THE DOUBLE DECISION ON INF. INTERNAL SPD FEUDING ON THESE ISSUES HAD ONLY BEEN TEMPORARILY ARRESTED. IT WAS IMPORTANT FOR THE SPD TO DEMONSTRATE ITS READINESS AND ABILITY TO GOVERN. AFTER THE ELECTIONS, AS HE PUT IT IN AN EARLIER INTERVIEW, THE SPD WOULD CAST HIM ASIDE LIKE A QUOTE USED PIECE OF BLOTTING PAPER UNQUOTE. FOR HIS PART, HE COULD NOT CONCEIVE CONDUCTING COALITION NEGOTIATIONS AFTER THE MARCH ELECTIONS WITH THE CDU/ CSU, THE GREENS OR ABOVE ALL WITH GENSCHER.
3. SCHMIDT AND BRANDT HAVE NOW BEEN ASKED BY THE SPD PRAESIDIUM TO PROPOSE ON FRIDAY , 29 OCTOBER, A CHANCELLOR-CANDIDATE TO BE OFFICIALLY NOMINATED AT THE SPD'S ELECTION CONFERENCE ON 21 JANUARY. THE TWO PRINCIPAL CONTENDERS ARE JOHANNES RAU, MINISTER PRESIDENT OF NORTH-RHINE WESTPHALIA, AND HANS-JOCHEN VOGEL, OPPOSITION LEADER IN BERLIN. MOST COMMENTATORS GIVE VOGEL AN EDGE OVER RAU.
4. EXTENSIVE MEDIA COMMENT ON SCHMIDT'S DEPARTURE STRESSES HIS GOOD SERVICE TO THE NATION AND TO HIS PARTY, BUT THERE ARE FEW DOUBTS ABOUT THE RIGHTNESS OF HIS DECISION AND NONE ABOUT ITS FINALITY. AS THE FRANKFURTER RUNDSCHAU PUTS IT, QUOTE TODAY HE IS A GIANT FELLED

RESTRICTED

| 37



RESTRICTED

BY LITTLE MEN: IF HE LOST A MARCH ELECTION, HE WOULD BE AN EX-CHAMPION WHO DID NOT KNOW WHEN TO RETIRE UNQUOTE. THE MORE CONSERVATIVE PAPERS EMPHASISE SCHMIDT'S GROWING DIFFERENCES WITH HIS PARTY AND THE LIKELIHOOD THAT THE SPD, UNDER BRANDT'S INFLUENCE, WILL NOW SHIFT FURTHER TO THE LEFT. SPOKESMEN FROM THE CDU AND FDP HAVE BEEN QUICK TO CLAIM THAT SCHMIDT'S DECISION BELIES THE SPD'S ACCUSATIONS THAT THE FDP BETRAYED THE PREVIOUS COALITION. THERE IS GENERAL AGREEMENT, HOWEVER, THAT KOHL IS THE CHIEF GAINER: SCHMIDT'S DECISION WEAKENS THE SPD'S CHANCES IN THE MARCH ELECTIONS, AND (AS HANDELSBLATT PUTS IT) QUOTE THE CSU WILL NOT FIND IT SO EASY TO CALL KOHL A TEMPORARY CHANCELLOR, AND HE CAN TACKLE HIS TASKS MORE CALMLY UNQUOTE.

FCO PLEASE PASS SAVING ADDRESSEES ABOVE EXCEPT BMG BERLIN AND CONSULATES-GENERAL IN THE FRG.

TAYLOR

REPEATED AS REQUESTED

FCO / WH  
WED

PRIME MINISTER *See NR II*

EAST/WEST RELATIONS

You will recall that there was a somewhat confused discussion this afternoon, during the briefing for your visit to Bonn, about the present situation regarding the "non-paper" on East/West relations.

I believe that the discussion would have taken a quite different course if Lord Cockfield had been able to be present. I know that he was directly consulted about our approach to this question and agreed with the line the Foreign Secretary was taking.

The Foreign Office are reluctant to circulate a paper to Cabinet for the, I think, good reason that much of the discussion recently has been in the secret quadripartite forum, but I have agreed with them that:

- (a) the Foreign Secretary will give Cabinet a general brief on the stage reached;
- (b) Lord Cockfield will make it plain that he was fully in the picture;
- (c) that the Foreign Secretary will be advised to circulate tomorrow to those Ministers immediately concerned a brief note on the state of play which will reassure them that no firm commitments have been made.

As I understand it, the present exercise is very tentative and is very much ad referendum. *The latest version of the "non paper" is attached.*

I hope that this will suffice for tomorrow. I am sure that a proper Ministerial discussion will be necessary in due course but my impression is that there are no matters requiring Ministerial decision at the moment.

27 October 1982

*ATC*

## TEXT OF REVISED US PAPER DISCUSSED ON 24/10/82

1. Our governments recognise the necessity of conducting their relations with the USSR on the basis of a global and comprehensive policy designed to serve our own fundamental security interests. They are particularly conscious of the need for a common approach in the economic field, where actions must be coordinated within the framework of their global strategy. They are resolved together to take the necessary steps to remove differences and to ensure that future decisions by their governments on these issues are taken on the basis of an analysis of the East-West relationship as a whole, with due regard for their respective interests and in a spirit of mutual trust and confidence.

2. They agree that the following criteria should govern the economic dealings of their countries with the Soviet Union and Eastern European countries.

- that they will not undertake trade arrangements which contribute to the military capabilities of the USSR.

- that it is not in their interest to subsidise the Soviet economy: trade should be conducted in a prudent manner without preferential treatment.

- that they will take no steps that weaken the strategic position of the West.

- that it is not their purpose to engage in economic warfare against the Soviet Union. Trade with the Soviet Union and Eastern Europe should proceed on the basis of a strict balance of advantages and obligations.

They agree to examine thoroughly how to apply these criteria, taking into account the various economic and political problems involved, with the view to agreeing on a common line of action. They will pay due attention in the course of this work to the question of how best to tailor their economic relations with Eastern European countries to the specific situation of each of them, recognising the different political and economic conditions that prevail in each of these countries.

This overall analysis will touch in particular on the following areas:

- strategic goods and technology of military significance (COCOM);
- high technology of possible strategic importance including oil and gas equipment;

- credit policy;
- energy;
- agricultural products.

In the field of energy, the European governments, as they are heavily dependent on imports of energy, will initiate a study of projected European energy requirements over the next decade and beyond and possible means of meeting those requirements. The United States will participate in this study. It will be prepared under the auspices of the OECD.

3. As an immediate decision <sup>and</sup> ~~the~~ following decisions already made, they have agreed on the following:

(a) They will work together within the framework of the Coordinating Committee (COCOM) to protect the contemporary security interests of the Alliance. The list of strategic items would be evaluated and, if necessary, adjusted. This objective will be pursued at the COCOM review now under way. They further agree to take the necessary measures to strengthen the effectiveness and responsiveness of COCOM and to enhance their national mechanisms as necessary to enforce COCOM decisions.

(b) It was agreed at Versailles that the development of economic and financial relations with the Soviet Union and Eastern Europe would be subject to periodic ex-post review. The Allies are agreed on the need to establish without delay the necessary mechanism for this purpose. [Having in mind the objective of not subsidising the Soviet economy, Allied governments will also establish the means to harmonise national policies with respect to the extension of credits, covering interest rates, maturities, down payments, and fees.]

(c) [During the course of the study on energy, Allied governments will not approve new contracts with the Soviet Union for the purchase of natural gas for which negotiations have not been concluded.]

(d) [Allied governments agree to examine immediately whether their security interests require controls on the export to the Soviet Union and Eastern Europe of strategically significant advanced technology and equipment, to be jointly determined, but including technology with direct application to the oil and gas sector. Any actions would be agreed upon and implemented within a framework to be agreed.]'

GRS 690

CONFIDENTIAL

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FRAME [ECONOMIC]

FM BONN 261800Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 911 OF 26 OCTOBER

INFO IMMEDIATE UKDEL OECD UKREP BRUSSELS WASHINGTON TOKYO BMG BERLIN

INFO SAVING ATHENS EMBASSY BRUSSELS COPENHAGEN DUBLIN THE HAGUE

LUXEMBOURG PARIS ROME CGS IN FRG

MIPT (NOT TO ALL) : THE FEDERAL GOVERNMENT'S ECONOMIC POLICY

1. ALTHOUGH WE ARE STILL SHORT OF FACTS ON WHICH TO BASE CONSIDERED JUDGEMENTS YOU MAY FIND IT HELPFUL, IN PREPARING FOR THE UK/GERMAN CONSULTATIONS, TO HAVE AN ASSESSMENT FROM HERE OF THE FACTORS AFFECTING THE NEW GOVERNMENT'S ECONOMIC POLICY.

2. ECONOMIC POLICY POSES TRICKY PROBLEMS FOR THE GOVERNMENT. THEIR ROOM FOR MANOEUVRE IS NARROW. IT WAS DISAGREEMENT ABOUT ECONOMIC POLICY THAT BROUGHT THE LAST GOVERNMENT DOWN. BUT IN THE FOUR MONTHS TO MARCH THERE IS LITTLE PROSPECT OF ACHIEVING MUCH. IN ORDER TO MAKE THIS PLAIN TO THE VOTER THEY NEED TO EMPHASISE THE DIFFICULTIES OF THE SITUATION THEY HAVE INHERITED AND SHOW THAT TIME WILL BE NEEDED TO PUT IT RIGHT. AND THEY HAVE BEEN DOING THAT. BUT SUCH A LINE CAN DAMAGE THE GROWTH OF CONFIDENCE SO ESSENTIAL TO IMPROVING THE PROSPECTS FOR GETTING THE ECONOMY MOVING AGAIN. UNCERTAINTIES ABOUT THE DEVELOPMENT OF THE ECONOMY, ESPECIALLY ABOUT DEMAND AND INVESTMENT PROSPECTS, ARE INCREASED BY THE TEMPORARY CHARACTER OF THE GOVERNMENT. ROOM FOR MANOEUVRE IS FURTHER NARROWED BY THE NEED TO GET EARLY AGREEMENT ON A 1983 BUDGET SO AS TO MAKE IT POSSIBLE TO DISSOLVE THE BUNDESTAG IN TIME TO GO TO THE POLLS IN MARCH 1983.

3. BUNDESBANK PRESIDENT POEHL, AFTER ANNOUNCING REDUCTIONS IN THE BANK'S INTEREST RATES ON 22 OCTOBER (BONN TELNO 50 SAVING), URGED THE BANKS AND OTHER CREDIT INSTITUTES TO PASS ON THE REDUCTIONS TO THEIR CUSTOMERS. THIS ECHOED AN APPEAL THAT HE MADE, WITHOUT ANY MARKED SUCCESS, WHEN INTEREST RATES WERE LAST REDUCED (IN AUGUST) UNDER THE PREVIOUS GOVERNMENT (BONN TELNO 45 SAVING). ON THIS OCCASION HE WAS FLANKED BY STOLTENBERG WHO HAD ATTENDED THE BUNDESBANK'S BOARD MEETING THAT DECIDED THE NEW INTEREST RATE CUTS. MOST BANKS HAVE ALREADY FOLLOWED THE BUNDESBANK DOWN. ALTHOUGH BUDGETARY DIFFICULTIES ARE ACUTE, BOTH THE BUNDESBANK AND THE GOVERNMENT BELIEVE THAT THE UNDERLYING SITUATION OF THE ECONOMY IS SOUND AND PROVIDES FAVOURABLE CONDITIONS FOR GROWTH.

4. ON 27 OCTOBER THE CABINET WILL DECIDE ON STOLTENBERG'S BUDGET PROPOSALS. INDICATIONS WE HAVE HAD FROM THE FINANCE MINISTRY ARE THAT, FAR FROM CUTTING GOVERNMENT EXPENDITURE, THE NEW GOVERNMENT WILL ADOPT A BUDGET FOR 1983 PROVIDING FOR HIGHER EXPENDITURE (DM 254 BILLION) THAN THAT OF THEIR PREDECESSORS (DM 250.9 BILLION)

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/BUT

## CONFIDENTIAL

BUT BASED ON MORE OPTIMISTIC GROWTH ASSUMPTIONS). THE 1982 FIGURE IS DM 246 BILLION. WITHIN THIS TOTAL THERE WILL BE A SHIFT IN GOVERNMENT EXPENDITURE FROM CONSUMPTION TO INVESTMENT, AND WEAKER REVENUE ESTIMATES AND HIGHER UNEMPLOYMENT PAYMENTS WILL BE COVERED BY HIGHER BORROWING (DM 41 BILLION). GOVERNMENT SPOKESMEN HAVE JUSTIFIED THE INCREASE BY UNDERLINING THE NEED TO AVOID ACTING COUNTER-CYCLICALLY AT THIS POINT IN THE CYCLE, ESPECIALLY WHEN THE GOVERNMENT IS, IN ANY CASE, HAVING TO CUT SOCIAL SECURITY SPENDING TO KEEP PUBLIC SECTOR FINANCING UNDER CONTROL. THE PROPOSED REDUCTION IN PUBLIC EXPENDITURE ON PENSIONS, SICKNESS BENEFIT AND PUBLIC SECTOR PAY DOES NOT EXTEND TO CUTS IN UNEMPLOYMENT PAY, YET LAMBSDORFF AS A MINISTER IN THE PREVIOUS GOVERNMENT LOUDLY CHAMPIONED SUCH CUTS. WITH THE PROSPECT OF UNEMPLOYMENT RISING TO 2.5 MILLION THIS WINTER THERE IS OBVIOUS ATTRACTION IN AVOIDING GRASPING THIS PARTICULAR NETTLE.

5. THE REPORT OF THE 5 INSTITUTES PUBLISHED YESTERDAY IS RATHER CRITICAL OF GOVERNMENT POLICY AND, WITHOUT COMING TO ANY CLEAR CONCLUSIONS, EXPRESSES THE FEAR THAT POLICY COULD HAVE THE EFFECT OF WEAKENING ALREADY WEAK DEMAND FURTHER. THIS FEAR IS TO A CERTAIN EXTENT SHARED BY THE BUNDESBANK. SPECULATION AS TO THE IMPACT OF THE BUDGET IS RIFE. OBSERVERS ARE UNCERTAIN WHETHER ITS EFFECT WILL BE INFLATIONARY, DEFLATIONARY OR NEUTRAL. ONE COMMENTATOR SUMS THE SITUATION UP BY DESCRIBING THE BUDGET (NOT YET, OF COURSE, PRESENTED) AS QUOTE WITHOUT CONTOURS UNQUOTE. SINCE OCTOBER 1981, THE BUNDESBANK HAVE BEEN GRADUALLY EASING MONETARY POLICY. IT IS ACCEPTED THAT FURTHER EASEMENT OUGHT TO BE POSSIBLE IN DUE COURSE. THE NEW GOVERNMENT'S ACCEPTANCE OF THE NEED TO INCREASE BORROWING AND THE RELATIVE MODESTY OF THEIR ATTACK ON SOCIAL EXPENDITURE SUGGESTS THAT THEY TOO ARE CONSCIOUS OF THE DANGER OF DEFLATING THE ECONOMY AND WILL BE KEEN TO AVOID IT, ESPECIALLY IN THE RUN UP TO THE ELECTION NEXT MARCH.  
FCO PLEASE PASS SAVING TO ABOVE ADDRESSES EXCEPT CGS IN FRG.

TAYLOR

(REPEATED AS REQUESTED)

FRAME ECONOMIC

WED

RED(1)

<sup>2</sup>  
CONFIDENTIAL

GRS 545

CONFIDENTIAL

CONFIDENTIAL

FM BONN 261717Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 910 OF 26 OCTOBER

INFO IMMEDIATE MODUK BMG BERLIN

INFO ROUTINE UKDEL NATO UKREP BRUSSELS WASHINGTON PARIS

COPENHAGEN EAST BERLIN

INFO SAVING ANKARA ATHENS BRUSSELS DUBLIN THE HAGUE LISBON

LUXEMBOURG ROME OSLO OTTAWA REYKJAVIK MOSCOW CICC(G) ALL CONSULATES-  
GENERAL IN THE FRG.

ANGLO-GERMAN CONSULTATIONS, 28-29 OCTOBER: THE POLITICAL  
SITUATION IN THE FRG.

1. THE NEW FEDERAL GOVERNMENT, WHOM THE PRIME MINISTER, YOU AND YOUR COLLEAGUES WILL BE VISITING IN BONN THIS WEEK, HAVE COMMITTED THEMSELVES TO AN ELECTION NEXT MARCH. THEY MUST CONVINCE THE ELECTORATE BEFORE THEN OF THEIR FITNESS TO GOVERN. THEY INTEND TO ACHIEVE THIS BY AN APPEARANCE OF DETERMINATION, UNITY AND COMPETENCE RATHER THAN BY ORIGINALITY.
2. AT HOME, THEY WILL BE CONCENTRATING ON ECONOMIC POLICY. APART FROM OBTAINING QUICK AGREEMENT ON A 1983 BUDGET, THEIR MAIN AIM WILL BE TO PUT ACROSS THE MESSAGE THAT TIME IS NEEDED TO PUT RIGHT THE MESS THEY HAVE INHERITED. FOR MORE DETAIL, SEE MIFT (NOT TO ALL).
3. IN FOREIGN AFFAIRS, THERE WILL BE LOTS OF ACTIVITY BUT NOT MUCH NEW POLICY. THE NEW CHANCELLOR NEEDS TO CONVINCE THE ELECTORATE, AS WELL AS HIS ALLIES, OF THE CONTINUITY OF GERMAN FOREIGN POLICY AND OF HIS OWN CREDIBILITY, DESPITE HIS INEXPERIENCE, AS A WORLD STATESMAN IN SUCCESSION TO SCHMIDT. HE LACKS CHARISMA AND, IN FOREIGN AS IN HOME AFFAIRS, WILL NOT ATTEMPT FIREWORKS. CALM CONFIDENCE IS THE IMAGE HE PROJECTS. HIS FIRST MAJOR ENCOUNTER, WITH THE FRENCH LAST WEEK, WENT DISTINCTLY WELL: SEEING HIMSELF AS ADENAUER'S HEIR, HE INTENDS THAT THIS SHOULD REMAIN THE EUROPEAN RELATIONSHIP WHICH MATTERS MOST TO GERMANY. BUT HE WILL ALSO WISH TO BE SEEN TO GET ON WELL WITH HMG, ESPECIALLY GIVEN THE NOW GREATER POLITICAL AFFINITY BETWEEN THE GERMAN AND BRITISH GOVERNMENTS. AFTER HIS ENCOURAGING PRELIMINARY VISIT TO LONDON ON 19 OCTOBER KOHL WILL BE OPTIMISTIC THAT THIS CAN BE ACHIEVED IN A SUCCESSFUL SUMMIT THIS WEEK. AT THE SUMMIT, HE WILL OF COURSE BE READY TO DEVOTE TIME TO EC QUESTIONS, AND I AM SURE THAT IT WILL BE RIGHT FOR THE PRIME MINISTER TO EXPLAIN OUR CONCERNS VERY CLEARLY, MAKING THE MOST OF THE POINT THAT NO GOVERNMENT NOWADAYS CAN AFFORD TO GO ON BEARING AN UNFAIR SHARE OF THE COMMUNITY'S FINANCIAL BURDENS. BUT I THINK THAT KOHL'S MIND WILL ALREADY BE FOCUSED ON HIS VISIT TO WASHINGTON ON 14-15 NOVEMBER AND THAT HE WILL THEREFORE BE INTERESTED ABOVE ALL IN DISCUSSING TRANSATLANTIC RELATIONS.

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/PROSPECTS

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PROSPECTS FOR THE ELECTIONS

4. THE CDU/CSU ARE CURRENTLY PROFESSING CONFIDENCE THAT THEY WILL BE ABLE TO FORM A GOVERNMENT AFTER THE MARCH ELECTIONS, EITHER WITH THE FDP OR ALONE. THE FDP, BY CONTRAST, REMAIN VERY DIVIDED AND UNHAPPY. ATTACKS ON GENSCHER SHOW NO SIGN OF ABATING. WHILE HE SHOULD DEFEAT THE LEFT WING CHALLENGER, RONNEBURGER, FOR THE PARTY CHAIRMANSHIP AT THE PARTY CONFERENCE IN EARLY NOVEMBER, THE LEFT WING ARE THREATENING TO SPLIT THE PARTY IF HE DOES SO.

5. THE FDP'S PROSPECTS FOR STAYING IN THE BUNDESTAG AFTER THE ELECTIONS ARE THEREFORE DIM. KOHL CANNOT BE HAPPY ABOUT THIS: IF RETURNED TO POWER WITHOUT THE FDP HE WOULD LOSE HIS PERSONAL FRIEND GENSCHER AS VICE CHANCELLOR, AND WOULD ALMOST CERTAINLY HAVE TO REPLACE HIM WITH THE DIFFICULT AND POWERFUL STRAUSS.

6. SCHMIDT HAS JUST ANNOUNCED THAT HE WILL NOT STAND AS THE SPD'S CHANCELLOR CANDIDATE IN MARCH. HE IS LIKELY TO BE REPLACED BY EITHER BY HANS JOCHEN VOGEL, THE OPPOSITION LEADER IN BERLIN, OR CONCEIVABLY BY JOHANNES RAU, THE MINISTER PRESIDENT OF NORTH RHINE WESTPHALIA. WITHOUT SCHMIDT, THE SPD ARE UNLIKELY TO WIN MORE SEATS THAN THE CDU/CSU IN THE ELECTIONS. BUT THE ELECTIONS COULD PRODUCE A HUNG PARLIAMENT WITH THE GREENS HOLDING THE BALANCE. THAT WOULD OPEN VARIOUS POSSIBILITIES, INCLUDING A MINORITY CDU/CSU GOVERNMENT OR A GRAND COALITION OF CDU/CSU AND SPD.

FCO PLEASE PASS SAVING ALL ADRESSEES EXCEPT CICC(G) AND CONSULATES-GENERAL IN THE FRG.

(REPEATED AS REQUESTED)

TAYLOR

FCO/WHITEHALL  
WED

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CONFIDENTIAL





From the Secretary of State

*Targeted in most  
deputy.  
= Attorney ->  
fill up the need for  
US money  
from country*

*Thanks - - (van r)  
(family)  
Full of goodwill.*

*11*

CONFIDENTIAL

Michael Scholar Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
London  
SW1

*Point of discussion  
Public Affairs -  
Home visit*

*Political economy  
of the  
Summit*

*Comments on  
summary*

26 October 1982

*Dear Michael,*

*U.S. President*

ANGLO-GERMAN SUMMIT: PROTECTIONISM

At her briefing meeting this afternoon the Prime Minister asked for a note of some examples of what might be termed German protectionism.

The most glaring relate to the services sector, notably:-

Insurance:

the Germans are among the most rigid Community countries in their insistence on retaining national controls, impeding operation of the proposed non-life insurance services directive and so obliging United Kingdom insurance companies to establish subsidiaries in Germany rather than write business for German policyholders direct from the United Kingdom.

Air Transport:

again the Germans are one of the most illiberal of our partners. Their attitude to the modest Community reforms that have been proposed - in respect of both fares and new services - is dominated by regard to the cost of support for their railways and by energy-conservation considerations.



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*From the Secretary of State*

Road Transport:

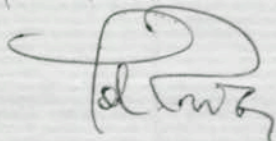
the Germans have a very restrictive quota against movements by lorries operated by, and from, other Member States. The United Kingdom is permitted only 40,000 lorry movements per annum: our quota is particularly small, being based on our pre-Accession trade pattern. We operate a similar quota only by means of retaliation. Germany's quota is only matched in its severity by the Italians'.

In trade in goods, the German market is in theory as open as any. However, the operation of their machinery safety regulations creates, in practice, as the Germans well know, significant impediments to the sale of foreign machinery, particularly if it is not constricted to a German standard.

A celebrated German non-tariff barrier is the medieval law on the "purity of beer", which in practice prevents the sale of foreign beer in Germany. This has, we believe, recently caught M. Mitterand's attention, and the Commission are at last taking the matter up in Bonn.

The Prime Minister will no doubt prefer to avoid the area of public procurement.

I am copying this to John Kerr (Treasury), Brian Fall (FCO) and to Jonathan Spencer (Industry).

Yours sincerely,  


JOHN RHODES  
Private Secretary

GRS 705

CONFIDENTIAL

TOP COPY 301

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FM BONN 251510Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 907 OF 25 OCTOBER

INFO IMMEDIATE MODUK UKDEL NATO PARIS WASHINGTON

INFO ROUTINE CICC(G)

auto xpa WRG 060/1

WRG 060/1  
27/10

WRG 060/1  
27 OCT 1982

CALL ON DEFENCE MINISTER WOERNER.

1. I PAID MY INITIAL CALL ON DR MANFRED WOERNER TODAY, ACCOMPANIED BY MY DEFENCE ATTACHE. WOERNER LOOKED MORE TIRED THAN WHEN I LAST SAW HIM BUT WAS VERY FRIENDLY AND SAID HE WAS MUCH LOOKING FORWARD TO HIS MEETING WITH MR HOTT ON THURSDAY.

2. HE SAID THE GREATEST PROBLEM HE HAD INHERITED WAS THE TIGHT FINANCIAL CONSTRAINTS OF NEXT YEAR'S BUDGET. HE WOULD NOT GET ANY MORE MONEY BUT WAS REVIEWING THE BUDGET TO SEE HOW BETTER TO APPORTION WHAT HE HAD.

3. HIS FIRST PRIORITY WAS THE NEED TO DO SOMETHING ABOUT PERSONNEL PROBLEMS IN THE BUNDESWEHR. THE PREVIOUS GOVERNMENT'S POLICIES HAD LEFT THEM SHORT OF LONG SERVICE SOLDIERS: HE HOPED TO START RECRUITING MORE NOW SO AS TO BEGIN TO ALLEVIATE THE PREDICTED UNDERMANNING AT THE END OF THE DECADE. HE INTENDED TO TAKE MEASURES TO REDUCE PROMOTION BLOCKAGES. HE WANTED TO HONOUR PREVIOUS AGREEMENTS, OR MAKE NEW ONES, OVER EXTRA PAY FOR LONG HOURS WORKED. BUT ALL THIS WOULD COST MONEY AND NOT EVERYTHING COULD BE ACHIEVED AT PRESENT. NEW PLANNING WAS NEEDED SO THAT AFTER THE FEDERAL ELECTIONS ON 6 MARCH A NEW START COULD BE MADE.

4. HE WAS FIRM ON NUCLEAR ISSUES. THE CDU/CSU GOVERNMENT WAS MUCH MORE UNITED ON THESE THAN THEIR PREDECESSORS. THE CHANCELLOR AND HE WERE SPEAKING FIRMLY. ONLY ONE PROMINENT CDU MEMBER, BIEDENKOPF (LEADER OF CDU NORTH RHINE-WESTPHALIA), HAD A DIFFERING PHILOSOPHY (NAMELY TO INCREASE CONVENTIONAL CAPABILITY TO A POINT WHERE NUCLEAR WAR COULD BE AVOIDED) BUT EVEN THIS PRESENTED NO REAL PROBLEM. THE FEDERAL GOVERNMENT WOULD HONOUR THEIR INF STATIONING AGREEMENTS. THEY WOULD BE MORE OPEN WITH THE POPULATION ABOUT THESE PROBLEMS (HE DID NOT MAKE IT CLEAR WHEN THEY WERE GOING TO ANNOUNCE THE SITES AS HE WISHED TO DO). HE EXPECTED DEMONSTRATIONS BUT FELT THEY COULD BE KEPT UNDER CONTROL.

5. WOERNER WAS CLEAR ON THE NEED TO NEGOTIATE ON THE BASIS OF A ZERO OUTCOME. THE FEDERAL GOVERNMENT WOULD NOT GIVE WAY ON THAT POINT IN PUBLIC, THOUGH HE SUGGESTED THAT ONCE THE SOVIET SIDE SHOWED A WILLINGNESS TO REDUCE THEIR CAPABILITY (WHICH WOULD NOT HAPPEN BEFORE THE FEDERAL ELECTIONS) ONE WOULD IN EFFECT HAVE A NEW SITUATION AND IT MIGHT THEN BE WORTH PRIVATELY REASSESSING THE AIMS. HE WAS QUITE CLEAR ON THE NEED TO CONTINUE TO EXCLUDE FRENCH AND BRITISH WEAPONS FROM US/SOVIET TALKS.

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/6. HE

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6. HE WAS INTERESTED IN THE DISARMAMENT RESOLUTIONS PASSED AT THE LABOUR PARTY CONFERENCE. I POINTED OUT THAT THESE WERE NOT BINDING AND IT WAS IMPOSSIBLE TO FORECAST WHAT A LABOUR GOVERNMENT, IF IT GOT INTO POWER, WOULD DO.

7. HE ASKED WHAT SUBJECTS MR NOTT WAS LIKELY TO RAISE. I SAID THAT HE WOULD BE KEEN TO HEAR ABOUT WOERNER'S TALKS WITH THE FRENCH. HE SAID HE WOULD BE PLEASED TO GIVE A FULL ACCOUNT. HE WENT ON TO TOUCH ON SOME ASPECTS (SEE MIFT).

WRF 020/3

8. I SAID THAT TWO ISSUES PARTICULARLY CONCERNING US WERE THE MOU'S ON ARMS SALES (WHICH I HOPED COULD BE MADE RETROSPECTIVE TO COVER TORNADO ETC) AND THE AGILE COMBAT AIRCRAFT. ON THE FORMER WOERNER SAID THAT HE HOPED THAT PROPER MOU'S COULD GIVE MORE FLEXIBILITY THAN THE PRESENT SYSTEM. POLICY HAD NOT YET BEEN CONSIDERED BY THE NEW GOVERNMENT AND IT WOULD BE DIFFICULT TO REACH DECISIONS BEFORE THE ELECTIONS. HE WARNED, HOWEVER, THAT ARMS EXPORT POLICY AS A WHOLE WAS A DIFFICULT SUBJECT AND THE CDU/CSU WERE LIKELY TO WANT TO SHOW GREAT CAUTION.

9. HE SAID HE WAS WELL AWARE OF THE ARGUMENTS PUT FORWARD IN FAVOUR OF THE AGILE COMBAT AIRCRAFT PROJECT BUT WAS FEARFUL OF ANYTHING THAT COULD RUN INTO THE SAME SORT OF FINANCIAL TROUBLE AS TORNADO. HE WOULD BE APPROACHING THE PROJECT VERY CAREFULLY. HE WAS UNDER SIMILAR PRESSURE FROM THE FRENCH. IT WAS NOW NECESSARY TO DEFINE THE THREAT AND THEN SEE WHAT WAS REALLY NEEDED TO MEET IT. HE WAS FIRM THAT HE WOULD BE IN NO POSITION TO MAKE ANY DECISIONS INVOLVING DEVELOPMENT UNTIL AFTER THE ELECTIONS, AND THAT NO FINANCIAL SUPPORT COULD BE OFFERED TO MBB AT PRESENT.

10. WOERNER STATED HOW MUCH HE VALUED THE BRITISH CONTRIBUTION TO THE ALLIANCE AND HOW MUCH HE RESPECTED OUR ARMED FORCES. WE SPOKE ABOUT OUR COMMITMENT TO THE FORWARD DEFENCE OF GERMANY. HE WILLINGLY ACCEPTED IN PRINCIPLE MY INVITATION TO VISIT BRITISH FORCES IN GERMANY BUT SAID IT WOULD HAVE TO WAIT A WHILE THOUGH HE WOULD LOOK AT THE POSSIBILITY OF VISITS TO AMERICAN AND BRITISH FORCES IN JANUARY NEXT. HE REMARKED THAT HE HAD ONCE FLOWN IN A HARRIER AND WAS IMPRESSED BY THE QUALITIES OF THE AIRCRAFT.

11. IN SUM, IT WAS A USEFUL MEETING. MR NOTT SHOULD FIND WOERNER VERY WELL DISPOSED TOWARDS US.

TAYLOR  
LIMITED  
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DEF D  
ACDD  
NAD  
PUSD

[COPIES SENT TO NO 10 DOWNING STREET]

PS  
PS/MR HURD  
PS/PUS  
SIR J BULLARD

MR WRIGHT  
MR GOODISON  
MR GILLMORE  
CABINET OFFICE

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Original filed on PH Tom May 1982  
Bonn Summit Admin.

Germany

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CONFIDENTIAL



JF1776  
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

25 October 1982

John Coles Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Prime Minister

At present the Foreign and Defence Secretaries  
and the Cancellor will accompany you.

Do you wish Mr. Jenkin to come as  
well? Yes

Dear John,

25.  
A. S. C. 6

ANGLO-GERMAN SUMMIT

My Secretary of State had not hitherto suggested that he should be included in the party for the Summit on the assumption that he would have recently had a detailed exchange of views with his opposite number, Count Lambsdorff, at an Industry Ministers' meeting in Brussels.

2 Since the US/EC Steel problem was in the event settled without such a meeting, no exchange has yet taken place.

But it now seems all the more desirable, first to repair bridges with the Germans, which were a little damaged by their difficult behaviour on the US case, and secondly to prepare a concerted position on state aids, before the EC Ministerial meeting on 18 November in Denmark. According to Davignon, the Germans are not offering significant capacity reductions in exchange for fairly massive state aid, and are vacillating somewhat in the expectation of a difficult election next March.

My Secretary of State referred in the Commons Statement today to the consultations he intended to have with colleagues before 18 November. He will be talking to Chevenement the following week, and it would be appropriate that he did the same with Lambsdorff.

3 The FCO are content that we should approach you about the possibility of including our Secretary of State in the Summit and have confirmed that Lambsdorff is due to attend.



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4 I am sending a copy of this letter to Margaret O'Mara (Treasury), Chris Greenwood (FCO), Richard Mottram (Defence), Muir Russell (Scottish Office), Carys Evans (Welsh Office), John Rhodes (Trade) and to Richard Hatfield (Cabinet Office).

*Yours ever,*

*Caroline Varley*

CAROLINE VARLEY  
Private Secretary



Foreign and Commonwealth Office

London SW1A 2AH

20 October 1982

*Dear Sir,*

Prime Minister's Visit to Berlin: 29 October

Thank you for your letter of 13 October.

I enclose a draft speech (which Mr Pym has not yet seen) of about 1750 words on Britain's support for freedom. It incorporates most of the ideas set out in my letter of 11 October. It also includes a passage on Poland, which we think would be timely.

I enclose also a background note on the Golden Book ceremony, at which we have suggested (my letter of 14 October) the Prime Minister might make her speech.

*Yours ever,*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

PRIME MINISTER'S VISIT TO BERLIN: 29 OCTOBER  
GOLDEN BOOK CEREMONY

1. It is a tradition in Berlin, as in other German cities, that distinguished visitors should sign a 'Golden Book'. Berlin's Golden Book dates from 1916 and contains inter alia the 1978 signature of HM The Queen.
2. On this occasion it has been suggested that the Golden Book Ceremony should take place in the Brandenburg Hall in the Rathaus Schoeneberg. It would begin with the Governing Mayor making a speech, following which he would invite the Prime Minister to sign the Golden Book and deliver her speech in reply. Chancellor Kohl would then also speak. An exchange of gifts between the Prime Minister and the Governing Mayor could then take place, after which the Prime Minister could mingle with some of the 500-700 guests expected.
3. There would be press and television coverage and written translations of the speeches would be available to journalists.



Germany, Mtg. with  
Kohl in Germany, 1994

20 OCT 1994

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FIVE

RM.

Germany

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG  
CABINET OFFICE

ANGLO/GERMAN SUMMIT

We discussed your minute of 8 October and agreed that preparations for the Summit would go ahead on the basis of the proposals which you have outlined.

A. J. COLES

14 October, 1982

A

Robin Butler Esq



*With  
the Compliments of  
Sir Frank Cooper, G.C.B., C.M.G.  
Permanent Under-Secretary of State*

MINISTRY OF DEFENCE  
SW1A 2HB

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*Germany*



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MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2193 (Direct Dialling)

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PERMANENT UNDER-SECRETARY OF STATE

SIR FRANK COOPER GCB CMG

PUS/82/1243

61/1/38

*A-J-C. 14/10  
f-a.*

Sir Robert Armstrong KCB CVO  
Cabinet Office  
Whitehall  
SW1

14 October 1982

*Dear Sir Robert*

ANGLO/GERMAN SUMMIT: 28/29 OCTOBER

Antony Acland wrote to you on 6 October about the list of subjects, objectives and briefing arrangements for this Summit.

2. With regard to the check list of subjects for discussion I have one important addition to suggest under Section 3. This is the need to reach a better understanding with the new German Government on the policy governing overseas sales of collaborative equipment with particular reference to Tornado. As you know we have experienced considerable difficulty in reaching agreement on this subject with the former German Government and we hope that the Summit will give us an opportunity to establish a more liberal regime with the Kohl administration. I therefore propose that we add to Section 3: "Sales of collaborative military equipment overseas and warn the Germans in advance that we wish to discuss this. It is for decision later whether we advise the Prime Minister to raise it but the point is very important.

3. As for the objectives, I do not dissent from Paragraph 4 of the UK list: closer discussions with an ally as important as the FRG must as a matter of principle be welcome. But I have asked our people, when preparing briefs in consultation with FCO, to give thought to precisely what the UK might hope to gain from this closer relationship. As you know, we were hoping to broaden the agenda of the periodic trilateral FRG/France/UK meetings of Defence Ministers on procurement issues to include political subjects: we believed that the French, as hosts for the next round, shared this wish and would approach the Germans. But lately the French have been inexplicably coy on this, for reasons that are not clear: we may therefore have to concentrate on bilateral contacts with consequent revision of our aims. There is of course no shortage of subjects on which we would benefit from a

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clearer understanding of German thinking, and on which we would have ideas of our own to put forward: some examples are better use of existing resources, procurement collaboration and the new tactical concepts, largely of US origin - and quite likely to be contentious - which are now surfacing in the Alliance.

4. For the rest, might I register MOD's interest in being consulted on a number of briefs other than those on strictly defence topics? In the FCO proposed list, DS12 have an interest in 2e, 3, 4, 5 and 6; DS11 in 5, 11a, b, c, d, h; DS13 in 4; DS17 in 7; and DS5 in 11f.

5. I am copying this letter to Antony Acland and to Robin Butler at No 10.

*Yours sincerely*

*Frank Cooper*

FRANK COOPER

*(approved by Sir Frank and signed in his absence)*

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Sir Peter Carey GCB  
Permanent Secretary

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 7003  
SWITCHBOARD 01-212 7676

14 October 1982

Sir Antony Acland KCMG KCVO  
Foreign and Commonwealth Office  
Downing Street  
LONDON SW1

*MR 19/10  
f.a.*

*Dear Antony,*  
ANGLO-GERMAN SUMMIT: 28-29 OCTOBER

I am content with the arrangements you propose in your letter of 6 October to Sir Robert Armstrong.

We will contribute to Brief Nos 4 - the pipeline - and 13, where we had better include a reference to the Anglo-German Foundation, in case it is raised. Given the rapidly evolving situation on steel, it would seem prudent to make provisions in the list of briefs for the Prime Minister to have a separate brief on the issues involved. We would also like to be consulted in the drafting of Brief Nos 2(a), (b) and (c).

*Yours sincerely,*

*Peter*

Peter Carey

Germany

Pm's mtg's with Schmidt.

13 OCT 1984





10 DOWNING STREET

From the Private Secretary

13 October 1982

Bf

Prime Minister's Visit to Berlin, 29 October

Thank you for your letter of 11 October.

The Prime Minister is prepared to make a speech during her visit to Berlin. She would not want to speak for more than 15 minutes. Perhaps we could consider the venue again, when you are able to supply details of the Prime Minister's programme in Berlin. We shall need to select a venue which will ensure maximum publicity for the speech.

It would be most helpful if a draft on the lines set out in your letter could reach me by not later than Wednesday 20 October. I think that the Prime Minister will wish to deal with most of the themes you suggest, but will be looking for fresh language and, perhaps, a particularly striking section on the importance of Berlin as a symbol of freedom.

A. J. COLES

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

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DW  
**CONFIDENTIAL**

*Germany*

Cabinet Office,  
70 Whitehall,  
London, SW1

PS(82) 24

13th October 1982

Dear Private Secretary,

Anglo-German Summit: 28th-29th October 1982

This letter sets out the briefing arrangements for the Anglo-German Summit which is to take place in Bonn on 28th-29th October 1982.

The objectives for the visit have not yet been approved by the Prime Minister but her office have agreed that briefing arrangements should be put in hand on the basis of the list of objectives at Annex A. The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex B. Instructions on format are at Annexes C and D. Those preparing briefs should note carefully the details on the format of briefs set out in Annex C. Departments should, therefore, aim to ensure that, apart from the Steering Brief, individual subject briefs do not exceed two sides of paper.

70 copies of each brief should be sent to the Cabinet Office as soon as they are ready. They should reach the Cabinet Office by 5.00 pm on Thursday, 21st October. They should be addressed to Mr. R.D. Roscoe in Committee Section, who should be consulted (tel. no. 233 7343) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Sir Douglas Wass, Sir Frank Cooper, Sir Peter Carey, Sir Brian Hayes, Sir Kenneth Couzens, Mr. Michael Franklin, Sir Kenneth Barnes and Mr. John Sparrow, and to John Coles at No. 10.

Yours sincerely,

(Signed) LINDSAY WILKINSON (MISS)

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ANGLO-GERMAN SUMMIT: 28th-29th OCTOBER

## UNITED KINGDOM OBJECTIVES

Primary

1. To establish a good working relationship with the new Federal Government.
2. To stress the importance of finding a fair and lasting solution to the Budget problem, while emphasising Her Majesty's Government's commitment to the European Community and our common ground with the Germans on many Community issues (economic policy, enlargement).
3. To discuss how to improve transatlantic relations; exchange views on East/West political and economic relations; to consider world economic and monetary problems, including international indebtedness; to co-ordinate positions on international trade issues to be discussed at the GATT Ministerial meeting and UNCTAD VI.

Subsidiary

4. To reaffirm our commitment to maintain British Forces in Germany and to test the water on the possibility of closer bilateral discussions on the future of defence policy in Europe.
5. To explain British policy on the Falklands and to seek German diplomatic support at the UNGA.
6. To underline our interest in and enlist German support for securing early agreement on the Common Fisheries Policy; to respond positively to any German priorities on Economic Community issues, e.g. Genscher/Colombo, which are not inimical to our interests.
7. To seek convergence of views on other current international issues particularly the Middle East.

## PROBABLE GERMAN OBJECTIVES

Primary

1. To stress that a CDU/FDP Government intends to work even more effectively with Her Majesty's Government than its SDP/FDP predecessor.
2. To explain that the broad outline of German foreign policy will remain unchanged, but emphasise the need to improve transatlantic relations and to take a firm view of relations with the Soviet Union.

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3. To try to advance the Genscher/Colombo proposals and to sound out the prospects for future discussions of the Community budget dispute.

Subsidiary

4. To reach the widest possible agreement with us on East/West political and economic relations and world economic and monetary problems.

5. To assure themselves that the balance of United Kingdom defence policy will not be altered by the Falklands dispute and in particular that BAOR will not be reduced.

6. To concert strategy on enlargement and to seek United Kingdom support for German interests on other Economic Community issues, notably Turkish immigrant workers.

7. To exchange views on other current international issues, particularly on the Falklands and the Middle East.

LIST OF BRIEFS FOR ANGLO-GERMAN SUMMIT:  
28th-29th OCTOBER 1982

<u>PMVX(82)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
1.	Steering Brief	FCO/ <u>WED</u>	As appropriate
2.	European Questions		
	a. Steering Brief on the European Community	FCO/ <u>ECD(I)</u>	As appropriate
	b. EC Budget	FCO/ <u>ECD(I)</u>	Treasury, MAFF
	c. Enlargement	FCO/ <u>ECD(E)</u>	Treasury, Trade, MAFF, Employment
	*d. EC/Turkey	FCO/ <u>ECD(E)</u>	Employment
	e. European Act	FCO/ <u>ECD(I)</u>	As appropriate
	f. Franco-German Relations	FCO/ <u>WED</u>	As appropriate
	g. CFP	MAFF	FCO/ <u>ECD(I)</u>
	h. EMS (Defensive)	Treasury	FCO/ <u>ECD(I)/ESD</u>
3.	Transatlantic Relations	FCO/ <u>NAD/ECD(E)</u>	As appropriate
4.	East/West Economic Relations and the Pipeline	FCO/ <u>TRED/EESD</u>	As appropriate
5.	East/West Political Relations (including Afghanistan)	FCO/ <u>EESD</u>	FCO/ <u>SAD</u>
6.	Poland	FCO/ <u>EESD</u>	Treasury, Trade
7.	CSCE	FCO/ <u>CSCE Unit</u>	
8.	Inner German Relations	FCO/ <u>WED</u>	
9.	Defence Matters	MOD	FCO/ <u>Defence Dept.</u>
10.	Arms Control and Disarmament	FCO/ <u>Def. Dept</u>	MOD, FCO/ <u>ACDD</u>
11.	World Political Issues		
	a. Arab/Israel and Lebanon	FCO/ <u>NENAD</u>	
	b. Europe/Latin America (including the Falklands)	FCO/ <u>FID</u>	FCO/ <u>SAmD</u> , Defence, UND

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<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
c. British Policy towards China (including Hong Kong)	FCO/[FED]	FCO/[HKGD]
*d. Iran/Iraq and the situation in the Gulf	FCO/[MED]	-
*e. North/South Dialogue	FCO/[ERD]	
*f. UNLOSC	FCO/[MAED]	
*g. EC/ASEAN	FCO/[ECD(E)]	FCO/[SEAD]
*h. Southern Africa/Namibia	FCO/[SAID]	
*i. Cambodia	FCO/[SEAD]	
12. International Economic and Monetary Questions		
a. Prospects for the World (including US Economic Policy)	Treasury	FCO/[ERD/ESID]
b. International debt problems	Treasury	FCO/[ERD/ESID]
c. International Trade Problems (including protectionism, Japan, GATT Ministerial)	Trade	FCO/[TRED/ECD(E)]/ FED] Treasury
13. Anglo-German Bilateral Questions	FCO/[WED]	As appropriate
14. FRG Scene		
a. Political	FCO/[WED]	
b. Economic	Treasury	

\*Denotes background brief

INSTRUCTIONS ABOUT FORMAT

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex D. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should if possible be no more than two sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.

Layout

- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) As shown in the specimen at Annex D, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (e. g. PMVX(82) 10) with the date of circulation below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

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

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

Updating

- (i) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the form described at (e) above, with the brief number (e.g. PMVX(82) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation. Revised briefs and corrigenda should be similarly treated.
- (j) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.

CLASSIFICATION

ANNEX D

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

PMVX(82) Serial Number as specified in Annex B COPY NO. in red

Date

ANGLO-GERMAN SUMMIT  
28-29 OCTOBER 1982

Leave 1½"  
margin

SUBJECT Insert subject in capitals

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

---

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

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

Date of origin

CLASSIFICATION





10 DOWNING STREET

*From the Private Secretary*

MISS WILKINSON  
CABINET OFFICE

---

Prime Minister's Briefing Meeting for Anglo/  
German Summit

---

Thank you for your minute of 12 October.  
I agree that those whom you list should attend  
the briefing meeting at 4.30 pm on Wednesday  
27 October.

A. J. COLES

13 October 1982

PRIME MINISTER

FILE

PM

ANGLO/GERMAN AND ANGLO/FRENCH SUMMITS

I shall put to you the names of our proposed delegations to these summits for your approval. But as during my time here I have not had to arrange a major outward summit could I seek your guidance on the following.

I assume that, in accordance with your normal practice, you will want to keep the delegation as small as possible.

You have already indicated which Ministers you wish to take (for Bonn, the Foreign and Defence Secretaries and the Chancellor; for Paris the Foreign Secretary, the Chancellor, the Trade and Industry Secretaries, the Minister of Agriculture and, if the French agree, the Defence Secretary).

Do you agree that for each summit each Minister may have with him a Private Secretary and not more than one senior adviser - except that, in the case of the FCO, not more than two advisers should be allowed (one a specialist on Community affairs; one for other matters)?

You should know, in addition, that Sir Robert Armstrong has made a bid to come to both summits. I doubt if this is strictly necessary. He is seeing his new German opposite number here on 19 October, would you like me to say that we should prefer to stick to the usual practice whereby the Cabinet Secretary of course attends the Economic Summit but not bilateral summits?

A. J. COLES

13 October, 1982



RESTRICTED

MR. COLES

Prime Minister's Briefing Meeting for Anglo/German Summit:  
28th-29th October 1982

I should be grateful for your agreement to the following Ministers being invited to attend the Prime Minister's briefing meeting at 4.30 pm on Wednesday, 27th October:

Chancellor of the Exchequer  
Foreign and Commonwealth Secretary  
Secretary of State for Defence

and also the following officials:

Sir Kenneth Couzens, Treasury  
Sir Antony Acland, FCO  
Sir Julian Bullard, FCO  
Sir Jock Taylor, HM Ambassador, Bonn  
Sir Frank Cooper, MOD  
Sir Brian Hayes, MAFF  
Mr. M. D. M. Franklin, Department of Trade  
Mr. D. H. A. Hannay, FCO  
Sir Robert Armstrong, Cabinet Office  
Mr A. D. S. Goodall, Cabinet Office

Lindsay Wilkinson

12th October 1982

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

11 October 1982

*John John,*Prime Minister's Visit to Berlin, 29 October

The precise timing of the Prime Minister's visit and the details of her programme have yet to be worked out. Mr Pym hopes, however, that she will agree to give a speech of about 15 minutes, either in the Chamber of the House of Representatives or after dinner. The audience will for the most part comprise prominent Berliners. Mr Pym would like to suggest as a theme for the Prime Minister's speech "Britain's support for Freedom".

The Prime Minister could begin by expressing pleasure at her visit to Bonn and Berlin and stressing the value of this first consultation with the new German government. She could speak of the importance of Berlin as a symbol of freedom since 1945 and of the example which the Berliners have given of how to cope with adversity. Mrs Thatcher could then turn briefly to the Falklands crisis and explain how Britain defended the principles of freedom and self-determination, having first established beyond any doubt that Argentina was not willing seriously to negotiate and with the minimum possible use of force.

The next section could cover Britain's contribution to Western defences, notably in Berlin and ~~West Germany~~ and also emphasise the importance we attach to arms control negotiations. That could lead into a passage emphasising the need for Western solidarity, with the theme that the things which unite the West far outweigh the inevitable differences among individual states over specific policies. The EC and especially political co-operation could possibly also be mentioned here. The speech could then culminate with a clear reiteration of Britain's commitment to Berlin and its future freedom.

/A passage

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A passage about economic freedom and the economic policies of HMG could be inserted, if the Prime Minister wished, before the peroration about Berlin.

I should be grateful to know if the Prime Minister is content with this outline.

*Your own*

A handwritten signature in blue ink, appearing to read 'R B Bone', written in a cursive style.

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

CONFIDENTIAL

11.11.1982





Ref. A09693

MR COLES

Anglo-German Summit: 28th-29th October

As you know, when the Prime Minister spoke to Dr Kohl on 1st October he agreed that the scheduled dates for the next Anglo-German Summit, 28th-29th October, should stand. The purpose of this minute is to initiate the serious planning and briefing for the Summit although we are still discussing the details of the programme with the Germans and there may yet be some changes.

2. As things stand at present I would expect the Prime Minister to leave London after Question Time on the 28th and to remain in Bonn up to and including lunch on the 29th. She would then fly to Berlin from where she would return to London after dinner that evening. Other Ministers would travel separately, arriving at around 1700 on the 28th and returning to London after lunch on the 29th. Your letter of 1st October indicated that the Prime Minister would wish to be accompanied by the Foreign and Commonwealth Secretary, the Secretary of State for Defence and the Chancellor of the Exchequer; but the Germans, as hosts, may yet come up with other proposals.

3. This Summit could have unusual significance, given that it will be Dr Kohl's first, and I believe that our main objective should therefore be to establish a good working relationship with Dr Kohl and his team. We shall clearly need to bring home to him the case for a lasting solution to the Community budget problem, but it will be important to set this in the context of our common interest in the healthy development of the Community as a whole and our shared views on economic policy and enlargement. For their part the Germans are likely to push the Genscher/Colombo proposals. Otherwise we can expect the main themes to be transatlantic and East/West relations and defence. Dr Kohl may not have much to contribute to an exchange on international economic and monetary policy, but will be interested to hear our views, as well as the Prime Minister's reflections on her Far East tour.



- 4. In accordance with normal practice I enclose a check list of subjects for discussion, based on proposals from the German side which have been agreed by the Departments concerned. We shall be telling the Germans that we expect the main themes to be transatlantic and East/West relations, the Community, international economic and monetary policy, and defence. I also enclose an assessment of British and German objectives for the meeting and a suggested list of briefs, the preparation of which will be coordinated in the usual way by the Cabinet Office. I propose that we should aim to submit these to the Prime Minister on Friday 29<sup>th</sup> October in time for her to see them over the weekend prior to the briefing meeting on Wednesday 26th October.

5. I would be grateful if you would seek the Prime Minister's approval for preparations for the Summit to go ahead on the basis of the proposals outlined above.

REA

ROBERT ARMSTRONG

8th October 1982





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ANGLO-GERMAN SUMMIT, 28th-29th OCTOBER

Check List of Subjects for Discussion

1. European Questions
  - EC Budget
  - Enlargement
  - EC/Turkey
  - European 'Act'
  - CFP
  - Franco-German Summit, 21st-22nd October
  - Prospects for December European Council and German Presidency
2. West/West and East/West Questions
  - Transatlantic Relations (including Steel)
  - East/West Economic Relations (including Pipeline)
  - Poland (including Rescheduling)
  - CSCE
  - Inner German Relations
3. Defence and Disarmament Questions
  - British Defence Policy after the Falklands (including BAOR)
  - German Defence Policy (including the Report of the long term Defence Planning Commission)
  - INF
  - START
  - Conventional Arms Control in Europe (MBFR, CDE)
4. World Political Questions
  - Arab/Israel and Lebanon
  - Europe/Latin America (including the Falklands)
  - British Policy towards China (including Hong Kong)
  - Central America
  - Iran/Iraq and the Situation in the Gulf



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Afghanistan

North/South Dialogue

UNLOSC

EC/ASEAN

Southern Africa/Namibia

Cambodia

5. International Economic and Monetary Questions

6. Bilateral Questions

Co-operation in Radio and Television

Telecommunications Questions (for Industry Ministers only,  
if they attend)

conqueror



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ANGLO-GERMAN SUMMIT: 28th-29th OCTOBER

UNITED KINGDOM OBJECTIVES

Primary

1. To establish a good working relationship with the new Federal Government.
2. To stress the importance of finding a fair and lasting solution to the Budget problem, while emphasising Her Majesty's Government's commitment to the European Community and our common ground with the Germans on many Community issues (economic policy, enlargement).
3. To discuss how to improve transatlantic relations; exchange views on East/West political and economic relations; to consider world economic and monetary problems, including international indebtedness; to co-ordinate positions on international trade issues to be discussed at the GATT Ministerial meeting and UNCTAD VI.

Subsidiary

4. To reaffirm our commitment to maintain British Forces in Germany and to test the water on the possibility of closer bilateral discussions on the future of defence policy in Europe.
5. To explain British policy on the Falklands and to seek German diplomatic support at the UNGA.
6. To underline our interest in and enlist German support for securing early agreement on the Common Fisheries Policy; to respond positively to any German priorities on Economic Community issues, e.g. Genscher/Colombo, which are not inimical to our interests.
7. To seek convergence of views on other current international issues particularly the Middle East.

PROBABLE GERMAN OBJECTIVES

Primary

1. To stress that a CDU/FDP Government intends to work even more effectively with Her Majesty's Government than its SDP/FDP predecessor.
2. To explain that the broad outline of German foreign policy will remain unchanged, but emphasise the need to improve transatlantic relations and to take a firm view of relations with the Soviet Union.



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3. To try to advance the Genscher/Colombo proposals and to sound out the prospects for future discussions of the Community budget dispute.

Subsidiary

4. To reach the widest possible agreement with us on East/West political and economic relations and world economic and monetary problems.

5. To assure themselves that the balance of United Kingdom defence policy will not be altered by the Falklands dispute and in particular that BAOR will not be reduced.

6. To concert strategy on enlargement and to seek United Kingdom support for German interests on other Economic Community issues, notably Turkish immigrant workers.

7. To exchange views on other current international issues, particularly on the Falklands and the Middle East.

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LIST OF BRIEFS FOR ANGLO-GERMAN SUMMIT:  
28th-29th OCTOBER 1982

	<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
1.	Steering Brief	FCO [WED]	As appropriate
2.	European Questions		
	a. Steering Brief on the European Community	FCO [ECD(I)]	As appropriate
	b. EC Budget	FCO [ECD(I)]	Treasury, MAFF
	c. Enlargement	FCO [ECD(E)]	Treasury, Trade MAFF, Employment
	*d. EC/Turkey	FCO [ECD(E)]	Employment
	e. European Act	FCO [ECD(I)]	As appropriate
	f. Franco-German Relations	FCO [WED]	As appropriate
	g. CFP	MAFF	FCO [ECD(I)]
3.	Transatlantic Relations	FCO [NAD/ ECD(E)]	As appropriate
4.	East/West Economic Relations and the Pipeline	FCO [TRED/ EESD]	As appropriate
5.	East/West Political Relations (including Afghanistan)	FCO [EESD]	FCO [SAD]
6.	Poland	FCO [EESD]	Treasury, Trade
7.	CSCE	FCO [CSCE Unit]	
8.	Inner German Relations	FCO [WED]	
9.	Defence Matters	MOD	FCO [Defence Department]
10.	Arms Control and Disarmament	FCO [Defence Department]	MOD, FCO [ACDD]
11.	World Political Issues		
	a. Arab/Israel and Lebanon	FCO [NENAD]	
	b. Europe/Latin America (including the Falklands)	FCO [FID]	FCO [SAmD, Def. UND]



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	<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
	c. British Policy towards China (including Hong Kong)	FCO/ <u>FED</u>	FCO/ <u>HKGD</u>
	*d. Iran/Iraq and the situation in the Gulf	FCO/ <u>MED</u>	
	*e. North/South Dialogue	FCO/ <u>ERD</u>	
	*f. UNLOSC	FCO/ <u>MAED</u>	
	*g. EC/ASEAN	FCO/ <u>ECD(E)</u>	FCO/ <u>SEAD</u>
	*h. Southern Africa/Namibia	FCO/ <u>SADF</u>	
	*i. Cambodia	FCO/ <u>SEAD</u>	
12.	International Economic and Monetary Questions		
	a. Prospects for the World (including US Economic Policy)	Treasury	FCO/ <u>ERD/ESID</u>
	b. International debt problems	Treasury	FCO/ <u>ERD/ESID</u>
	c. International Trade Problems (including protectionism, Japan, GATT Ministerial)	Trade	FCO/ <u>TRED/ECD(E)/ FED</u> Treasury
13.	Anglo-German Bilateral Questions	FCO/ <u>WED</u>	As appropriate
14.	FRG Scene		
	a. Political	FCO/ <u>WED</u>	
	b. Economic	Treasury	

\*Denotes background brief



Sir Antony Acland KCMG KCVO  
Permanent Under-Secretary of State

Foreign and Commonwealth Office

London SW1A 2AH

A & C. 6/10

Sir Robert Armstrong KCB CVO  
CABINET OFFICE

6 October 1982

*Dear Sir Robert,*

ANGLO-GERMAN SUMMIT: 28-29 OCTOBER

1. When the Prime Minister spoke to Chancellor Kohl on 1 October she said that she hoped that the scheduled dates for the next Anglo-German Summit, 28-29 October, could stand. Dr Kohl said that this was his firm intention. We are therefore now in a position to begin serious planning for the Summit.

2. We are discussing with the Germans the details of the programme. This may still change but on present form we would expect the Prime Minister to leave London after Question Time on the 28th and to remain in Bonn up to and including lunch on the 29th. She would then fly to Berlin from where she would return to London after dinner that evening. Other Ministers would travel separately, arriving at around 1700 on the 28th and returning to London after lunch on the 29th. The Prime Minister has said (John Coles' letter of 1 October to Roger Bone) that she would wish to be accompanied by the Foreign and Commonwealth Secretary, the Secretary of State for Defence and the Chancellor of the Exchequer; but the Germans, as hosts, may yet come up with other proposals.

3. The Summit will to a degree be unusual, given that it will be Dr Kohl's first. Our main objective should therefore be to establish a good working relationship with Dr Kohl and his team. We shall clearly need to bring home to him the case for a lasting solution to the Community budget problem, but it will be important to set this in the context of our common interest in the healthy development of the Community as a whole and our shared views on economic policy and enlargement. For their part the Germans are likely to push the Genscher/Colombo proposals. Otherwise we can expect the main themes to be transatlantic and East/West relations and defence. Kohl may not have much to contribute to an exchange on international economic and monetary policy, but will be interested to hear our views, as well as the Prime Minister's reflections on her Far East tour.



4. In accordance with normal practice I enclose at Annex A a check list of subjects for discussion, based on proposals from the German side. We shall be telling the Germans that we expect the main themes to be transatlantic and East/West relations, the Community, international economic and monetary policy, and defence.
- A B C At Annex B and C is an assessment of British and German objectives for the meeting and at Annex D a suggested list of briefs, the preparation of which will, I assume, be coordinated in the usual way by the Cabinet Office. I should be grateful for an early indication of the deadline by which briefs will have to be with you. It would also be useful to know whether you propose to arrange a meeting of Permanent Secretaries before the Summit to discuss the Steering Brief. The main Community briefs will, of course, be cleared through the Cabinet Office's European Secretariat in the usual way.
5. I am sending copies of this letter to the Permanent Secretaries whose Ministers may be attending, or whose officials may be involved in the drafting of briefs.

*Yours sincerely,  
Michael Jay*

*for* Antony Acland

*(approved by Sir A Acland +  
signed in his absence)*

cc Sir Douglas Wass GCB, HM Treasury  
 Sir Brian Hayes KCB, MAFF  
 Sir Frank Cooper GCB, CMG, MOD  
 Sir Peter Carey KCB, Dept of Industry  
 Michael Franklin Esq CMG CB, Dept of Trade  
 Sir Kenneth Barnes KCB, Dept of Employment  
 R Butler Esq, 10 Downing Street



## ANGLO-GERMAN SUMMIT, 28-29 OCTOBER

## CHECK LIST OF SUBJECTS FOR DISCUSSION

1. European Questions
  - EC Budget
  - enlargement
  - EC/Turkey
  - European 'Act'
  - CFP
  - Franco-German Summit, 21-22 October
  - prospects for December European Council and German Presidency
2. West/West and East/West Questions
  - transatlantic relations (including steel)
  - East/West economic relations (including pipeline)
  - Poland (including rescheduling)
  - CSCE
  - inner German relations
3. Defence and Disarmament Questions
  - British defence policy after the Falklands (including BAOR)
  - German defence policy (including the report of the long term defence planning commission)
  - INF
  - START
  - conventional arms control in Europe (MBFR, CDE)
4. World Political Questions
  - Arab/Israel and Lebanon
  - Europe/Latin America (including the Falklands)
  - British policy towards China (including Hong Kong)
  - Central America

- Iran/Iraq and the situation in the Gulf
- Afghanistan
- North/South dialogue
- UNLOSC
- EC/ASEAN
- Southern Africa/Namibia
- Cambodia

5. International Economic and Monetary Questions

6. Bilateral Questions

- cooperation in radio and television
- Telecommunications questions (for Industry Ministers only, if they attend).

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ANGLO-GERMAN SUMMIT: 28-29 OCTOBER

## UK OBJECTIVES

Primary

1. To establish a good working relationship with the new Federal Government.
2. To stress the importance of finding a fair and lasting solution to the Budget problem, while emphasising HMG's commitment to the EC and our common ground with the Germans on many EC issues (economic policy, enlargement).

Subsidiary

3. To discuss how to improve transatlantic relations; exchange views on East/West political and economic relations; to consider world economic and monetary problems, including international indebtedness; to coordinate positions on international trade issues to be discussed at the GATT Ministerial meeting and UNCTAD VI.
4. To reaffirm our commitment to maintain British Forces in Germany and to test the water on the possibility of closer bilateral discussions on the future of defence policy in Europe.
5. To explain British policy on the Falklands and to seek German diplomatic support at the UNGA.
6. To underline our interest in and enlist German support for securing early agreement on the Common Fisheries Policy; to respond positively to any German priorities on EC issues, eg Genscher/Colombo, which are not inimical to our interests.

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7. To seek convergence of views on other current international issues particularly the Middle East.

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ANGLO-GERMAN SUMMIT: 28-29 OCTOBER

## LIKELY GERMAN OBJECTIVES

Primary

1. To stress that a CDU/FDP Government intends to work even more effectively with HMG than its SDP/FDP predecessor.
2. To explain that the broad outline of German foreign policy will remain unchanged, but emphasise the need to improve transatlantic relations and to take a firm view of relations with the Soviet Union.
3. To try to advance the Genscher/Colombo proposals and to sound out the prospects for future discussions of the Community budget dispute.

Subsidiary

4. To reach the widest possible agreement with us on East/West political and economic relations and world economic and monetary problems.
5. To assure themselves that the balance of UK defence policy will not be altered by the Falklands dispute and in particular that BAOR will not be reduced.
6. To concert strategy on enlargement and to seek UK support for German interests on other EC issues, notably Turkish immigrant workers.
7. To exchange views on other current international issues, particularly on the Falklands and the Middle East.

## ANGLO-GERMAN SUMMIT: 28-29 OCTOBER

## PROPOSED LIST OF BRIEFS

	<u>Lead Dept</u>	<u>In consultation with</u>
1. Steering Brief	FCO [WED]	As appropriate
2. European Questions		
a. Steering Brief on the European Community	FCO [ECD(I)]	As appropriate
b. EC Budget	FCO [ECD(I)]	Treasury, MAFF
c. Enlargement	FCO [ECD(E)]	Treasury, Trade MAFF, Employment
*d. EC/Turkey	FCO [ECD(E)]	Employment
e. European Act	FCO [ECD(I)]	As appropriate
f. Franco-German Relations	FCO [WED]	As appropriate
g. CFP	MAFF	FCO [ECD(I)]
3. Transatlantic Relations	FCO [NAD/ ECD(E)]	As appropriate
4. East/West Economic Relations and the Pipeline	FCO [TRED/ EESD]	As appropriate
5. East/West Political Relations (including Afghanistan)	FCO [EESD]	FCO [SAD]
6. Poland	FCO [EESD]	Treasury, Trade
7. CSCE	FCO [CSCE Unit]	
8. Inner German Relations	FCO [WED]	
9. Defence Matters	MOD	FCO [Defence Dept]
10. Arms Control and Disarmament	FCO [Def Dept]	MOD, FCO [ACDD]
11. World Political Issues		
a. Arab/Israel and Lebanon	FCO [NENAD]	
b. Europe/Latin America (including the Falklands)	FCO [FID]	FCO [SAmD, Def Dept, UND]
c. British Policy towards China (including Hong Kong)	FCO [FED]	FCO [HKGD]

- \*d. Iran/Iraq and the situation in the Gulf FCO [MED]
  - \*e. North/South dialogue FCO [ERD]
  - \*f. UNLOSC FCO [MAED]
  - \*g. EC/ASEAN FCO [ECD(E)] FCO [SEAD]
  - \*h. Southern Africa/Namibia FCO [SAfD]
  - \*i. Cambodia FCO [SEAD]
12. International Economic and Monetary Questions
- a. Prospects for the World (including US economic policy) Treasury FCO [ERF /ESID]
  - b. International debt problems Treasury FCO [ERD/ESID]
  - c. International Trade Problems (including protectionism, Japan, GATT Ministerial) Trade FCO [TRED/ECD(E)/FED] Treasury
13. Anglo-German Bilateral Questions FCO [WED] As appropriate
14. FRG Scene
- a. Political FCO [WED]
  - b. Economic Treasury

\* Denotes background brief



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Foreign and Commonwealth Office

London SW1A 2AH

*Handwritten initials*

27 October 1982

*John T. ...*

Prime Minister's Visit to Berlin: 29 October

Thank you for your letter of 27 October enclosing the text of the Prime Minister's speech. It has been transmitted to Berlin for translation and to Bonn where a copy will be passed to Klaus Zeller.

We have just heard from Berlin that the Governing Mayor may, in his speech, mention the reaffirmation of Britain's pledge to maintain the security of Berlin given by HM The Queen during her visit in May 1978. If he does, the Prime Minister may like to complement this by herself including a reference to it. I attach a draft sentence which could be inserted in square brackets into the first paragraph on page 4 and delivered if appropriate.

Dr von Weizsaecker is likely to concentrate on:

- security, emphasising the twin elements of defence and detente and stressing that Europe must not leave the entire responsibility in this field to the US, and
- East/West relations, where he will advocate concentration on fields where consensus is possible.

*Handwritten signature of R B Bone*

(R B Bone)

Private Secretary

A J Coles Esq  
No 10 Downing Street

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[ - a commitment which was, as you Mr  
Governing Mayor have said, reaffirmed  
by Her Majesty The Queen in 1978. ]

Over 30 years ago men of the Royal Air Force played their part in the airlift to Berlin. We had the means. We had the will. This afternoon, I have met some of the British Forces stationed here today. Their presence demonstrates the continuing commitment of Britain, with our French and American allies, to uphold the freedom of your City. They remain here because there is a vital task for them to do and because you want them to do it.

We have our wider, collective responsibilities as members of NATO and of the European Community. We shall work to ensure that these cornerstones of Western freedom continue to guard our way of life. Together, we are stronger than when we act alone.

Mr. Mayor, if liberty is assaulted in one place, it is diminished everywhere. If we in Europe fail to stand by our commitments in one place, then our willingness to stand by them in another is questioned.

That is why, earlier this year, British forces sailed 8,000 miles to expel a foreign invader. When the aggressor abandoned the path of negotiation and resorted to force, we had no choice. We could not accept that the liberty of British people to enjoy their chosen way of life should be extinguished.

/There were those

27 OCT 1982

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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

A J Coles Esq.  
Private Secretary  
No. 10 Downing Street  
London SW1

Prime Minister

A.J.C. 28.  
10

27 October 1982

New York,

## BRIEFING FOR ANGLO-GERMAN SUMMIT

The Chancellor has asked me to supplement the briefing on International Debt Problems (PMVX(82)12b), by picking up, in this letter, some points which he made at this afternoon's briefing meeting, and which show how current debt and banking problems might be set in the context of economic policy.

2. As the brief suggests, the Chancellor does see these debt and banking problems as part of the pain of transition from a high inflation to a lower inflation world economy. Both nationally for firms and internationally for borrowing countries, a period in which the rate of inflation is being quite sharply reduced is likely to put those who are over-borrowed into difficulty. Borrowing countries, like borrowing firms, can no longer rely on inflation and negative interest rates constantly to ease the weight of their debt. There is a sense in which forced transfers from international lenders to international debtors, like forced transfers between domestic savers and domestic borrowers, have come to an end.

3. The main part of this problem, nationally and internationally, has to be solved by adjustment. Trying to solve it by general reflation is not the answer; that would not produce soundly based growth and would be tantamount to abandoning the fight against inflation. But in this as in other fields of the transition, every effort should be made to manage the transition so as to minimise its costs. That means making every effort to maintain confidence and to avoid precipitating action, either by the banks or by governments, which would impair confidence or make the problem worse. It makes highly desirable the kind of confidence-building activity we are envisaging in the IMF and between central banks; and which is described in paragraphs 3 and 4 of the Background part of the brief.

4. It is also crucial to minimising transition costs that as much as possible should be done to give time for the necessary adjustments. It is better that adjustment should be sustained than that it should happen at too fast a pace. Thus, the banks can cope much more readily with deferments of repayments, or even with write-offs, if country problems, like company problems, are spaced out and can be absorbed in the profits of 2, 3 or more years rather than 1. The function of the IMF is to give reasonable



(but not excessive) time for adjustment. The effects of the debt problem may be with us for a long time. There will be continuing problems of particular countries when, hopefully, the risk of a dangerously rapid succession of failures is no longer acute.

5. So the task is to achieve the right balance of adjustment and of action to maintain confidence. We have to apply much time and care to every individual case, and to secure as much spacing out of the problems as possible. The Chancellor is confident that this is the right basic approach.

6. We may hope for an easing of the situation as the benefits of a lower level of inflation come through. Obviously the lower level of interest rates is easing the burdens of both national and international debtors. If moderate growth resumes in 1983, in the United States and in the world economy generally, that will improve the export opportunities of LDCs and buttress the prices of their commodity exports. The debt and banking problems are more likely to remain acute if there is another year without growth. What happens in the United States is likely to be critical. In particular any reverse to very high interest rates would be enormously damaging: hence the importance, which Chancellor Kohl should recognise without difficulty, of the Americans taking the effective action to control their deficit at which they have so far jibbed. The hope must be that after next week's mid-term election they will be prepared to be more resolute over the control of borrowing: anything that Chancellor Kohl could do on his US visit to emphasise the need for this would, in the Chancellor's view, be helpful.

7. I attach notes on developments on international debts since the brief PMVX(82)12b was prepared.

8. Copies of this letter to go Brian Fall at the FCO and Richard Hadfield in the Cabinet Office.

*Yours ever,*

*J. O. Kerr*

J O KERR

Argentina

We now know that they are negotiating a 15 month standby rather than the 3 year standby referred to in the Annex in the brief.

Mexico

An important problem in Mexico's negotiations with the IMF is difficulties between the outgoing Portillo administration and the incoming one of President-elect de la Madrid. The Mexicans are not yet talking to the banks about rescheduling and we cannot yet be sure whether they will present a proposal to the banks by the end of the present moratorium on 23 November.

Yugoslavia

The BIS has rejected the idea of a 3 year standby for Yugoslavia. They feel they cannot engage in medium term lending. Since the brief was written the Yugoslavs have devalued the dinar by 20%.

Poland

The latest political developments in Poland have made it more difficult to get general agreement on discussing with the Poles rescheduling of 1982 official debt payments.

Michael Smith N°70.

Getaway



AK

We spoke. Here is my  
honoured name is promised.

With the Compliments  
of

ADAM RIDLEY

Special Adviser

M 2810

Treasury Chambers,  
Parliament Street,  
S.W.1.

B.7

FROM: ADAM RIDLEY  
28 October 1982

CHANCELLOR OF THE EXCHEQUER

VISIT TO BONN: OCTOBER 25/26

As you know I visited Bonn on Monday and Tuesday with a number of the other political advisers, in response to a long standing invitation from the CDU. As it happened, this trip took place at a most interesting moment, and it may conceivably be of some interest if I note very quickly some of the salient points of what we learnt. Thanks to the great goodwill towards the Party which the CDU feel, our hosts were able to arrange an extremely <sup>interesting</sup> series of interviews, involving the Ministers of State of the Departments both of the Economy, Finance and Labour; and with Horst Teltschik, Mr Kohl's Special Adviser.

General Impressions

2. Our overwhelming impression was of an extreme and unexpected lack of preparedness for assuming government. While long term policy planning may have been proceeding in a sensible way, there seems to have been little effective analysis of what would need to be done in the short run if the CDU/CSU won their confidence vote this September, despite the fact that they knew well enough in the summer that the possibility existed. This is all the odder since the CDU have massive resources for research and active Parliamentary committees. Despite all this, there seemed to be unbridgeable gaps between the Party's leadership [ Herr Kohl and his immediate colleagues], the powerful backbench committees in the Bundestag, and the Party bureaucracy. This criticism does not, however, apply to their electoral tactics, which seemed to have been well thought out, backed up by very expert and interesting opinion polling, and to have been jeopardised only by Genscher's mistake in allowing Schmidt to provoke him to withdraw from the old coalition.

3. The corollary of this state of unpreparedness is particularly <sup>clear</sup> in the economic sphere. Such plans as the CDU were preparing and now putting forward appear to derive very largely from the FDP analysis of what now needs to be done, and to draw very heavily on the recent published paper by Lambsdorff. This arises partly in a natural way, and from the fact that the programme has to be

given the FDP's clear  
experience in Govt.



agreed with the FDP as a new coalition partner; but it also stems from the fact that the CDU have an extremely narrow range of highly placed civil service sympathisers on whose expertise to draw.

4. In many respects the CDU are facing a position not unlike ours in 1979. The economic position is in many <sup>ways</sup> ~~respects~~ much worse than they expected or believed before they saw the figures. Expenditure is higher, growth is lower, and <sup>public</sup> expectations are <sup>unreal</sup> ~~unreal~~. I did not get the impression that they had set their sights on a sufficiently stringent control of expenditure and the deficit, given the inevitable need - which we now understand all too well - to "lay off" to allow for the fact that the world almost inevitably turns out to be worse than one expects it to be initially. How far this impression is to be attributed to their over-optimism, or rather to what they deem to be unavoidable political constraints, is not at all clear. But I suspect it is in some measure a reluctance to prepare for the worst which is the key issue.

5. It is worth underlining the remarkable extent to which the new government is hampered by the fact that the SPD and FDP have gone a long way towards the American "spoils" system of introducing politically sympathetic senior officials into key posts during their 13 years in power. In <sup>the</sup> Chancellor's office itself, which is over 400 strong, there <sup>are</sup> ~~is~~ scarcely a dozen CDU party card holders, and getting on for 400 members of the SPD! This means that Herr Kohl has only been able to introduce so far around half-a-dozen trusted colleagues, who are so uncertain of the reliability and loyalty of the remaining staff that they have been driven to set up their own minute organisation inside the Chancellor's office; and Herr Kohl's principal adviser, Herr Teltschik, had himself to do the photocopying of the drafts of the Chancellor's important address to the nation in Parliament the other day. The problem is little better in a number of other key departments, such as the Ministry of Finance. All in all, the new government's experience is not a very good argument for going all the way with John Hoskyns, and with a wholesale sweep out of senior officials each time the government changes! Amongst the moves that have been made at the level of very senior appointments, by far the most important is the departure

of Hans Tietmeyer from the Minister of State position with Lambsdorff in the Ministry of Economics to a similar position with Stoltenberg. Tietmeyer is one of the few senior CDU people to have worked under the old régime. He wrote, in effect, the famous Lambsdorff paper. Stoltenberg, for whom he now works, is clearly destined to be the key figure in German economic policy. The CDU have obviously done wisely in moving ~~him~~ <sup>in</sup> across.

(Tietmeyer)

#### Discussion with Tietmeyer

6. In the course of a long discussion with Tietmeyer, a number of interesting points emerged which it may be worth summarising very briefly. His basic diagnosis was that the Germany economy had, for the first time, failed ~~for probably~~ <sup>to carry through a beyond</sup> through a recession on the basis of an export-led recovery. For this reason he was extremely cagey about the prospects for growth next year & was clear that unemployment would rise, though he would not be pinned down precisely as to where its level would lie between the figures of 2 and 2½ million. He said that the failure to recover could be interpreted in terms of the "British disease", and spoke eloquently of the growing weakness of the German economy in the face of foreign competition, and graphically described ~~the~~ a world of policy making that had come to be more and more dogged by absurd and over-optimistic official forecasts! Looking ahead, he said that in the short run they had to think in terms of three priorities:

- first, and most important, the whole business sector was suffering from uncertainty and a lack of confidence. It was vital to ~~air this~~ <sup>above all</sup> to restore this; and since so much of it stemmed from uncertainty about the political situation, that alone was a very powerful argument for the early election now proposed:
- not only the CDU and other analysts, but, increasingly, the ~~whole~~ German <sup>public</sup> population were getting worried about the growth of the public sector deficit. A start had to be made now in tackling it, and at least the prospect of its ultimately being eliminated held out plausibly, so that interest rates could come down and investment recover:

- in the longer run the major structural problems of the German economy would have to be tackled. But all that would have to be for a later date, once the election was over.

7. All the government could now do in the few months before the planned election in March was to focus on a few key issues. These could be reduced to the following ten point programme:

- Restructure public spending, to favour investment and to cut back on consumption.
- Change the structure of taxes (as we have done, but more slowly...) with a higher level of VAT, and tax cuts to help <sup>cut - employed & smaller</sup> businesses.
- By both these means already mentioned, and by a forced loan from higher taxpayers, finance a major expansion of construction activities, which had fallen back particularly hard recently and been a major reason for stagnant output.
- Encouraging technology. <sup>in</sup> And/particular exploit the telecommunications revolution as quickly as possible, in practice by following our kind of measures to outflank the Bundespost's postal monopoly. <sup>(Cable, Satellite etc)</sup>
- Press on with plans for more civil nuclear energy, and disregard the political opposition of the SPD <sup>and</sup> of the greens.
- Stand very firmly behind the traditional German commitment for liberal trading policies. This means, in practice, to seek an agreement on steel [I am sure we should express our great gratitude to the CDU for their cooperative line in reaching <sup>the</sup> recent agreement], press on urgently in collaboration with us in seeking a solution to the Russian pipeline problem, and look very carefully at the problems proposed by trade with third countries, and particularly Japan. [While explaining all this, Tietmeyer digressed to ask me very pointedly about the recent reports in British newspapers that the Government was considering imposing import controls, and asked me if I could comment in any way. I stressed to him our long standing commitment

to open trading conditions, underlined our traditional open markets in a variety of commodity groups in which the third world were growing strong, such as textiles, underlined the enormous sacrifices we had made in recent years in sectors such as steel, and put over the general thought that a certain amount of direct intervention in world trading conditions was, in essence, the price we would <sup>all</sup> have to pay to preserve the free trading system.]

- Full commitment to support the Bundesbank's monetary policy.
- Put State's finances in order - but respect the important distinction between the need to master the underlying deficit, and the need to accept that it can diverge from its proper underlying level to the extent that the economy is, for example, in recession.

8. In response to questioning, he was clear that there would be no year-on-year growth in GDP between the years 82 and 83, and that he did no more than expect ~~as to be~~ the possibility of a the 2% p.a. rate of increase by the latter half of '83 if all went well with the elections. I asked him about the prospects as seen by the Germans for decoupling their interest rates from US trends. He was cautious, if not agnostic, on this, and did not seem very hopeful that it could be done. He mentioned in passing his own great sympathy for our arguments on Community agricultural policy where "you have all the good arguments". He did so in such a way as to suggest to me that there might be

a linkage to be made between our taking a relatively pure line on liberal trading policies if the Germans would take a tougher line on agricultural policy. He referred briefly to the recent German/French Summit, at which the French had apparently suggested an initiative with OPEC to get oil producers to use a currency other than the dollar for pricing oil. He thought this interesting but rather implausible - <sup>who</sup> who was going to price oil in francs!?

Other discussions

9. Mr Tietmeyer's colleague Herr Häfele clarified the Party's attitudes towards its longer term strategy and in particular its

*clearly standing with French policy in all probability*

public spending planning. He said that their initial view in the discussions with the FDP was that one should seek something like a 10% across the board reduction in expenditure for the coming year, <sup>but</sup> that this had not been acceptable to the FDP. The idea is so crude that it is not surprising that it was rejected! He added that their objective, still rough and not worked through, was now to seek a falling share of public spending in GDP over the years, but he did not clarify this goal any further. He strengthened the feeling of a somewhat leisurely and optimistic approach to life by saying how the Party was thinking in terms of an initial four years in office to get public finances broadly in order, and then of there being a need for at least another four or perhaps eight years in office to get the German economy right... It is clearly prudent to take this line in rhetoric, <sup>but</sup> ~~that~~ one should, I felt, take a much tougher line in setting one's internal objectives.

10. We were treated to a fascinating analysis of the significance of the new "green alternative" Party. The key point which emerged was how far they are no longer an ecological party, but a frankly anti-capitalist and anti-constitutional grouping, which has been taken over, not necessarily at the direction of the East, by a rag-bag of marxists, syndicalists, school teachers and others with job security and inflation proof pensions. In essence they are harnessing the widespread anxiety about civil nuclear power to orient the whole direction of their so-called policy platform in a neutralist direction. The need for the SDP to regain voters they had lost to the "greens" is clearly going to be a decisive factor in determining where SDP policy will go in the next few months and years.

11. Over a hurried lunch, Herr Teltschik, Mr Kohl's personal adviser, mentioned a number of interesting if somewhat atmospheric points. He stressed that Herr Schmidt's withdrawal had far less to do with his health than public statements would suggest, and stemmed almost totally from his Party's refusal to continue to conduct policy on the relatively sensible lines he was advocating. He reported private polls which showed that Herr Kohl had already, even before Schmidt's withdrawal, overtaken Schmidt as the most

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popular actual or potential Chancellor; that the greens' position appeared to be weakening in the eyes of the public, while that of the FDP was still not beyond redemption if they could resolve their disagreements in their Party Congress; and hence the chances of a satisfactory election outcome were not too bad. He mentioned in passing the great French concern that we and Reagen seem to have been plotting an earlier date for the Summit than that originally intended. He made it clear that the government would not be contemplating any initiatives whatever until after the election except in the most essential areas. In other words they were not going to unveil EEC initiatives or anything else for a considerable time. He also conveyed a great feeling of warmth towards the Conservative Party, and one felt a strong desire, though of a somewhat unfocussed kind, to intensify cooperation and exchanges of views.

*Irwin be preparing further notes shortly*

*AR*

A N RIDLEY

Subsidiary

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1/27/74 Pt 3. Economic Situation

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NOTE OF A DISCUSSION BETWEEN THE PRIME MINISTER AND AMBASSADOR BURNS AT THE RESIDENCE ON THURSDAY 28 OCTOBER, 10.30 PM

1. The Prime Minister started by asking Ambassador Burns what was happening in American economic policy.
2. Ambassador Burns said that there had been a real change in the direction of American monetary policy. The FED had been trying out the market since July and had found that they had more room for manoeuvre in reducing interest rates than they had expected. There had been recent disappointment because the FED had not made a further reduction in the discount rate, but Ambassador Burns believed that this was because the FED did not want to appear to be acting politically in advance of an election. He was in no doubt that there had been a real change of policy in the interests of stimulating the real economy.
3. On the prospects for the US economy, Ambassador Burns said that it had bottomed out and there would be some slight growth in the coming year. House building had already begun to turn up, but business investment was still declining. The real surprise was that consumer expenditure had not so far risen more: this appeared to be because high unemployment levels were causing people to hold back from spending, and this was reflected in an increase in the savings ratio.
4. Turning to the pipeline, Ambassador Burns said that the President very much wanted to remove the sanctions. He disliked regulations of this sort, but had been obliged to take action because of his political constituency. America had been subsequently rethinking its foreign policy and had reflected that it had not been logical, when the West was spending vast sums on defence, to make available to Russia foreign exchange which bolstered the Russian defence effort.
5. Turning to the banking system, Ambassador Burns said that the commercial banks had over-lent since the mid-1970s and were now feeling the effects of having been more concerned with quantity than with quality. In some ways, they had acted as /imprudently

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imprudently as investment banks in the United States in the 1920s. But Britain, Germany and the United States had good mechanisms for supporting their banking systems, and he was optimistic that there would not be a major collapse. However, as the banks drew in their horns, it would have a depressing effect on the world trade system, which in his opinion was likely to produce a sluggish period of international trading activity for the next two years.



**PART** 3 **ends:-**

Bonn tel 821 of 2/10/82

**PART** 4 **begins:-**

Fco to RTA + att of 6/10/82

