PREM 19/3654

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PART ONE

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~~Reception~~ Visits to London by the Prime Minister of DENMARK.

DENMARK

July 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~15.9.82~~							
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Cabinet / Cabinet Committee Documents

Reference	Date
CC(82) 43 rd Item 3	14/10/82

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FRAME POLITICAL UNION

SCHLUETER'S MEETING WITH PRIME MINISTER: DANISH MEDIA COVERAGE

SUMMARY

1. PROMINENT AND GENERALLY POSITIVE COVERAGE.

DETAIL

2. FULL MEDIA COVERAGE OF THE PRIME MINISTER'S MEETING WITH SCHLUETER HAS STRESSED BRITISH AND DANISH OPTIMISM ABOUT THE WAY AHEAD. THE PRIME MINISTER'S REMARK THAT WE ARE BEGINNING TO PIECE TOGETHER THE WAY IN WHICH WE MIGHT MOVE FORWARD IS QUOTED WIDELY, AND SCHLUETER AND ELLEMANN-JENSEN ARE REPORTED AS EXPRESSING SIMILAR OPTIMISM. BOTH SIDES ARE QUOTED AS SAYING THAT A SOLUTION MUST BE FOUND WHICH ALLOWS ALL TWELVE TO PROCEED TOGETHER. SCHLUETER SAID: 'WE JOINED THE EC WITH THE BRITISH IN 1972 AND WILL CONTINUE WITH THEM. ALSO WHEN THE MAASTRICHT TREATY IS IN PLACE. ANYTHING ELSE WOULD BE UNSATISFACTORY.'

3. MOST NEWSPAPERS SUGGEST THAT BRITAIN AND DENMARK WILL WORK CLOSELY TOGETHER OVER THE NEXT FEW MONTHS. THE LEFT-OF-CENTRE INFORMATION IS ALONE IN ASSERTING THAT THE DANES ARE SEEKING TO DISTANCE THEMSELVES FROM THE UK. ITS REPORT QUOTES SCHLUETER AS SAYING AT HIS PRESS CONFERENCE BEFORE THE MEETING THAT RATIFICATION PROBLEMS AT WESTMINSTER ARE A PURELY BRITISH MATTER, AND THAT HE WAS VISITING MR MAJOR IN HIS PRESIDENCY RATHER THAN HIS NATIONAL CAPACITY. JYLLANDS-POSTEN (CONSERVATIVE) REPORTS THAT SCHLUETER TOLD HIS HOSTS THEY SHOULD NOT RELY ON DANISH SUPPORT OVER CURRENT EMS DIFFICULTIES: 'WE THINK MONETARY COOPERATION HAS WORKED ADMIRABLY FOR TWELVE YEARS, AND HOPE IT CAN BE STRENGTHENED FURTHER. IT MUST BE COOPERATION BETWEEN TWELVE MEMBERS, AND ONE DAY THAT WILL BE ACHIEVED.'

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4. ON TIMING SCHLUETER IS QUOTED AS SAYING THAT THE POSITION ON DENMARK SHOULD BE CLEAR BEFORE EDINBURGH, 'BUT OF COURSE THAT DOES NOT MEAN THAT THE MAASTRICHT TREATY CAN COME INTO EFFECT FROM JANUARY.' AT A PRESS CONFERENCE IN COPENHAGEN THIS MORNING, SCHLUETER REPEATED THAT 1 JANUARY WAS AN UNREALISTIC DEADLINE FOR DENMARK ALTHOUGH HE EXPECTED THE BRITISH MIGHT HAVE RATIFIED BY THEN.

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From the Private Secretary

30 September 1992

Dear Christopher,

MEETING BETWEEN
THE PRIME MINISTER AND PRIME MINISTER SCHLUTER OF DENMARK:
30 SEPTEMBER

No further copies should be made of this letter, and it should be made available ONLY to other Ministers and officials with a STRICT NEED TO KNOW of its contents.

The Prime Minister gave dinner to Prime Minister Schluter of Denmark this evening. The Prime Minister was accompanied by the Foreign Secretary, the Chancellor of the Exchequer and Mr Garel-Jones. Mr Schluter was accompanied by the Danish Foreign Minister and those on the attached list.

Mr Schluter said that he was looking for a solution to Denmark's problem which would allow another referendum. But he would need to be certain of the outcome before the day. Scepticism in Denmark had been mirrored in the French referendum result and was also reflected in Germany, though German voters would not be given the chance to express their views in a referendum. There was scepticism too in Britain. It was common ground in the Twelve that we should add something to the Maastricht Treaty. He took it that it was impossible to change the text. But we could define what was meant by subsidiarity in detail and say more about openness in decision making. There were some other issues which needed to be pursued with other parties within Denmark. This applied particularly to the Social Democrats. They had to be on board before another referendum could be held.

Mr Schluter said that the Danish White Paper would be published on around 12 October (though he later said that it might be published on Friday 9 October). There would then be consultation within Denmark, and a Danish proposal as to the way forward on around 1 November. Against that background he did not think that the Birmingham European Council should go into detail on the Danish problem. He hoped that there would then be consultation between Denmark and her partners and a framework agreement on the way forward at Edinburgh with a

KW

further referendum in May or June. In other words the framework would be set during the British Presidency and the referendum itself would be held during the Danish Presidency.

Mr Ellemann-Jensen said that the Danes would need some time and that would take them until next year, though it was now clear that Britain would not be ready by the end of the year so the Danes were no longer the problem ("not the only problem", the Foreign Secretary corrected).

The Prime Minister said that the Danish "no" voter had exacerbated our political problems by encouraging the UK anti's. We hoped to help overcome these problems by floating at the Birmingham European Council a declaration covering five areas:

i. The way the Community conducts its business. i.e. greater openness.

ii. Greater and more formalised consultation by the Commission (Green Papers and an obligation informally to consult member states before a new legislative proposal is put forward).

iii. Greater involvement by national parliaments in Community decision-taking.

iv. How to remove peoples' concern at loss of national identity, including rolling back some legislation and a clear definition of the respective competences of the member states in the Community.

v. Increasing the appeal of the Maastricht Treaty through showing how it affects the lives of individual citizens for the better, e.g. freedom of movement and residence, increased educational exchanges, consular protection, and an improved environment.

If we floated that at Birmingham we could then fill in the details and turn them into a practical series of rules at Edinburgh and beyond. These ideas were consistent with what Mr Lubbers wanted. The Prime Minister had discussed them with President Mitterrand who, subject to examining them in detail, seemed quite attracted. Kohl was also looking at them.

Mr Garel-Jones asked at what point the Danish government hoped to be able to say that they were in a position to propose a second referendum. Would this be after Edinburgh? Mr Schluter said that if we could establish a framework at Edinburgh he would anticipate some legal work for a month or a month and a half thereafter. This would not be a supplementary treaty as such, but the legal work could not be completed at Edinburgh. He would announce, perhaps in March, that there was going to be a second referendum, perhaps in the

last part of May. Mr Ellemann-Jensen said that the White Paper itself would not set out the Danish preferred model. It would have at one extreme Maastricht as it now stood and at the other the possibility of Denmark leaving the Treaty of Rome and joining the EEA like the existing EFTA countries. The White Paper would attempt to make clear that that option was not acceptable, e.g. because it would involve Denmark in negotiating 370 new bilateral trade agreements and so on. In between the two extremes there would be about eight other models and the hope was that people would realise that Denmark should settle somewhere in the middle.

Mr Schluter and Mr Ellemann-Jensen went on to outline some of Denmark's difficulties with existing aspects of the Maastricht Treaty. These included citizenship. It was not the concept itself that caused problems but the fear it aroused that people from the rest of the Community would come flooding in demanding benefits. This led to a fear in turn that Denmark's own high standards of social provision would be brought down to the level of the lowest common denominator.

Defence. Denmark was not against cooperation in defence. Their objections arose from the fact that they were hard-core NATO members and did not want to see the effectiveness of Denmark diminished in any way.

EMU Protocol. Schluter and Ellemann-Jensen were in favour of EMU, though there was not a majority in parliament which supported them. There was absolutely nothing wrong with Denmark's EMU protocol, except that people had noticed that it was shorter than the British one and they wanted a long protocol like Britain's. The Danish government had made a mistake in not adequately selling their own EMU protocol during the referendum campaign.

The Prime Minister said it sounded as if Denmark was talking of five months before a referendum could be held. How did they expect public opinion to move in that period? Mr Schluter said that there would be more "no" votes if a referendum were held next week than there had been in the last referendum. At the moment people were feeling rather pleased with themselves on the basis that brave little Denmark had stood up to the rest of the Community. When it came to a second referendum people would have to face up the reality but if they voted "no" then Denmark would have to leave the EC. The Prime Minister questioned why that was so. Mr Schluter said it would not be fair to say to the rest of the Community that the Maastricht Treaty was totally dead. The Prime Minister pointed out that that was exactly what the Treaty of Rome said. Mr Schluter agreed, but it was not so much a matter of law as of politics.

Mr Ellemann-Jensen, taking a rather different line, said that Denmark did not just need a few declarations added on to the Maastricht Treaty. There was no question in his view of

Denmark simply acquiescing in whatever the rest of the Twelve wanted to give her. Denmark would be very stubborn.

The Prime Minister said that we would support Denmark, making clear to other partners as necessary that we would simply refuse to renegotiate the Maastricht Treaty in order to turn it from a Treaty of Twelve into a Treaty of Eleven. This was not just a matter of sympathy for the Danes. We would do it for whoever might be under similar pressure. It was essential that the smaller nations were not picked off one by one if the Community was not simply to be a club of two. If Denmark was unable to ratify then the Community would have to think again. The Prime Minister himself had always been sceptical about the timescale for EMU and the prospects for convergence looked even poorer now than they had nine months ago. If the ERM continued in its present form there was no prospect of EMU on the timescale envisaged.

The Chancellor of the Exchequer described how the costs of reunification and the implications of that for Germany had in turn imposed a strait-jacket on the rest of Europe. Either there was a change in German policy or the rest of the Community would suffer. Mr Schluter and Mr Ellemann-Jensen pointed out that Denmark and Luxembourg already met the convergence conditions. The Danish Krone had not suffered at all during the recent monetary turbulence. Mr Ellemann-Jensen added that everybody had known at Maastricht that the timescale for EMU was unrealistic. Why had we thought it necessary to negotiate an opt-out? Couldn't we just accept that the timescale was unrealistic and concentrate instead on getting the ERM to work again? It was not the system that was at fault. Nor should we blame the Germans. Each of us should ask ourselves whether we had lived up to the basic requirements of the system.

The Prime Minister said that the Germans had certainly lived up to the technical rules of the ERM but there was an obligation on them as the benchmark currency of the system to pay heed to the impact of their policies right across Europe. The fact was that German monetary policy had an adverse impact at least outside the Benelux countries. There were also technical faults in the system. We needed more symmetry in the system and we needed provision for intra-marginal intervention. If we did not address those problems the strains that we had seen two weeks ago would be repeated.

Mr Ellemann-Jensen said that these were issues we could not expect Germany to address now. Germany had indicated her willingness to address them in due course by virtue of her acceptance of Phase Two of EMU. At that point the instruments would exist to deal with these problems.

The Prime Minister said that the points he had raised were not the points of public grievance with the Germans. What we blamed the Germans for was the briefings given by the

Bundesbank. Once could be a mistake, twice a cock-up, three just about understandable. But it was hard to explain the same message being repeated four or five times. If the Governor of the Bank of England had done what the President of the Bundesbank had done we would have sacked him. Now we were outside the ERM. We would not go back in until the practical problems had been addressed and until a lot of time had elapsed. That was simply not a practical possibility.

The Chancellor said that there was a disjuncture between the situation in Germany and that in other countries, including the UK. As a result of reunification there was something of a boom in Germany, while others were in recession. We did have a right to ask the Germans privately whether they had got their tax and spending mix right or were they putting up interest rates more than necessary because they did not want to take brave decisions about spending?

Mr. Schluter said he could not envisage changes in the system in the near future. Did the Germans accept the possibility of change? The Prime Minister said the Germans would be very resistant. However, if they made no changes in their interest rates, interest rates right across the rest of Europe would be 2-3 per cent higher than was needed. This would be a very damaging in a situation where there were already 16 billion unemployed in the Community. The effect would be exacerbated by the fall in the dollar, which was enabling the Americans to steal our markets.

Mr. Schluter said it would not be advisable to try for changes in the EMS at Birmingham. Such an attempt would fail. The Prime Minister said that we did not expect to agree on change at a single meeting. We were aware of the need to avoid causing turmoil on the markets. But it would be ludicrous not to discuss what had happened though he recognised that the idea of reforming the ERM "over lunch" was not plausible.

The Chancellor of the Exchequer said that Finance Ministers had made clear that the meeting would not take decisions with market consequences. But the US had asked for an examination of the world monetary system in the light of recent events. We thought that the Monetary Committee and the Central Bank Governors should be asked to look at what had happened. The system might have survived over the last two weeks but nobody could say that it was functioning smoothly. Mr. Ellemann-Jansen commented that it was acceptable to discuss currency issues but very dangerous to do so with Finance Ministers around for fear of the dramatic effect that could have on the markets. The Foreign Secretary said that was in contrast with our press who were saying that absolutely nothing would be done on this issue at all.

Mr. Ellemann-Jansen asked whether there was any possibility that Britain might decide to proceed suddenly to

ratification of the Maastricht Treaty. The Prime Minister said that final decisions on timing had not been taken. He then set out the recent political background on similar lines to those which he had used with Chancellor Kohl and President Mitterrand earlier in the day. We were committed to putting the Maastricht Treaty back to Parliament. The Foreign Secretary added that that must be at a time of our own judgement. There were some who were saying that we had only a little time, partly in the belief that pressure on us was helpful. Of course, quite the reverse was true. The Prime Minister said that some in Britain were urging him to wait until after the second Danish referendum. That was not his intention, but we did need to be clear about Danish intentions. By November the Danes would have set out their intentions and we would then start on our own critical path.

The Prime Minister asked Mr. Schluter whether he thought he would get support from other political parties in Denmark for what he had in mind. Mr. Schluter said it was hard to say. Some issues were common ground, others were specific to Denmark such as the fact that there should be no obligation to take part in a European army. On others, like social standards, there had been some misunderstanding. Sir Edward Heath had been wrong in the House of Commons to say that Denmark wanted higher standards in the Community. All they wanted was to keep their own high standards. He agreed with the Prime Minister that this was something that could be covered by suitable wording on subsidiarity.

The Prime Minister said that Giscard d'Estaing had proposed to him that the Community should look at all the competences and decide which were for the Community and which for nation states. That was, of course, easier said than done. He asked whether Denmark would be looking for declarations or legally binding protocols. Mr. Schluter said that protocols might involve new ratifications but it was possible to envisage governmental agreements which were not protocols but were nonetheless legally binding. Mr. Ellemann-Jansen added that this was something which could only be decided once a framework text had been worked out. On the idea of a clear division between national and Community competences, President Giscard d'Estaing, who had made a report on this issue to the European Parliament, wanted the examination to be retrospective. This was dangerous. Some Frenchman in the Commission had suggested that powers on the environment should be given back to the individual nation states. This was not helpful to Denmark.

In subsequent discussion it was agreed that we should use Birmingham to give impetus to our ideas and give them more precise form at Edinburgh covering criteria, procedures and clear examples of past or current inappropriate legislation. We should need to start looking at the issues fairly soon. It was also acknowledged that in this discussion we could expect some opposition, eg. from the Spaniards.

Mr. Ellemann-Jansen asked whether we should aim to tackle enlargement at Birmingham. He had it in mind that Denmark might suggest doing away with the linkage between ratification of Maastricht and an agreement on future financing and enlargement. The Prime Minister thought this was probably more a matter for discussion at Edinburgh than at Birmingham. Mr. Garel-Jones said that if the issue was raised at Birmingham, the Spaniards and the Greeks would see the risk of them losing future financing and within that cohesion and would therefore dig their toes in. At Edinburgh, by contrast, we would have mandates for the enlargement negotiations drawn up, maybe the prospect of a future financing deal and a greater prospect of getting agreement to informal negotiations starting with the EFTAn countries. One had to remember that to the Spaniards everything hinged on cohesion. The Prime Minister and Mr. Ellemann-Jansen thought that the Spaniards ought to favour enlargement on the basis that it would bring in, in the first instance, more net contributor countries. The Prime Minister said he had feared that some of our partners would always try to bat away enlargement. The Foreign Secretary added that the Spaniards were so intent on pursuing their own interests over cohesion that they did not see the danger of a Community dominated by France and Germany. They ought to be helping Denmark and Britain in their own interests. Italy too had similar interests, though they were dogged by their own internal problems at present. We must help them to see the broader picture. Mr. Ellemann-Jansen said that, whereas Britain and Denmark had difficult Parliaments, it could be said of countries like Spain and Italy that they had difficult governments. He thought it might be an idea for Denmark to allude briefly to the idea of de-linking enlargement from Maastricht and from future financing at Birmingham. If it was useful for Denmark to give such a hint, then he hoped that the Presidency would let them know.

GATT

The Prime Minister described the need for a GATT agreement. Mr. Schluter said that he shared our eagerness. Denmark had a few agricultural difficulties but they would support the search for an agreement. The Prime Minister said he was not sure whether to put the issue on the agenda for Birmingham. There was no point if that simply gave rise to a squabble with the French. On the other hand, the G7 members of the Community in particular would look pretty silly if nothing was said having undertaken at every meeting for the last three years to make GATT a top priority.

The Prime Minister and the Foreign Secretary said that we needed to get some wind in the Commission's sails. The Chancellor of the Exchequer said that the French were rowing back after the Referendum and playing up issues like US subsidies which were not of themselves new. Mr. Schluter said he did not underestimate the difficulties but it would be a very positive thing to have a GATT settlement.

I am copying this letter to Private Secretaries of members of OPD(E) and to Melanie Leech (Cabinet Office).

Yours,

J. S. WALL

Christopher Prentice Esq
Foreign and Commonwealth Office

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SUMMARY

1. UPDATE IN ADVANCE OF THE VISIT BY SCHLUETER AND ELLEMANN-JENSEN TO LONDON ON 30 SEPTEMBER. FIRM DANISH POSITION STILL SOME WAY OFF.

DETAIL

2. SCHLUETER CHAIRED ANOTHER MEETING OF THE EIGHT POLITICAL PARTIES ON 28 SEPTEMBER. I REPORTED IN TUR THAT HE HAD JUDGED IT RIGHT NOW TO MAKE IT CLEAR THAT THE DANISH PEOPLE WOULD BE ASKED TO VOTE IN ANY SECOND REFERENDUM ON A PACKAGE CONSISTING OF (A) MAASTRICHT AS IT STANDS PLUS (B) NEW TEXTS ON SUBSIDIARITY, OPENNESS AND DEMOCRACY, SUBSCRIBED TO BY ALL TWELVE (WHICH SCHLUETER HAS TAKEN TO CALLING COMMON PROPERTY) AND (C) SPECIAL EXCEPTIONS FOR DENMARK. HE RESTATED THIS POSITION FIRMLY AT YESTERDAY'S MEETING OF THE PARTIES. I UNDERSTAND THAT SCHLUETER'S POSITION WAS NOT SERIOUSLY CHALLENGED, THOUGH OUTSIDE THE MEETING THE ANTI-MAASTRICHT PARTIES CALLED ONCE MORE FOR A MORE DRASTIC RE-NEGOTIATION. THERE WAS NO NEGOTIATION ON THE CONTENTS OF THE EVENTUAL DANISH INITIATIVE. THE PARTIES ARE STILL MARKING TIME PENDING THE APPEARANCE OF THE WHITE BOOK, IN ACCORDANCE WITH THEIR AGREED TIMETABLE. PUBLICATION IS STILL EXPECTED TO TAKE PLACE ON 12 OCTOBER. THERE HAS BEEN SOME DESULTORY PRESSURE FROM THE SOCIAL DEMOCRATS FOR EARLIER PUBLICATION. BUT SCHLUETER WOULD PREFER IT NOT TO APPEAR UNTIL AFTER HIS GENERAL POLICY STATEMENT ON THE FIRST DAY OF THE NEW PARLIAMENTARY YEAR, 6 OCTOBER, AND THE GENERAL DEBATE WHICH WILL FOLLOW IT. THERE IS LIKELY TO BE A FURTHER ROUND OF CONSULTATION BETWEEN THE PARTIES BETWEEN 12 OCTOBER AND BIRMINGHAM BUT EVEN THEN SCHLUETER WILL NOT BE SPEAKING ON THE BASIS OF A CONSIDERED MANDATE FROM HIS PARLIAMENT.

3. THE FACT THAT THE TWO ANTI-MAASTRICHT PARTIES DID NOT PUT UP MORE OPPOSITION TO SCHLUETER'S SCHEME IN YESTERDAY'S DISCUSSION DOES NOT MEAN THAT THEY WILL NECESSARILY GO ALONG WITH A PACKAGE ON THESE LINES AT THE END OF THE DAY. MANY OBSERVERS THINK IT LIKELY THAT THEY WILL IN DUE COURSE DISTANCE THEMSELVES FROM THE THINKING OF THE MAJORITY AS IT BECOMES MORE CONCRETE. IT WILL BE CRUCIAL FOR THE PRO-MAASTRICHT PARTIES, ESPECIALLY FOR THE SOCIAL DEMOCRATS, TO MINIMISE THE IMPACT OF ANY MOVE OF THIS KIND BY THE SOCIALIST PEOPLE'S PARTY IN PARTICULAR. THIS COULD LEAD TO SOME COMPLEX MANOEUVRING BEFORE THE DANISH PROPOSALS EMERGE AND PERHAPS DELAY THEIR APPEARANCE. THE SOCIALIST PEOPLE'S PARTY SAY THEY ARE KEEN TO PARTICIPATE IN NEGOTIATIONS WITH OTHER PARTIES BUT THEY HAVE JUST RAISED THE STAKES BY ARGUING THAT ANY SPECIAL ARRANGEMENT MADE FOR DENMARK SHOULD ALSO BE AVAILABLE TO NORDIC AND EASTERN EUROPEAN APPLICANTS FOR COMMUNITY MEMBERSHIP. THE RIGHT-WING PROGRESS PARTY, WHO UNTIL RECENTLY WERE SIMPLY TAKING THE LINE THAT MAASTRICHT WAS DEAD AND THERE WAS NOTHING TO TALK ABOUT, DECIDED AT THEIR CONGRESS THIS WEEKEND THAT THEY ALSO WISHED TO PARTICIPATE IN DISCUSSION WITH OTHER PARTIES. BUT THE PRO-MAASTRICHT PARTIES WILL BE LESS CONCERNED ABOUT SHEDDING THEM ALONG THE WAY IF NECESSARY.

4. MEDIA COVERAGE OF THE ISSUES CONTINUES TO BE EXTENSIVE RATHER THAN INTENSIVE. THE TOPICS MENTIONED AS REQUIRING TO BE DEALT WITH UNDER (B) OR (C) IN PARA 2 ABOVE ARE THOSE WE KNOW OF FROM OUR EXCHANGES WITH THE DANISH GOVERNMENT AND FROM THE RESOLUTION ADOPTED BY THE SOCIAL DEMOCRATIC PARTY CONGRESS, WHICH IS THE KEY TEXT IN THIS DEBATE. THERE HAS BEEN INCREASED EMPHASIS IN RECENT DAYS FROM SOME QUARTERS ON THE NEED TO DISTANCE DENMARK CLEARLY FROM THE CONCEPT OF UNION CITIZENSHIP. THERE HAS BEEN NO REAL DISCUSSION OF THE LEGAL OR POLITICAL STATUS OF THE DOCUMENTS TO BE ADOPTED UNDER SCHLUETER'S (B) AND (C).

5. TWO OPINION POLLS WERE PUBLISHED ON 28 SEPTEMBER. IN THE FIRST (REPORTED IN TODAY'S FT), PEOPLE WERE ASKED WHETHER THEY WOULD CONSIDER VOTING YES IF DENMARK OBTAINED A SPECIAL ARRANGEMENT WITH CERTAIN UNSPECIFIED EXCEPTIONS. 64 PER CENT SAID YES (INCLUDING 49 PER CENT OF THOSE WHO VOTED NO ON 2 JUNE AND 62 PER CENT OF SOCIAL DEMOCRATS) AND ONLY 16 PER CENT SAID NO. THIS SOUNDS A VERY LARGE MARGIN. BUT PEOPLE WERE ONLY ASKED WHETHER THEY WOULD CONSIDER VOTING YES, NOT WHETHER THEY WOULD ACTUALLY DO SO, AND NO ASSUMPTIONS WERE MADE ABOUT THE CONTENT OF THE SPECIAL ARRANGEMENT. THE SECOND POLL ASKED PEOPLE WHETHER

THEY WOULD VOTE FOR A EUROPEAN UNION WHICH DID NOT INCLUDE UNION CITIZENSHIP, SINGLE CURRENCY OR COMMON DEFENCE. 52 PER CENT SAID THEY WOULD, WITH 42 PER CENT SAYING THE OPPOSITE. THE MAJORITY MIGHT HAVE BEEN REDUCED HAD IT BEEN CLEARER THAT THE QUESTION WAS ABOUT A SPECIAL ARRANGEMENT FOR DENMARK NOT A REVISED MAASTRICHT BUT NOT, I WOULD GUESS, DRASTICALLY. THE MAJORITY OF SOCIAL DEMOCRATS WERE AGAINST, THOUGH THE MARGIN (43-51) WAS MUCH LESS THAN ON 2 JUNE. THE SOCIAL DEMOCRAT EC SPOKESMAN HAS COMMENTED THAT THINGS SEEM TO BE MOVING IN THE RIGHT DIRECTION BUT THERE IS STILL MUCH SCEPTICISM TO COMBAT AND THERE WILL BE A NEED FOR A FULL PUBLIC DEBATE ONCE THE DANISH PROPOSAL HAS BEEN FORMULATED.

6. BETWEEN NOW AND BIRMINGHAM SCHLUETER AND ELLEMANN-JENSEN HOPE TO VISIT BONN AS WELL AS LONDON. TIMING APPEARS TO HAVE SLIPPED INTO NEXT WEEK. THE INSISTENCE OF GERMAN MINISTERS THAT THE TREATY MUST ENTER INTO FORCE ON 1 JANUARY HAS OF COURSE BEEN NOTED WITH CONCERN HERE. SCHLUETER HAS SAID HE WANTS TO SHOW THAT THERE IS NO ANGLO/DANISH EURO-SCEPTIC FRONT.

7. FCO PLEASE ADVANCE TO PS/NO. 10.

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ROYAL DANISH EMBASSY

cc RB
SL

The Royal Danish Embassy presents its compliments to the Prime Minister's Office and, in continuation of previous telephone conversations, has the honour to confirm that at the Working-Supper Meeting on Wednesday 30 September 1992 at 8 O'clock the Danish Prime Minister Mr. Poul Schlüter, and the Minister for Foreign Affairs Mr. Uffe Ellemann-Jensen will be accompanied by

from the Prime Minister's Office:

Permanent Under-Secretary Mr. Peter Wiese
Advisor to the Prime Minister Mr. Niels-Jørgen Nehring
Private Secretary to the Prime Minister Mr. Adam Wolf

and from the Ministry of Foreign Affairs:

Permanent Under-Secretary of State for Foreign Affairs, Ambassador Ulrik Federspiel
State-Secretary, Ambassador Jørgen Ørstrøm Møller.

The Royal Danish Embassy takes this opportunity to renew to the Prime Minister's Office the assurances of its highest consideration.

London, 29 September 1992.

ROYAL DANISH EMBASSY, LONDON

The Prime Minister's Office
10 Downing Street
London SW1A 2AA

Schlüter

SPEAKING NOTE FOR THE PRIME MINISTER

The financial markets have experienced unprecedented turmoil in the last few weeks and we in Europe need to begin to consider the lessons to be learned for the future. That is one of the reasons why I have called the Community's Heads of Government to the Special European Council in Birmingham on 16 October.

2. No-one can pretend that events in the financial markets of the last few weeks have been satisfactory. Monetary cooperation in Europe has received a setback:

- two currencies have had to suspend their ERM obligations, one following a realignment;

- some countries have had to tighten exchange controls;

- the currencies of countries with sound economies have been subject to fierce speculative pressure in the markets. [For France: I am very glad to see that the speculative attacks against the French franc have been fought off.]

3. Moreover, some countries have had to increase interest rates to levels not justified by the state of their domestic economies. This is at a time when inflation is under control, growth is lagging and unemployment is rising in many of our economies. [For use with President Mitterrand, but not publicly because of market sensitivities: Can the ERM be said to be working properly when France, with inflation at 2.7 per cent and unemployment at over 10 per cent, if forced to put its interest rates up to 13 per cent, a real interest rate of over 10 per cent?]

4. And there are large differences in interest rates between the currencies of the world's three major countries which have led to considerable tensions in the world monetary system.

5. We need to reflect too on the dramatic changes which we have seen in the last few years in the financial environment of Europe, and indeed of the wider world. We are deregulating financial markets in our own economies. Exchange controls and capital movements between our economies are fast disappearing. I welcome that. It will greatly benefit our economies. But at the same time there are enormous capital flows moving around the world monetary systems, trillions of dollars with currencies being traded in the different financial centres virtually throughout the 24 hours. And forms of financial instruments, options, swaps, futures and so on. There are opportunities here but also some potential for instability.

6. This is the world financial environment we live in. It is bringing us great benefits. But I think the time has come for a hard and cool look about where it is all leading us. I am not alone in this. The US Treasury Secretary called last week for a study of global capital flows and their impact on the world monetary system. We in Europe will have to take account of that initiative. Europe must have its own views and be ready to give a lead.

7. These global capital flows not only affect the world monetary system. They will have consequences, whether we like it or not, for our monetary arrangements here in Europe. It would not be responsible to start off with the presumption that everything in the monetary world is perfect, beyond improvement, and that change can only be for the worst. What we need to do is to see whether we can strengthen our monetary arrangements and avoid a recurrence of the present turbulence and learn from the lessons of the past. [For use only in private because of market sensitivities: The last review of the EMS was in 1987, culminating in the Basle/Nyborg agreements. A lot has changed since then and it is time there was a further review.]

8. These are the issues which I intend to discuss at the Special European Council in Birmingham. It will not take operational

decisions about market matters. But it will be a time for reflection and analysis in the light of developments in the capital markets and in the European and world monetary systems. I hope that the Birmingham Council will provide the occasion for indicating how our consideration of these issues might be carried forward. There will be no easy and glib solutions. The issues involved are of great complexity, but they affect everyone in the Community, interest rates, prices and jobs.

POINTS TO MAKE

General

- Narrow French "yes" has begun to make some (but alas not all) appreciate the need to address concerns expressed by voters not only in France but across the Community. Struck in particular by how seriously Delors and Kohl seem to be taking this new mood. Propitious moment for progress on Danish problem; should help us too: important to take advantage of it.

- Special European Council on 16 October will be an opportunity to exploit this. In addressing popular concerns, hope to focus on subsidiarity, national identity and role of national parliaments, openness and citizenship. This might provide the basis for further work by Foreign Ministers in preparation for a more substantial package at Edinburgh.

- Will also need to look at other areas of concern identified in course of Danish internal debate.

- As you know, any re-negotiation, however small, even if only for Denmark, will be difficult, risking re-opening Pandora's box.

- Adding something to Treaty, eg tough declarations or protocols might be more promising; though legally binding protocols would probably involve re-ratification in some cases at least. What sort of legal instrument does Schlüter have in mind?

- Also scope for additional internal Danish measures to reassure Danish public, eg commitment to consult Danish Parliament again before progress on aspects of Maastricht (eg Defence). Fruitful area for consideration?

Economic and Monetary Union

- [If Schlüter mentions renegotiation of Protocol] Remodelling Danish Protocol along lines of UK Protocol would involve renegotiation of Treaty text. Would partners be agreeable? Why is Danish Protocol inadequate?

Defence

- Understand defence high on list of Danish concerns. No obligation to join WEU, now or in future. Commitment to eventual framing of common defence policy important to other partners: scope for interpreting, say in a declaration, "eventual" (mentioned by Danish officials).

Social Issues

- Need to make clear Treaty creates no new rights and that national welfare systems will not be interfered with by the Community.

- Do Social Democrat concerns about excessive deficit provisions represents a real difficulty, or a passing, party political point?

Citizenship

- Concerns over citizenship largely a case of jumping at shadows. Would clarification on content of chapter and double lock for new rights go far enough to satisfy Danish concerns?

Openness

- Area we must address at Birmingham. Are developing ideas on Council procedures and better consultation by the Commission. And thinking of having first session at Birmingham in public, as clear sign of our determination to change our practices. Hope you can agree to this.

"No go" areas

- Risks attached. But might a list of "no go" areas, aimed at dispelling irrational but nonetheless strongly felt concerns, have some attractions for Denmark?

Enlargement

- Important to take forward enlargement dossier. Preparations for EFTA accession negotiations going well. Aim to complete these before Edinburgh.

- Aiming to settle future financing there. May be scope for reversing linkage to get Southerners to agree to open accession negotiations.

- But other condition - Maastricht ratification - will not be met by Edinburgh. If we are to move ahead we need to de-link. Inclined to aim for this at Edinburgh, when preparations complete, but will need to take a judgement nearer the time.

- Would welcome positive signal on enlargement at 16 October European Council, if achievable. Doubt that other partners would support. Perhaps better to rely on technical work proceeding and not look for more forward position in Birmingham.

520

CONFIDENTIAL

Foreign & Commonwealth Office

London SW1A 2AH

28 September 1992

Dear Stephen,

Call on the Prime Minister by the Prime Minister of Denmark: 30 September 1992

The Prime Minister will be seeing the Prime Minister of Denmark, Poul Schlüter, on 30 September. We are in contact separately about attendance.

The main focus of the meeting will be the search for a solution to Danish difficulties with Maastricht ratification following the "no" vote in their referendum on 2 June. Our aims are to seek a clearer picture of Danish intentions on timing and to explore the main areas of concern identified on substance. The Prime Minister will also want to discuss with Schlüter how their plans fit in with our own ideas for the Special European Council on 16 October. The Prime Minister last met Schlüter in Helsinki on 9 July (copy of record enclosed).

We have just heard that Mr Schlüter and Mr Ellemann-Jensen are travelling from London to Bonn for talks with Chancellor Kohl.

Maastricht Treaty

The Danish Government have until recently been keeping a low profile in the internal debate since the referendum, leaving the Social Democrats to make the running before their Party Congress on 13 September. Kent Kirk, the Danish Fisheries Minister and Schlüter's main lieutenant within the Conservative Party on European affairs, told Mr Garel-Jones on 17 September that this low profile had largely been for tactical reasons: although the Social Democratic party leadership had supported Maastricht, many of its supporters had voted against; the key to any solution, therefore, lay in the Social Democrats being given time to heal this division.

Kirk also commented that the Social Democrats would need to work to keep the Socialist People's Party on board for as long as possible, although a break would eventually have to be made (probably in December), since the SPP would never accept any deal based on the present Treaty. He

added that the Conservatives would likewise have to carry with them the other small parties such as the Christian People's Party (split on Maastricht during the campaign). A survey of the main Danish political parties and their position on Maastricht is enclosed.

In these terms, the Social Democrat Congress on 13 September seems to have been broadly successful. A draft statement on the Community prepared by Party leaders was adopted largely unamended. It called for "a special arrangement" for Denmark, which would address key areas of concern including WEU membership and common defence, EMU Stage III, citizenship, justice and home affairs, social security levels, guarantees on the role of small member states and a more precise definition of competences. Separately, it also called for Danish Presidency initiatives on employment policy, subsidiarity, openness, the environment, equal opportunities and employees rights, enlargement and improved cooperation with Eastern Europe.

Contacts with the Danish Government suggest that they believe this is broadly the right approach. Schlüter continues to insist that the Danish people should not be under any illusions that partners will be willing to accept renegotiation of the Treaty. He has spoken instead of a "Maastricht-plus agreement", "moderating and supplementing" the Treaty. In a briefing for foreign journalists on 23 September he said that the eleven would have to accept that Denmark would not participate in areas such as common defence and EMU Stage III. It was essential that there should also be agreements on subsidiarity, greater openness and more democratic control, both by national parliaments and possibly also by the European Parliament.

On procedures, Schlüter held a press briefing after the Danish Cabinet meeting on 22 September in which he outlined how he saw the way forward. The Government's "White Book" setting out the various options will be published on 12 October "in time to give other governments a whiff of Danish thinking" before the Special European Council on 16 October. In the light of the Summit and further inter-party consultations, proposals might then be put forward around the beginning of November for member states to consider in time for a deal at Edinburgh. A further referendum might then be held in either late spring (the Government's own preference) or early autumn 1993 (Nyrup Rasmussen, the Social Democratic leader, has been quoted as saying that, unless the necessary solution was found before Edinburgh, a further referendum should not be held before autumn 1993 in order to give the Danish people time fully to understand what was proposed).

The Prime Minister might like to sound Schlüter out on how he sees this timetable unfolding. In particular, it would be useful to have Schlüter's views on the following points:

- What will be in the White Book?
- How might this timetable dovetail with our own plans for the Birmingham European Council?
- How much will Schlüter be able to say about Danish intentions at Birmingham?
- What should we aim to achieve at Birmingham in order to help the Danish Government in its internal debate?
- How does Schlüter rate the prospects for a package at Edinburgh and a second referendum in spring rather than autumn next year?

Kent Kirk expressed concern that Danish public opinion would need to be prepared if there was to be a deal at Edinburgh in order to avoid the impression of a stitch-up. He responded positively to Mr Garel-Jones' suggestion of a series of overt meetings with the Presidency in the run-up to Edinburgh; the Prime Minister might like to follow this point up with Schlüter.

In further discussion the Prime Minister might like to draw on the following:

- Narrow French "yes" has begun to make some (but alas not all) appreciate the need to address concerns expressed by voters not only in France but across the Community. Struck in particular by how seriously Delors and Kohl seem to be taking this new mood. Propitious moment for progress on Danish problem; should help us too: important to take advantage of it.

- Special European Council on 16 October will be an opportunity to exploit this. In addressing popular concerns, hope to focus on subsidiarity, national identity and role of national parliaments, openness and citizenship. This might provide the basis for further work by Foreign Ministers in preparation for a more substantial package at Edinburgh.

- Will also need to look at other areas of concern identified in course of Danish internal debate.

- As you know, any re-negotiation, however small, even if only for Denmark, will be difficult, risking re-opening Pandora's box.

- Adding something to Treaty, eg tough declarations or protocols might be more promising; though legally binding protocols would probably involve re-ratification in some cases at least. What sort of legal instrument does Schlüter have in mind?

- Also scope for additional internal Danish measures to reassure Danish public, eg commitment to consult Danish Parliament again before progress on aspects of Maastricht (eg Defence). Fruitful area for consideration?

Economic and Monetary Union

The Danes already have a protocol allowing them to hold a referendum before a move to Stage III of EMU. Although it provides for the Danes to have a derogation if they decide not to move to Stage III, its effect is not that different from our own Protocol. But recent statements by Schlüter suggest that they would still like to remodel their Protocol along the lines of our own. While we would not object in principle to the Danes having a stronger opt-out, this could prove difficult to negotiate with other partners.

- [If Schlüter mentions renegotiation of Protocol] Remodelling Danish Protocol along lines of UK Protocol would involve renegotiation of Treaty text. Would partners be agreeable? Why is Danish Protocol inadequate?

Defence

Defence was a particularly emotive issue during the referendum campaign - in particular some voters feared that Maastricht might entail conscription into a Franco-German army. Two aspects of Maastricht in the security/defence field particularly concerned the Danes: the commitment to the "eventual" framing of a common defence policy, "which might in time lead to a common defence", and the suggestion - incorrect in the UK view - that members of the Union will sooner or later be obliged to join the WEU, which is bound to merge with the Union following the 1996 IGC.

On the latter point, the Danes are clear that there is no obligation on them to join WEU: they will become observers, or have no formal link with it. They are, however, exploring ways of exempting Denmark from the commitment to a common defence policy: one possibility, mentioned by Danish officials, might be to interpret "eventual" to mean not until 1996 and/or a further decision by the Danish (or other) governments.

- Understand defence high on list of Danish concerns. No obligation to join WEU, now or in future. Commitment to eventual framing of common defence policy important to other partners: scope for interpreting, say in a declaration, "eventual" (mentioned by Danish officials).

Social Issues

Fears were expressed during the referendum campaign that the Treaty would put at risk the Danish welfare system, either through harmonisation of Community tax rates or through "dole tourism", with other Community nationals taking advantage of generous Danish benefits. The Social Democrats were also concerned that the EMU bar on excessive deficits would prevent Government spending to alleviate Danish unemployment.

- Need to make clear Treaty creates no new rights and that national welfare systems will not be interfered with by the Community.

- Do Social Democrat concerns about excessive deficit provisions represents a real difficulty, or a passing, party political point?

Citizenship

It is difficult to see where Danish objections to the citizenship chapter lie. Union citizenship would follow from national citizenship, not replace it. The chapter restates existing rights, with the addition of voting rights (already permitted under Danish law) and the right to consular protection. That is all, and to expand on these rights would require unanimous agreement and ratification in all member states (a "double lock"). A Danish exemption would require Treaty change and would be complicated by the extent to which the chapter restates existing rights.

- Concerns over citizenship largely a case of jumping at shadows. Would clarification on content of chapter and double lock for new rights go far enough to satisfy Danish concerns?

Openness

Introducing greater transparency into Community procedures is a theme which a number of Community leaders have picked up in the wake of the French result and a relatively easy area to deal with, given that Treaty change is unlikely to be required.

- Area we must address at Birmingham. Are developing ideas on Council procedures and better consultation by the Commission. And thinking of having first session at Birmingham in public, as clear sign of our determination to change our practices. Hope you can agree to this.

"No go" areas

A list of areas where the Treaty of Maastricht would not have any role carries some risks: the list might not be very long, it might be difficult to draft in simple, non-technical language, and there is the danger that it might attract a contrario arguments that anything not on it was within the scope of the Treaty. But it might have some political attractions for us. The Danes have not so far reacted to the idea with much enthusiasm, but it might be worth one last try with Schlüter.

- Risks attached. But might a list of "no go" areas, aimed at dispelling irrational but nonetheless strongly felt concerns, have some attractions for Denmark?

Enlargement

The Community's formal position on enlargement remains as agreed at Lisbon: completion of preparations by Edinburgh for negotiations with the EFTA applicants; official negotiations to start as soon as future financing is settled and the Maastricht Treaty ratified. But the aftermath of the French referendum and doubts about the future of Maastricht have clouded the picture. Some member states are if anything even more reluctant to press ahead with enlargement in the present uncertain climate, and want to maintain the Lisbon conditions. However, Kohl reaffirmed his commitment to rapid EFTA enlargement after the French referendum. Lubbers has told the Prime Minister that he too wishes to press ahead, perhaps by making this a condition for agreement on future financing. Schlüter himself has said starting accession negotiations would help Denmark, and told the Prime Minister on 21 September that the Special European Council should address the issue.

The Prime Minister might say:

- Important to take forward enlargement dossier. Preparations for EFTA accession negotiations going well. Aim to complete these before Edinburgh.

- Aiming to settle future financing there. May be scope for reversing linkage to get Southerners to agree to open accession negotiations.

- But other condition - Maastricht ratification - will not be met by Edinburgh. If we are to move ahead we need to de-link.

Inclined to aim for this at Edinburgh, when preparations complete, but will need to take a judgement nearer the time.

- Would welcome positive signal on enlargement at 16 October European Council, if achievable. Doubt that other partners would support. Perhaps better to rely on technical work proceeding and not look for more forward position in Birmingham.

I am sending copies of this letter to Jeremy Heywood (HM Treasury), Keith Loader (DTI) and Melanie Leech (Cabinet Office).

Yours ever,

Christopher Prentice

(C N R Prentice)
Private Secretary

J S Wall Esq
10 Downing Street

MAASTRICHT REFERENDUM

THE DANISH POLITICAL PARTIES (arranged from left to right)

1. Socialist People's Party — 15 seats in the Folketing

Known as SF. Anti-Maastricht. Its new leader, Holger Nielsen, was the most effective figure in the campaign against the Treaty and his reputation has been enhanced.

2. Social Democratic Party — 69 seats in the Folketing

New leader, Poul Nyrup Rasmussen, elected on 11 April. Party leadership united in campaigning in favour of Maastricht. But 60% of their supporters are thought to have voted against. Support for the party as such unaffected, at least so far.

CENTRE PARTIES

3. Radical Party — 7 seats in the Folketing

This party's leadership also campaigned in favour of the Treaty and also failed to win the backing of a majority of its supporters. Defence aspects caused them particular difficulty. The party orginally split from Venstre over defence.

4. Centre Democrats — 9 seats in the Folketing

Broke away from the Social Democrats over NATO and the EC. The most federalist of the Danish Parties. Pro-Maastricht.

5. Christian People's Party — 4 seats in the Folketing

Split on Maastricht. The party as a whole was against but three Parliamentarians campaigned in favour.

THE GOVERNMENT

6. Conservative People's Party — 30 seats in the Folketing

The party of Prime Minister Schlueter and Finance Minister Dyremose. Pro-Maastricht but more cautious than Venstre.

7. Venstre (Denmark's Liberal Party) — 29 seats in the Folketing

The party of Foreign Minister Ellemann-Jensen and Economics Minister Fogh Rasmussen, who attends ECOFIN. Second only to CD in their enthusiasm for European integration.

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8. Progress Party — 12 seats in the Folketing

Anti-Maastricht. Originally a party of protest against high taxation. Now also anti-immigration.

/The above

The above totals 175 seats. In addition there are four Members from the North Atlantic Territories, Greenland and the Faroe Islands. Two of these vote with the Government and two with the Social Democrats. They usually abstain from voting on EC matters.

Parties 3 to 8 above are known here as the "bourgeois" parties (we call them "non-socialist" in our reporting). Together they have sustained Schlueter in office for nearly ten years, but they are not thereby obliged to support his specific policies. Their majority over the two Socialist Parties is now only seven. It would need only one of the three Centre Parties to change sides to bring the Social Democrats to power.

For the last five years Denmark's policy towards the Community has been based on a consensus between the Government and the Social Democrats, with which the centre parties have been associated.

Foreign &
Commonwealth
Office

London SW1A 2AH

CCSP

S91/4/9

8 September 1992

Dear Stephen,

DANISH REFERENDUM: SCHLEUTER BILATERAL

Thank you for your letter of 1 September asking us to offer the Danish Prime Minister a working supper with the Prime Minister at 1900 hours on Wednesday 30 September. Mr Schleuter's office have now told our Embassy that he is happy to accept this invitation.

I am copying this letter to Jeremy Heywood (HM Treasury) and to Melanie Leech (Cabinet Office).

Yours ever,

Christopher Prentice.

(C N R Prentice)
Private Secretary

J S Wall Esq CMG LVO
10 Downing Street

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 September 1992

Dear Richard,

DANISH REFERENDUM: SCHLEUTER BILATERAL

Thank you for your letters of 25 and 27 August. The Prime Minister would be very happy to see Mr. Schleuter in London on Wednesday 30 September. The Prime Minister has engagements during the day and would like to offer Mr. Schleuter a working supper at 1900. Perhaps this could be put to the Danes. I fear that would involve Mr. Schleuter in a fairly late return to Copenhagen (assuming he is going back that night) but there is no adverse time change at that time. If Mr. Schleuter has to get back earlier than that, we could look again at the Prime Minister's diary.

I am sending a copy of this letter to Jeremy Heywood (H.M. Treasury) and to Melanie Leech (Cabinet Office).

Yours,

(J. S. WALL)

R.H.T. Gozney, Esq.,
Foreign and Commonwealth Office.

GIO

Foreign &
Commonwealth
Office

London SW1A 2AH

27 August 1992

Dear Stephen,

Schlueter Bilateral

In my letter of 25 August I mentioned four dates which Prime Minister Schlueter had offered for a visit to London to discuss the next steps on the Danish referendum.

His office have now asked to change those dates. He would like to withdraw the offer of 3 and 4 October, because he needs to be in Copenhagen immediately before the opening of Folketing on 6 October. He opens the debate there with the equivalent of our Queen's speech.

He would also like to withdraw his offer of 29 September, but to substitute 30 September.

In sum, that means that Schlueter would now offer either 28 September or 30 September, in London.

I am sending a copy of this letter to Jeremy Heywood (HM Treasury) and Melanie Leech (Cabinet Office).

Yours ever,

Richard

(R H T Gozney)
Private Secretary

J S Wall Esq
10 Downing Street

FM92

Restricted

cc PM

Foreign &
Commonwealth
Office

London SW1A 2AH

25 August 1992

Dear Stephen

DANISH REFERENDUM: SCHLUETER BILATERAL

In his letter to the Prime Minister of 13 August, Mr Schlueter said he would be in touch with precise dates for the planned bilateral meeeting in London, in the wake of the French referendum. — copy attached

The Danish Embassy have today proposed three possibilities: 28 September, 29 September, or 4 October during the afternoon. Mr Schlueter would plan to bring Mr Ellemann-Jensen.

Mr Schlueter is also attending the EDU meeting in Madrid on the weekend of 3/4 October. He suggests that one further possibility might be a bilateral in the margins of that meeting, if the Prime Minister were attending (which I understand is unlikely). But they recognise that it might be better to meet in London. A fall back for him would be afternoon/evening of Saturday 3 October.

We understand that the Danish government plan to circulate a draft White Paper for internal discussion on 23 September, as soon as possible after the French referendum. This will be considered by Ministers at the end of September, and be sent to the Folketing in the first week in October, before the new parliamentary session opens on 6 October.

The White Paper is expected to analyse the causes of the referendum result, and to set our options. It will not contain specific proposals above the next steps, which Mr Schlueter will want to consider separately.

Restricted

We had originally hoped to hold this bilateral earlier in September, before the French referendum. However the Foreign Secretary will be seeing Ellemann-Jensen in the margins of the EC/South Africa Troika visit (2/3 September) and Sir David Gillmore and Michael Jay will visit Copenhagen on 8 September. Foreign Ministers meet at Brockett Hall on 12/13 September. So a bilateral with Mr Schlueter soon after the French referendum might make good sense.

I am sending a copy of this letter to Jeremy Heywood, Treasury and to Melanie Leech, Cabinet Office.

Yours ever,

Richard

R H T Gozney
Private Secretary

J S Wall Esq
10 Downing Street

150676
MDLOAN 4469

Stephen,
28/29 getting impossible now, 4 October is day before Party Conference so definitely out, 30 October so far 'free' - could suggest morning at peril of PM's discontent at not getting home

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FM FCO
TO PRIORITY COPENHAGEN
TELNO 142
OF 241300Z AUGUST 92
INFO PRIORITY UKREP BRUSSELS, PARIS, BONN

Any preferences from Dionys point of view?
Stephen
25/8

FRAME POLITICAL UNION

DANISH PRIME MINISTER'S VISIT

1. IN RESPONSE TO THE PRIME MINISTER'S INVITATION TO SCHLUETER, THE DANES HAVE PROPOSED 28 OR 29 SEPTEMBER, OR 4 OCTOBER FOR A MEETING IN LONDON. FALLBACK, AFTERNOON OF 30 OCTOBER. NO 10 ARE CONSIDERING AND WILL REVERT. SCHLUETER WILL BRING ELLEMANN-JENSEN.

2. FOLLOWING CONTACT THIS MORNING WITH BIERING (MFA), THE DANISH EMBASSY TODAY DELIVERED THIS MESSAGE TO ARTHUR ECD(I). THEY ADDED THE FOLLOWING DETAILS ABOUT THE PLANNED TIMETABLE. THE FIRST DRAFT OF THE WHITE BOOK IS THIS WEEK BEING CIRCULATED TO A VERY LIMITED NUMBER OF PEOPLE WITHIN THE FOREIGN MINISTRY. IT WILL GO TO THE INTERMINISTERIAL COMMITTEE CHAIRED BY OERSTROEM-MOELLER ON 23 SEPTEMBER. IN THE LIGHT OF THAT DISCUSSION, ELLEMANN-JENSEN WILL CHAIR A MINISTERIAL COMMITTEE AT THE END OF SEPTEMBER, FOLLOWING WHICH THE WHITE BOOK WILL BE PUBLISHED. IT WILL BE PUT TO THE FOLKETING ABOUT 4 OR 5 OCTOBER, IN ADVANCE OF THE NEW PARLIAMENTARY SESSION STARTING ON 6 OCTOBER.

3. THE WHITE BOOK IS SAID TO CONTAIN BETWEEN 5 AND 8 OPTIONS RANGING FROM MINOR MODIFICATIONS/ADDITIONS TO THE MAASTRICHT DECLARATIONS,(THEREBY PERMITTING A SECOND REFERENDUM): TO REVISED DANISH MEMBERSHIP OF THE COMMUNITY, ON AN EEA BASIS. PETERSEN (DANISH EMBASSY) HAD NOT SEEN A DRAFT, WHICH WAS BEING TIGHTLY HELD.

4. AS YOU KNOW, OUR NEXT CONTACTS WITH THE DANES ARE EATON (DEPUTY LEGAL ADVISER) TO COPENHAGEN ON 27/28 AUGUST: NYRUP RASMUSSEN TO SEE THE PRIME MINISTER ON 3 SEPTEMBER: THE PUS AND

JAY TO VISIT COPENHAGEN ON 8 SEPT. I MAY ALSO HAVE A CHANCE TO DISCUSS THIS WITH ELLEMANN-JENSEN IN THE MARGINS OF THE EC/SOUTH

150676
MDLOAN 4769

AFRICA TROIKA (2/3 SEPTEMBER).

5. IT WOULD OBVIOUSLY BE HELPFUL IF WE WERE ABLE TO HAVE A SIGHT OF THE DRAFT WHITE BOOK BEFORE THE PUS AND JAY'S VISIT TO COPENHAGEN. IF YOU SEE NO OBJECTION PERHAPS YOU COULD FLOAT THIS IDEA WITH FEDERSPIEL OR HIS OFFICE, SAYING THE PUS WOULD, OF COURSE, TREAT IT IN THE STRICTEST CONFIDENCE.

HURD

YYYY

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MAIN 366

FRAME POLITICAL UNION .ECD(I) [-]

ADDITIONAL 1

FRAME

NNNN

file

T JR

cc: PCO

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 162/89.

SUBJECT
cc MASTER
DPS

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

6 September 1989

File: DENMARK: Visits of PM of Denmark July '82.

Dear Paul.

I am very sorry not to be able to have the opportunity to see you when you visit London to launch the Danish-UK Chamber of Commerce. I have a long-standing arrangement to be in Scotland then.

The Chamber will be an important initiative in furthering our trading relationship. I wish you every success with the launch and hope that you and your wife enjoy your stay in London.

Kind regards

Yours ever

Margaret

His Excellency Mr. Poul Schlüter

DS

Foreign and Commonwealth Office

London SW1A 2AH

RESTRICTED

4 September 1989

Dear Charles,

Visit of Danish Prime Minister to UK: 10-12 September

The Danish Prime Minister, Mr Poul Schlüter will be visiting London from 10-12 September to launch a Danish-UK Chamber of Commerce (an initiative of the Danish Embassy in London). I enclose a copy of his programme.

Mr Schlüter had hoped to call on the Prime Minister on 11 September but she will be at Balmoral. The Foreign Secretary will be in the USA. Given Denmark's importance to us as a major EC and NATO ally the Foreign Secretary believes it would be well received if the Prime Minister were to send a note to Mr Schlüter wishing him success in the launch of the Chamber and regretting that they are not to meet on this occasion. I enclose a suggested text. We would arrange for the note to be delivered via the Danish Embassy in London.

I am writing separately to the Lord President's office about the possibility of offering the Danish Prime Minister a brief meeting with the Lord President, as a matter of courtesy. I enclose a copy of my letter.

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

RESTRICTED

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:
Prime Minister
DEPARTMENT:
TEL. NO:
BUILDING:
ROOM NO:

Reference
AP3ABG

Your Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

..... In Confidence

CAVEAT .....

Enclosures flag(s) .....

TO:
HE Mr Poul Schlüter
c/o Royal Danish Embassy
55 Sloane Street
London
SW1X 9SR

Copies to:

JR2ATX

SUBJECT:

I am very sorry not to be able to have the opportunity to see you when you visit London to launch the Danish-UK Chamber of Commerce. As you no doubt know I shall be a guest of Her Majesty at Balmoral Castle in Scotland.

I have a long-standing arrangement to be in Scotland etc

The Chamber will be an important initiative in furthering our trading relationship. I wish you every success with the launch and hope that you and your wife enjoy your stay in London.

MT

cc Protocol Dept, (Miss Connelly)
29/8

Ref. 120.Dan.9/1.Schlüter.

London, 23 August 1989. 29/8

Dear Anne

Following our telephone conversation today I should like to confirm the following regarding Prime Minister Poul Schlüter's visit to London from 10 - 12 September 1989.

Arrival: Sunday, 10 September 1989 at 17.20 by SK 503.
Departure: Tuesday, 12 September 1989 at 09.50 by SK 508.

Programme

Sunday, 10 September 1989

19.30 Private dinner at the Ambassador's residence, 2 Hans Street, SW1.

Monday, 11 September 1989

10.00 - 11.00 Attending the opening of the Danish company IIS's Head Office for Europe, 44-50 Bath Road, Hounslow. (40 guests).

18.30 for 19.00 The Launch Dinner for The Danish-UK Chamber of Commerce, Hotel Portman Intercontinental, Portman Square, London W1. (approx. 2-300 guests).

Prime Minister Schlüter will be accompanied by his wife, Mrs Anne Marie Vessel, Mr Lars Teit Hansen, Adviser to the Prime Minister, Mr Michael Matthiesen, Private Secretary to the Prime Minister and Ms Annette Lauritzen, Personal Assistant, who will all participate in the above-mentioned arrangements.

The party will be accommodated at the Carlton Tower Hotel, Cadogan Place, and will during their stay in London make use of the Embassy's cars.

Yours Michael,

H. M. Kofoed-Hansen

Ms Anne Pringle
Western European Department
Foreign and Commonwealth Office
L o n d o n

Foreign and Commonwealth Office

London SW1A 2AH

RESTRICTED

4 September 1989

Visit of Danish Prime Minister to UK: 10-12 September

The Danish Prime Minister, Mr Poul Schlüter, will be visiting London from 10-12 September to launch a Danish-UK Chamber of Commerce (an initiative of the Danish Embassy in London). I attach a copy of his programme.

Mr Schlüter had hoped to call on the Prime Minister on 11 September but she will be at Balmoral. The Danes have not pressed for a call on anyone in the Prime Minister's stead. (They are aware that the Foreign Secretary will be in Washington.) Nevertheless we feel it would be desirable, given Denmark's importance to us, that there should be some senior Ministerial contact during Mr Schlüter's visit. We have enquired whether Mr Ridley might see him, since the visit is to be trade-oriented, but Mr Ridley will be in Scotland.

For these reasons we wonder if the Lord President would be willing to receive Mr Schlüter briefly on 11 September? (I attach a personality note.)

Mr Schlüter's only engagements during that day are between 1000h - 1100h, and in the evening.

I am copying this letter to Charles Powell.

(J S Wall)
Private Secretary

S D Catling Esq
PS/Lord President

RESTRICTED

Foreign and Commonwealth Office

RESTRICTED London SW1A 2AH

4 September 1989

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I am copying this letter to Charles Powell.

(J S Wall)
Private Secretary

S D Catling Esq
PS/Lord President

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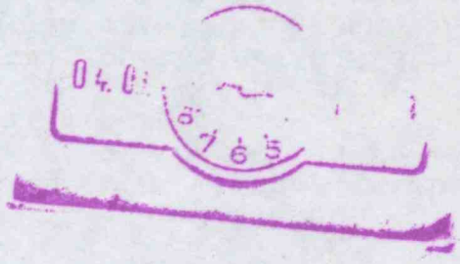

cc Protocol Dept. (Miss Connelly) 29/8

Ref. 120.Dan.9/1.Schlüter.

London, 23 August 1989. 29/8

Dear Anne

Following our telephone conversation today I should like to confirm the following regarding Prime Minister Poul Schlüter's visit to London from 10 - 12 September 1989.

Arrival: Sunday, 10 September 1989 at 17.20 by SK 503.
Departure: Tuesday, 12 September 1989 at 09.50 by SK 508.

Programme

Sunday, 10 September 1989

19.30 Private dinner at the Ambassador's residence, 2 Hans Street, SW1.

Monday, 11 September 1989

10.00 - 11.00 Attending the opening of the Danish company IIS's Head Office for Europe, 44-50 Bath Road, Hounslow. (40 guests).

18.30 for 19.00 The Launch Dinner for The Danish-UK Chamber of Commerce, Hotel Portman Intercontinental, Portman Square, London W1. (approx. 2-300 guests).

Prime Minister Schlüter will be accompanied by his wife, Mrs Anne Marie Vessel, Mr Lars Teit Hansen, Adviser to the Prime Minister, Mr Michael Matthiesen, Private Secretary to the Prime Minister and Ms Annette Lauritzen, Personal Assistant, who will all participate in the above-mentioned arrangements.

The party will be accommodated at the Carlton Tower Hotel, Cadogan Place, and will during their stay in London make use of the Embassy's cars.

Yours Michael,

H. M. Kofoed-Hansen

Ms Anne Pringle
Western European Department
Foreign and Commonwealth Office
L o n d o n

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SUBJECT CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 December 1987

Dear Lyn,

PRIME MINISTER'S MEETING WITH THE DANISH PRIME MINISTER

The Prime Minister met the Danish Prime Minister this afternoon to discuss the prospect for the forthcoming European Council in Copenhagen. Mr. Schlüter was accompanied by Mr. Ellemann-Jensen, Mr. Ostrom Moller and Mr. Nehring. The Foreign Secretary was also present.

I do not think that the meeting advanced matters in any significant way. But the Danish Presidency will have been reminded of the strength of the Prime Minister's resolve that the Community should face up to the real issues at Copenhagen.

Introduction

The Prime Minister complimented Mr. Schlüter on the technical efficiency of Danish preparations for the Council. Mr. Schlüter said that the Presidency's original draft conclusions had helped clarify discussion at the conclave. He had subsequently sent a further short letter to heads of government identifying the most important matters to be discussed at the Council itself.

Mr. Schlüter said that his impression after visiting Community capitals was that all heads of government wanted to reach a solution at Copenhagen. Major problems remained to be solved which were of vital importance to various countries. But during his visits to Bonn and Rome earlier in the day he had found a definite intention to reach compromises. The most difficult issues were agriculture, the structural funds and own resources.

Agriculture

The Prime Minister said that the June European Council had reached clear conclusions on what needed to be done. Heads of government must now live up to those conclusions. On some key points there was no room for compromise. It was no good saying that the important thing was to agree. The important thing was to face up to the real issues. There must

be effective agricultural stabilisers. There must be binding financial discipline. The Fontainebleau abatement mechanism must continue. She was not confident that other governments were ready for the tough decisions needed, particularly on agricultural stabilisers. But for the first time in her experience of the Community, there was a real opportunity to tackle fundamental problems and she was determined the opportuity should be taken. Our own positions were clear. We supported the Commission on the main agricultural stabilisers. They must be effective and incorporated in detailed regulations. On surpluses, we were ready to wipe the slate clean by disposing of existing surpluses either through national financing or within the Community budget. In either case there should be a proportionate reduction in the agricultural guideline. Option 1 of (b) in the Presidency's latest note seemed on the right lines. Mr. Ellemann-Jensen interjected that one had to recognise that, without agreement on an oils and fats tax, the figure for the guideline in the Presidency's note would not be 27 billion écu but 28.3 billion écu. Germany would drop its opposition to the oils and fats tax if the guideline was set too low. Chancellor Kohl had to be given some leeway to deal with his political problems. The Prime Minister and the Foreign Secretary urged very strongly that the Presidency should not proceed on this basis, which would only give rise to a sterile dispute in Copenhagen. This led Mr. Ellemann-Jensen to argue that the total amounts of money which were in dispute in the whole debate over future financing were trifling. But the political issues for Continental governments, particularly the French and Germans, were very difficult. We should understand that the farmers in Europe were different from those in Britain. The Prime Minister observed that this line of argument was easy for those who benefited from the Community but had less attractions for those who were net contributors. The real point of issue was the need to stop the explosion of agricultural surpluses which consumed ever increasing sums of taxpayers money. There was a chance to achieve this at Copenhagen and no point in delaying decisions. Staring at them only made them seem more difficult.

Financial Discipline

The Prime Minister made clear that we could not accept the introduction of a financial reserve into the rules governing exceptional circumstances. Indeed she was not prepared to accept the phrase exceptional circumstances at all, since precedent showed that it was infinitely elastic. The only circumstances in which the guideline could be overridden should be defined as those in which there was substantial change in the dollar/écu rate.
Mr. Ellemann-Jensen said that he thought that the United Kingdom's objectives on this point could be realised.

Structural Funds

The Prime Minister said that any increase in the structural funds must be contained within the maximum rate. Mr. Ellemann-Jensen said bad-temperedly that the Copenhagen

Council might as well be called off. There would be no agreement unless the basic demands of the southern member states were satisfied. They saw the issue in simple terms. They opened their markets to the industrial goods of the northern member states but needed compensation in return. It was not a question of money but of Community solidarity. The Prime Minister said that she had made the point many times that the structural funds were not a mechanism for re-distributing wealth. The Foreign Secretary added that, in most respects, the Presidency texts on the structural funds was satisfactory. The only major point to be resolved was the size of any increase and its concentration. It was a great pity that the Commission had ever introduced the notion of doubling. The Prime Minister said that agreement would only be reached on a realistic figure, with the extra concentrated on Spain and Portugal.

The UK Abatement

There was a rather unproductive discussion of this. Mr. Schlüter said that the United Kingdom should receive more or less what it had got as a result of Fontainebleau, reduced by some 200 million écu to take account of the United Kingdom's increased prosperity. The Prime Minister pointed out that the United Kingdom's relative position in the table of Community prosperity had not changed since Fontainebleau. On the other hand, our gross contribution had got very much larger and our net contribution had also risen steadily. There was absolutely no justification for any reduction in our abatement. She hoped that the Council not not waste time on this issue since our position was un-shiftable.

Conclusion

Mr. Schlüter concluded with a plea for the United Kingdom to understand the political difficulties for some other member states in agreeing solutions which met the United Kingdom's demands in full. He believed that the sort of compromises outlined by the Presidency would represent a major step in the right direction for the Community and would be infinitely preferable to a failure at Copenhagen. The problems would not get any easier for being postponed. The Prime Minister said that she was disappointed that people were continuing to run away from the fundamental problems. The United Kingdom was ready to take tough decisions. The United Kingdom Parliament would not agree to any solution which failed to deal with the real issues. Moreover, it was no good leaving the detail to later. That had been the weakness of Fontainebleau. Mr. Schlüter said he had the impression that the Prime Minister had decided not to understand the difficulties of others. The Prime Minister said that she was more concerned about the difficulties for the Community as a whole of failing to get to grips with agricultural over-spending. Compromise would be pointless if all it meant was the same problems cropped up again almost immediately. The Community must face up to reality.

I enclose a line which the No.10 Press Office used after

the meeting.

I am copying this letter to Alex Allan (HM Treasury), Shirley Stagg (Ministry of Agriculture, Fisheries and Food) and Trevor Woolley (Cabinet Office).

yours sincerely,

(C. D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

PRESS LINE: PRIME MINISTER'S MEETING WITH MR. SCHLÜTER

The Prime Minister and Mr. Schlüter met for an hour and a half this evening to discuss the prospects for the European Council in Copenhagen. The Foreign Secretary and the Danish Foreign Minister were also present.

The Prime Minister complimented Mr. Schlüter on the Presidency's technical preparations for the Council meeting. She confirmed our willingness to work for solutions at Copenhagen. But she was determined that the Council should face up to and deal with the real problems. This meant agreement on effective agricultural stabilisers and binding budgetary discipline. The UK was prepared for tough decisions. The Community could not afford a failure to get to grips with agricultural overspending. The European Council in June had set clear criteria for a solution, and the solutions must match those criteria.

1 December 1987

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PRIME MINISTER

MEETING WITH MR. SCHLUTER

Mr. Schluter is coming to see you for an hour tomorrow evening. He will be accompanied by the Danish Foreign Minister. They will need a drink, since they will have been to Rome and Bonn earlier in the day! The Foreign Secretary will also be present.

The key documents in the folder are:

- FCO covering letter
- points to make
- Schluter's message to you
- your reply
- Schluter's remarks to our Ambassador, when he handed over the reply

The final meeting of Foreign Ministers yesterday and today made no significant progress. The prospects of agreement at Copenhagen are bleaker than ever. That is also the view of the French to whom I have spoken this evening. Mr. Schluter seems to be pinning his hopes on a general willingness to compromise on political grounds, so that Europe does not cut a poor figure at the very moment when the US and Soviet Union are enjoying a success. He will argue that the sums of money at stake are trifling and not worth a major row. He will plead for giving time to bring agricultural spending under control. He may be looking for a scapegoat for failure of the Council, and is quite likely to fasten on us.

Against this unpromising background you might start with some general points:

- you are grateful for Denmark's work and for Schluter's personal efforts;
- you go to Copenhagen ready to work hard for a solution;
- but you are not prepared to see the issues fudged.

Compromise is pointless if it just means that all the same problems recur almost immediately;

- effective agricultural stabilisers are an absolutely vital ingredient. That is what we agreed in Brussels in June. If Schluter dilutes them, he may gain the support of the French and Germans, but he loses the British and Dutch. There is going to have to be a strict stabiliser regime. The only question is whether it will be at Copenhagen or later;
- what damages the Community's credibility is not failure to agree but failure to face reality.

There are then a number of specific points you should raise:

- on agricultural stabilisers, the Commission's proposals represent the bare minimum that is necessary. There will need to be agreement at Copenhagen on the detail for the key commodities: cereals, oilseeds and proteins;
- binding budget discipline is equally vital. That was where Fontainebleau came unstuck and why the Community is in its present mess. There is no justification for 'exceptional circumstances': at the most they must be limited to significant movements in the dollar/ecu rate;
- we welcome the efforts of the Presidency to set the agricultural guideline at a reasonable level, to suggest that it should grow at only 60 per cent of the GNP growth rate and to propose a special programme for disposal of existing stocks financed off-guideline. But it will be no good trying to revive the oils and fats tax. Even Delors now admits that it will not be adopted;
- the Presidency should not stimulate unreasonable expectations for the Structural Funds. They have grown 47 per cent in real terms since 1984. Further increases should be constrained within the maximum rate and concentrated on the poorest;

- you have no strong feelings about the structure of own resources. It seems unlikely that the Council will need even to consider a figure for a new ceiling, since the

prospects of progress on the key issues which must be settled first are so dim. Our Parliament simply will not agree an increase without binding budgetary discipline and effective agricultural stabilisers (if then);

- your views on our abatement were set out in your reply to his letter. There will be no agreement at Copenhagen if others persist in trying to reduce it. The circumstances which justified it at Fontainbleau are just as valid now. This is another area where you have no flexibility at all.

- Finally, on political co-operation, you can agree to a short, pithy text on East/West relations which supports the INF Agreement: would like to see a statement on Afghanistan: but would only want a statement on the Middle East if it supported an international conference and called for an arms embargo on Iran.

Charles Powell
30 November 1987

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MDADAN 7340

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FM COPENHAGEN
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TELNO 404
OF 301530Z NOVEMBER 87
INFO DESKBY 301700Z UKREP BRUSSELS
INFO IMMEDIATE OTHER EC POSTS

YOUR TELNO 250 : COPENHAGEN EUROPEAN COUNCIL : PRIME MINISTER'S REPLY TO SCHLUTER

SUMMARY

1. PRIME MINISTER'S LETTER DELIVERED. SCHLUTER MAINTAINS THAT THE PRESIDENCY'S APPROACH IS FAIR AND BALANCED. HE ARGUES THAT WORLD ECONOMIC AND FOREIGN POLICY ARGUMENTS FOR COMPROMISE TO PERMIT SUCCESS AT COPENHAGEN OUTWEIGH INDIVIDUAL NATIONAL POSITIONS. SCHLUTER SEEMS A BIT DETACHED, AND PREOCCUPIED WITH THE POLITICAL CASE FOR COMPROMISE RATHER THAN THE NEED TO PUT THE COMMUNITY ON A SOUND FINANCIAL FOOTING.

2. I TOOK ACTION WITH THE DANISH PRIME MINISTER THIS MORNING, INTRODUCING THE PRIME MINISTER'S LETTER BY SAYING THAT MRS THATCHER SHARED HIS HOPES FOR A CLEAR OUTCOME TO THE COPENHAGEN MEETING BUT FELT THAT THE PRESIDENCY'S APPROACH ON THE CONTROL OF AGRICULTURAL EXPENDITURE AND ON THE BRITISH ABATEMENT WAS UNSATISFACTORY.

3. IN HIS COMMENTS, SCHLUTER CONCENTRATED ON GENERAL POLITICAL CONSIDERATIONS AND THE QUESTIONS OF FINANCIAL CONTROL AND AGRICULTURAL STABILISERS. HE DID NOT COMMENT SPECIFICALLY ON THE ABATEMENT PROBLEM. HE SAID THAT HIS PROBLEM AS PRESIDENT WAS TO DEVISE A FORMULA WHICH RECONCILED WIDELY VARYING NATIONAL STANDPOINTS. THESE RANGED FROM THAT OF THE FRG (WITH SOME FRENCH SUPPORT) TO THOSE OF THE BRITISH AND DUTCH. HE WOULD STUDY THE PRIME MINISTER'S LETTER. BUT HE STILL FELT THAT THE PRESIDENCY'S PROPOSALS WERE FAIRLY BALANCED. FOREIGN MINISTERS WERE STILL AT WORK IN BRUSSELS. THEY WOULD PROBABLY NOT REACH AGREEMENT. BUT THEIR WORK MIGHT STILL HAVE VALUE IN CLEARING THE GROUND BEFORE THE EUROPEAN COUNCIL.

4. I ASKED SCHLUTER WHETHER HE FELT, IN THE LIGHT OF HIS CONTACTS, THAT OTHERS SHARED HIS AND THE PRIME MINISTER'S WISH TO REACH A CLEAR CONCLUSION AT COPENHAGEN. HE SAID THAT, HAVING SEEN MOST HEADS OF STATE OR GOVERNMENT, HE BELIEVED THAT ALL WERE CONVINCED THAT CLEAR

DECISIONS AT COPENHAGEN WERE NECESSARY FOR ECONOMIC AND POLITICAL REASONS. HE SENSED THAT THERE WAS GREAT EAGERNESS TO FIND A COMPROMISE. HE FELT THAT ALL HIS COLLEAGUES BELEIEVED THAT COPENHAGEN MUST SEND A CLEAR AND POSTIVE SIGNAL TO SET AGAINST CURRENT ECONOMIC UNCERTAINTIES. THEY WERE ALSO CONSCIOUS THAT THE EUROPEAN COUNCIL WOULD BE TAKING PLACE IMMEDIATELY BEFORE THE SUPER-POWER SUMMIT. THAT SUMMIT WOULD BE CONFIRMING DEVELOPMENTS OF THE GREATEST IMPORTANCE FOR EUROPEAN SECURITY. THERE WAS NO DIRECT LINK, BUT THERE WERE INDIRECT AND PSYCHOLOGICAL LINKS. FAILURE TO AGREE AT COPENHAGEN WOULD CONVEY A MOST UNFORTUNATE NEGATIVE IMPRESSION.

5. ALL WERE AGREED, SCHLUTER WENT ON, THAT MATTERS WOULD NOT GET EASIER IN SIX MONTH'S TIME. A FEW MONTHS AGO, IT HAD BEEN TEMPTING TO BELIEVE THAT THEY WOULD. BUT THE SHADOWS OF THE GERMAN LOCAL AND FRENCH PRESIDENTIAL ELECTIONS WOULD OVERHANG THE GERMAN PRESIDENCY. FAILURE TO AGREE AT COPENHAGEN WOULD LEAD TO A MONUMENTAL ROW WITH THE EUROPEAN PARLIAMENT. ALL THESE CONSIDERATIONS WERE IMPORTANT AND, FRANKLY, MORE IMPORTANT THAN THE SUMS OF MONEY CONSIDERED IN THE PRESIDENCY PAPER. THE TOTAL WAS A VERY SMALL PERCENTAGE OF GNP, INDIVIDUAL STABILISER ITEMS WERE ''BAGATELLES''.

6. I SAID THAT THE AMOUNTS AT STAKE UNDER EACH STABILISER MIGHT BE RELATIVELY SMALL, BUT THE PRINCIPLE OF ESTABLISHING EFFECTIVE FINANCIAL CONTROL AND LIMITS TO THE GROWTH OF AGRICULTURAL EXPENDITURE WAS OF CENTRAL SIGNIFICANCE. PEOPLE WOULN NOT UNDERSTAND A FAILURE TO MATCH NATIONAL BUDGETARY STRINGENCY AT THE COMMUNITY LEVEL. SCHLUTER SAID THAT IT WAS ALL A MATTER OF PROPORTION. IT WAS TRUE THAT IT WAS A COMMUNITY INTEREST TO GET AGRICULTURAL EXPENDITURE UNDER CONTROL. BUT IT WAS NOT A COMMUNITY INTERST TO BRING ABOUT AGRICULTURAL DEPOPULATION, DRIVE FARMERS BANKRUPT OR BRING DOWN INDIVIDUAL MEMBER GOVERNMENTS OVER AGRICULTURAL ISSUES. THERE WAS NO DOUBT THAT MUCH AGRICULTURE IN THE COMMUNITY WAS UNECONOMIC. LEFT ALONE, MANY FARMERS WOULD GO BANKRUPT OVER THE NEXT TEN YEARS. THE PROBLEM WAS ONE OF BALANCE, BRINGING AGRICULTURAL EXPENDITURE GRADUALLY UNDER CONTROL WITHOUT DOING CRITICAL DAMAGE IN THE SHORT RUN. HE WAS CONVINCED THAT THE APPROACH SET OUT IN HIS LETTER AND THE PRESIDENCY PAPER REPRESENTED A FAIR AND BALANCED APPROACH TO THE PROBLEM.

7. I ASKED ABOUT INDIVIDUAL COMMODITIES. HIS MINISTER OF AGRICULTURE HAD GIVEN ME THE IMPRESSION ON 27 NOVEMBER THAT, IF ONLY AGREEEMENT COULD BE REACHED ON CEREALS, OILSEEDS AND PROTEIN PRODUCTS, STABILISERS ON OTHER COMMODITIES COULD BE PUT INTO PLACE WITHOUT TOO MUCH DIFFICULTY. SCHLUTER COMMENTED THAT SHEEP MEAT TOO PRESENTED A

REAL PROBLEM : BRITAIN ENJOYED AN EXCESSIVELY FAVOURABLE POSITION ON IT.

8. SCHLUTER IS VISITING BONN AND ROME TOMORROW BEFORE HE COMES TO LONDON. I ASKED HIM ABOUT HIS IMPRESSIONS OF FRENCH SUPPORT FOR THE GERMANS. HE COMMENTED THAT ON CEREALS IN PARTICULAR THE FRENCH HAD MOVED A LONG WAY TOWARDS THE GERMANS.

9. I ASKED SCHLUTER ABOUT HIS OWN POSITION. HAD IT BEEN DIFFICULT TO RECONCILE DANISH AND PRESIDENCY COINSIDERATIONS? HE SAID IT HAD NOT. THE OUTCOME OF LAST YEAR'S REFERENDUM HAD MADE THINGS VERY MUCH SIMPLER FOR THE DANISH GOVERNMENT. THE SOCIAL DEMOCRATS WERE BEING REASONABLE. AND HE HAD GOT FULL MARKET COMMITTEE CLEARANCE FOR HIS HANDLING OF THE EUROPEAN COUNCIL. I REMINDED HIM OF HIS REFENCE TO BANKRUPT FARMERS. HE ACKNOWLEDGED THAT DANISH FARMERS WERE IN DIFFICULTIES, BUT THE DANES HAD NO PROBLEM ON THE SCALE OF THE GERMANS OR THE FRENCH. TALK OF A PARTIAL RENATIONALISATION OF AGRICULTURAL POLICY WAS A CHALLENGE TO THE DANES, BUT THEY COULD ACCOMMODATE THEMSELVES TO NATIONAL SUPPORT FOR COMMUNITY MEASURES ON SET-ASIDE FOR EXAMPLE.

COMMENT

10. SCHLUTER SEEEMED ALMOST EXCESSIVELY RELAXED, AND IT WAS NOT APPARENT THAT HE WAS ON TOP OF THE DETAILS OF HIS BRIEF. IT WAS NOTICEABLE THAT HE DID NOT READ THE PRIME MINISTER'S LETTER WHILE I WAS PRESENT. I FORMED THE IMPRESSION THAT HE IS APPROACHING THE COUNCIL WITH A CERTAIN AMOUNT OF CONFIDENCE. HE SEEMS TO BELIEVE THAT WORLD ECONOMIC, EAST-WEST AND POLITICAL CONSIDERATIONS WILL HELP TO DELIVER SUCCESS AT COPENHAGEN. HE RECOGNISES THAT NATIONAL POSITIONS ON FINANCIAL DISCIPLINE AND AGRICULTURAL STABILISERS MAY STILL BE FAR APART, BUT JUDGES THAT ALL ARE HOLDING BACK THEIR CONCESSIONS FOR THE COUNCIL ITSELF. BUT EVEN IF THE EUROPEAN COUNCIL ENDS IN FAILURE (AND SCHLUTER MUST REALISE THAT THIS IS A VERY POSSIBLE OUTCOME) NO DANISH VITAL INTEREST WILL BE JEOPARDIZED. AS FOR VAGUENESS ON DETAIL HE PROBABLY FEELS THAT POLITCAL FACTORS WILL BE DECISIVE IN THE END AND THAT IT IS HIS JOB TO TRY TO KEEP THE FOCUS ON GENERAL POLITICAL, NOT DETAILED FINANCIAL, CONSIDERATIONS.

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JO VSCAGW
C PE M
SUBJECT cc MASTER
Meeting

10 DOWNING STREET

LONDON SW1A 2AA

28 September 1987

From the Private Secretary

PRIME MINISTER'S MEETING WITH THE DANISH PRIME MINISTER

The Prime Minister had a talk with the Danish Prime Minister this morning followed by a working lunch. I have written separately about their discussion of European Community issues. This letter records briefly the other points which were covered.

The Gulf

The Prime Minister gave Mr. Schluter an account of her views on the situation in the Gulf. Mr. Schluter made no significant comment.

NATO

The Prime Miniter and Mr. Schulter had a brief exchange on NATO, in the course of which the Prime Minister suggested that it might be a good idea to hold NATO Summits at Heads of Government level, say every two years. This would reinforce the practice of consultation at the highest level between the United States and Europe, which would be particularly necessary in the period ahead with all the uncertainty of the United States' Presidential elections. It would also, incidentally, reduce the need to build up the WEU about which she always had misgivings. The first such summit might be organised before the end of Lord Carrington's tenure as Secretary General. Mr. Schluter thought this an excellent idea. The Prime Minister also mentioned the likelihood that President Reagan would meet other NATO Heads of Government before a US/Soviet summit. This appeared to be news to Mr. Schulter.

Danish Defence Expenditure

The Prime Minister commented on the low level of Danish defence spending. Mr. Schluter said that, on this, he was dependent on the support of the Social Democrats. He doubted whether it would be possible to get such support for the increased defence spending, which his previous Government had proposed.

The Prime Minister also urged Mr. Schluter to do more to persuade people in Denmark of the vital role of nuclear weapons in the defence of Europe. Mr. Schluter said that, while Denmark was a strong and loyal member of NATO, there were serious misgivings about nuclear weapons. He thought there would be overwhelming support in Denmark for negotiations to eliminate short-range nuclear weapons in Europe.

Mr. Schulter referred to the proposed deployment of the United Kingdom mobile force to reinforce BAOR rather than Denmark and commented that discussions on this appeared to be proceeding satisfactorily.

North Sea Dumping

Mr. Schluter did not raise this issue.

I am copying this letter to John Howe (Ministry of Defence), Alex Allan (HM Treasury) and Trevor Woolley (Cabinet Office).

C.D. POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

[redacted]TIAL

Meeting Record NLS

PC

SUBJECT cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

28 September 1987

From the Private Secretary

Dear Lyn,

PRIME MINISTER'S MEETING WITH THE DANISH PRIME MINISTER: EUROPEAN COMMUNITY AFFAIRS

The Prime Minister had a talk with the Danish Prime Minister this morning followed by a working lunch. Mr Schluter was accompanied by his adviser on Economic Council affairs, Mr Nehring. This letter deals with their discussion of European Community affairs. I am writing separately about other matters.

Mr Schluter said that the recent election results in Denmark, although 'lousy' in general, had not actually made his Government's position on European Community issues any more difficult.

Most of the discussion thereafter focussed on the prospects for the European Council and on the 1988 Community budget. I enclose a copy of the note from which the Prime Minister spoke. She made all the points in it - some of them more than once - unless otherwise indicated in this letter. The main conclusions reached were:

- the Prime Minister and Mr Schluter agreed that the Copenhagen European Council must agree on everything or nothing. Mr Schluter was notably firm on this point;

- Mr Schluter pointed out that 'everything' would have to include more than just satisfaction on budget discipline and agricultural stabilisers. Other member states, particularly the southern tier, would want their requirements met on the structural funds. He agreed with the Prime Minister, however, that there was no question of doubling the structural funds. The Prime Minister pointed out that there had already been considerable increases and any additional money for the Regional Fund should be concentrated on the poorest member states, notably Portugal;

- the Prime Minister stressed the importance of improving the Community's financial and accounting

JC

procedures. She referred to the scandal of food aid, the need for the Commission to have powers to inspect surplus stocks and to order those unfit for sale or consumption to be written off without compensation from the Community budget;

- the Prime Minister and Mr Schluter agreed that the Commission had done useful work on agricultural stabilisers and on financial discipline and should be encouraged to continue. They also agreed on the aim of reducing agricultural spending on a proportion of the Community budget;

- Mr Schluter made clear that Denmark would prefer to stick to the VAT base for calculating own resources rather than move to a GNP base with a fourth resource. The Prime Minister acknowledged the argument for continuing with the familiar system, but did not express any strong views;

- the Prime Minister and Mr Schluter agreed that an oils and fats tax should be ruled out;

- the Prime Minister made clear that in no circumstances would she agree to the Commission's proposed figure of 1.4 per cent GNP for the Community's own resources. Mr Schluter did not commit himself to any particular figure;

- Mr Schluter maintained that there was a reasonable prospect of reaching agreement at the European Council in Copenhagen, enough at least to make the effort worthwhile. The Prime Minister recounted her exchanges with Chancellor Kohl and M. Chirac in Berlin on this point. This rather qualified Mr Schluter's optimism;

- the Prime Minister and Mr Schluter agreed that the Council in Copenhagen must be thoroughly prepared. As much as possible should be agreed in Coreper, in High Level Groups and in the Foreign Affairs Council, with the most controversial points clearly identified for discussion at the European Council. At the Prime Minister's suggestion, Mr Schluter will consider advancing the start of the European Council to 0930 on 4 December and will aim to circulate draft Presidency conclusions some days in advance.

There was a brisk exchange on the 1988 European Community budget. Mr Schluter said that the Council must submit a budget to the European Parliament before 5 October. He hoped that the United Kingdom would co-operate in finding a solution. The Prime Minister said that the issue was a straightforward one. The only legal basis on which to establish a budget was within the 1.4 per cent VAT ceiling. She was not prepared to accept any accompanying declaration which would prejudice a decision on additional own resources at the European Council. Mr Schluter said that such a budget would definitely be rejected by the Parliament as

unrealistic, and lead to a confrontation between Parliament and Council. This would unnecessarily complicate the European Council in Copenhagen. The Prime Minister said that this was irrelevant. The budget would be legal only if it was within the 1.4 per cent VAT ceiling. If that was not accepted by the Parliament, then the Community would have to go on to provisional twelfths. A compromise on the basis of an expectation that additional resources would in due course be forthcoming would take away the urgency from finding a solution at the European Council. As soon as people were allowed to believe that extra money would be forthcoming without sorting out the fundamental problems, all chance of sorting out the problems would disappear. Her position was absolutely firm and would be reflected at the Budget Council on 1 October.

There were also brief exchanges on the need for the Community to have a constructive proposal on agriculture for the GATT round; on the possibility of taking a vote on the air transport package at the Transport Council on 26 October; and on the need for the Community to avoid protectionist measures such as an oils and fats tax likely to provoke retaliation by the United States. Mr Schluter seemed well disposed on all three points.

I am copying this letter to Alex Allan (HM Treasury), Shirley Stagg (Ministry of Agriculture, Fisheries and Food), Tim Walker (Department of Trade and Industry), Roy Griffins (Department of Transport) and Trevor Woolley (Cabinet Office).

yours ever,

Charles Powell

Lyn Parker Esq
Foreign and Commonwealth Office

The National Archives

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ROYAL DANISH EMBASSY

London, 25 September, 1987

Dear Colleague,

At our last meeting in the Council of General Affairs on 14 September we reconfirmed our determination to make it possible for the European Council at its meeting in Copenhagen in December 1987 to adopt its final position on all the matters under the heading: "Making a Success of the Single Act."

We cannot allow the ongoing negotiations on the draft budget for 1988 to complicate the preparations for a successful outcome of the Copenhagen-meeting. That would also be against the Treaty. In Article 203 it is stipulated that a draft budget shall be placed before the Assembly not later that 5 October.

Despite this very clear time limit the Budget Ministers failed to obtain an agreement on a draft budget for 1988 at their meeting on 17-18 September. They failed although the Presidency presented a number of different possible solutions to the Member Countries.

Technically the difficulty with the 1988-draft budget is, of course, that the estimated expenditure exceeds the revenue considerably. If, however, Member Countries have the necessary political will this problem is in no way insoluble.

After the discussion in the Budget Council we are left with basically two alternatives:

- A draft budget with a realistic expenditure side and a revenue side which respects the 1,4 percent ceiling. The link between these two apparently contrasting sides of the budget being a "balancing factor" (which will be neutralized when agreement has been reached on new own ressources - re. European Council, Bruxelles, June 1987).

- A budget which both on the expenditure side and on the revenue side respects the 1,4 percent ceiling. The link between this budget and reality being a Council declaration which states that the draft budget falls short of the Commission's estimates of the expenditure necessary, and that this

The Rt. Hon. Sir Geoffrey Howe, QC MP
Secretary of State for
Foreign and Commonwealth Affairs
London

situation will be remedied in the budgetary procedure when agreement has been reached on new own ressources - ref. European Council, Bruxelles, June 1987.

Both alternatives have the advantage of not prejudging the decisions to be taken by the European Council in Copenhagen. The first alternative has furthermore the advantage of presenting a realistic expenditure side to the European Parliament.

It is the firm conviction of the Presidency that a budget - any budget - is better than no budget. Both for the sake of safeguarding the necessary mutual confidence among Member Countries and for the sake of our good relations with the European Parliament. It is thus imperative that we forward a draft budget to the European Parliament before 5 October.

In the Treaty it is stipulated that Member States shall ensure fullfillment of the obligations arising out of the Treaty and at the European Council in Bruxelles we agreed that "appropriate measures will be taken by the Budget Authority to cover the requirements of the 1988 budget in order to ensure the normal functioning of the Community".

The Presidency has shown how we can live up to that obligation.

The Budget Council will meet again on 1 October. I ask you to assure that the Budget Minister of your Government at that meeting will have sufficient flexibility to join in an agreement on the draft budget.

Agreement before 5 October on a draft budget for 1988 will be a first decisive step towards the decisions to be taken by the European Council at its meeting in Copenhagen in December 1987.

Yours sincerely,

Uffe Ellemann-Jensen

11.30
12.45
1 for 1.10
but 14.30

MR. BEARPARK

Visit of the Danish Prime Minister
Monday, 28 September

The Danish PM could extend the lunch until 1430 as his flight is now an hour later than previously thought.

Charles before he left for Berlin asked that we have the pre lunch drinks rewad from 1215 onwards as they might get through the talks quickly.
3½ hours seems rather a long time to me.

Will you be talking to Charles and could find out what he thinks?

Sue

24 September 1987

cc PC
BVP.

Foreign and Commonwealth Office

London SW1A 2AH

23 September 1987

Dear Charles,

Mr Schluter's Meeting with the Prime Minister: 28 September 1987

Mr Schluter is coming at the Prime Minister's invitation. He had to cancel the meeting originally planned for 11 September because of the Danish General Elections on 8 September. Mr Schluter will be accompanied at the talks and lunch by Mr Niels Jorgen Nehring, his Special Adviser on EC Affairs.

The election result has made Schluter's domestic position more difficult. Although there was no clear-cut victory for either side, the four parties which make up his centre-right Government coalition collectively lost seven of their seventy seven seats. On both left and right the more extreme parties gained ground, and Schluter will now have to rely on incompatible minority parties for ad hoc majorities on specific issues, thus increasing his vulnerability on such central matters as defence and the economy.

Schluter was hoping that an early election would remove uncertainties during the Danish Presidency. Instead, the election result has dented his confidence, as the Ambassador at Copenhagen reports in the attached telegram. He will need encouragement from the Prime Minister to pursue a firm line on Community, defence and other issues.

The talks will concentrate on Community matters, but Schluter would probably welcome discussion of East/West relations, the Gulf and South Africa. He plans briefly to raise North Sea dumping.

EUROPEAN COMMUNITY

Future Financing

Danish Presidency aims in the future financing negotiations are still uncertain. At the Brussels

/European

European Council Schlüter argued for a substantial increase in own resources to put Community spending on a sound medium-term basis. The Danes continue to say they are working for an agreement at Copenhagen on a long-term solution which would crown their Presidency. But after his setback in the elections Schlüter may be less likely to take domestic political risks to achieve it.

Despite its relative prosperity, Denmark is a substantial net beneficiary from the EC budget (over £280m in 1986). As a result, the Danes take a minimalist approach to strengthening budget discipline. They also dislike the Commission's proposed changes in the own resources structure, which would reduce their net receipts from the budget by up to £50m a year. By the same token, the revised system has attractions for us because it would require relatively prosperous member states like Denmark to contribute a fairer share of the EC budget. The Danes are also cautious about CAP reform. Whilst recognising the need for more effective expenditure and control, Schlüter argued at the Brussels European Council against the introduction of automatic agricultural stabilisers, which he feared might undermine the policy. But neither on improved discipline nor on stabilisers would the Danes hold out against a consensus among their EC partners.

We recommend that the Prime Minister make clear to Schlüter our desire to work for agreement at Copenhagen, while reminding him of the necessary conditions for an agreement. She might draw on the following points:

- Must seize the opportunity to get EC finances on a stable and durable footing. Hope we can cooperate closely in run-up to Copenhagen Summit.

- Valuable progress made in Brussels, particularly agreement to strengthen budgetary discipline and on the need for CAP reform.

- Commission have produced a useful paper on agricultural stabilisers in response to European Council mandate. We now need detailed proposals for each agricultural regime. Aim should be to strengthen common management of regimes by building on stabilisers that are already in place.

- Stabilisers have proven effectiveness (eg milk and beef) and will help put CAP support decisions on equitable and predictable basis. Without them

spiralling costs of CAP will eventually cause collapse of the whole system.

- Commission's proposals on budget discipline also a step forward. Aim must be to tighten up procedures and make budget discipline binding, as agreed at Brussels European Council. We cannot afford to repeat failure of 1984 arrangements, which resulted in a build-up of massive agricultural deficits.

- If these points can be met, good chance of agreement on overall financing package. We shall work to achieve this at Copenhagen.

- Necessary to agree binding mechanisms to control growth of EC spending before we can agree to any increase in own resources ceiling.

- Prepared to consider Commission's proposals for measuring own resources in terms of GNP but not the exaggerated increase in the permitted level of own resources which they propose. Nor could we accept doubling of resources devoted to structural funds. Agricultural spending top priority but we have to control growth of all spending.

1988 EC Budget

At the Budget Council on 17/18 September the Danish Presidency proposed a 'negative reserve' of over 4 billion ecu to bridge the gap between a draft 1988 budget within the 1.4% ceiling and the estimated level of actual expenditure envisaged for the year. The UK opposed this decision as an attempt to preempt decisions on the level of EC own resources which could be taken only by Heads of Government. The draft budget remains blocked. The Danes are considering holding a further Budget Council on 1 October. If Schlüter raises the issue, the Prime Minister might say that:

- The Budget has to be agreed within the present ceiling. It cannot be agreed on the assumption that the ceiling will be raised. That is a decision to be taken when we take decisions on binding budget discipline. It was agreed at Brussels that all the decisions in the future financing negotiations formed an indivisible whole.

Gibraltar/Air Transport

Intensive negotiations with the Spanish have taken place at official level over the summer in an attempt to break the deadlock over Gibraltar and enable the air transport package to be agreed. A further meeting is planned early in October. The Danes intend to put the air transport package on the agenda of the 26 October Transport Council: we agree, since this will put pressure on the Spaniards. We recommend that the Prime Minister make the following points:

- Remain determined to secure earliest possible agreement on EC liberalisation package which will mean cheaper air fares and a better service for the traveller.

- Package is now subject to qualified majority voting and 11 member states are ready to adopt it.

- We have now succeeded in engaging Spaniards in detailed negotiation on Gibraltar airport with view to arriving at agreement which would enable them to lift their objections to EC package.

- Much hard work ahead, but we are preparing for intensive negotiating session at Coordinators' level at beginning of October.

EC External Issues

Schluter has expressed concern about US protectionism. We recommend that the Prime Minister speak of the need for the Community to remain united in its determination to act if its GATT rights were affected by such US legislation. Equally, the current highly charged atmosphere in Congress, as the House-Senate Conference begins work on the trade bill, means that the Administration will find it difficult to react in a measured way over current potential trade disputes, such as those over Airbus and the Community's proposed ban on hormone-treated meat. The Community, therefore, needs to do all it can to achieve negotiated solutions which protect our interests. It would also be worth reminding Schlüter that in the present mood in Washington the Community cannot afford to allow the oils and fats tax proposals to be revived.

The most difficult task facing the Presidency on the trade front will be achieving agreement on a constructive proposal on agriculture to table in the Uruguay Round

/before

before the end of the year. We recommend that the Prime Minister assure Schlüter that the UK will support Presidency and Commission efforts to focus the proposal on the need for reductions in all forms of agricultural support, in line with what was agreed by Heads of Government at Tokyo and Venice and at the OECD.

Iran/Iraq

Following the disappointing outcome of the UNSG's visits to Tehran and Baghdad and the new attacks on shipping in the Gulf, the Security Council needs to consider urgently the possibility of moving to enforcement measures. We recommend that the Prime Minister take the following line with Mr Schluter subject to further developments:

- Grateful to Danish Presidency for helping secure statement of Twelve on 3 September (expressing concern about increasing terrorism and hostilities, urging support for SCR 598 and immediate cease-fire, condemning attach on merchantmen).

- Need for Security Council now to consider arms embargo.

- Even if embargo not wholly effective, the Council cannot abandon the path it has set out on, and it would be of much political significance.

- Need to keep up pressure on both Iran and Iraq to refrain from attacking shipping.

- International consensus important in supporting freedom of navigation (not just Western preoccupation).

East West Relations

We expect Mr Schluter to welcome, as we do, the outcome of the Shultz/Shevardnadze meeting in Washington and the prospect of a Washington Summit. The Prime Minister might emphasise the hope that a summit will be used to bring about not only arms reductions, but also progress towards resolution of regional conflicts; and greater Soviet respect for human rights.

On arms control, the US/Soviet talks resulted in two new points of agreement on INF: in that INF re-entry vehicles minus their special nuclear material and other

/sensitive

sensitive items including guidance packages will be destroyed (as well as INF missiles and launchers); and that this procedure will also apply to the PIA reentry vehicles once the PIA missiles have been destroyed (preserving the important principle of excluding established patterns of cooperation from US/Soviet arms control agreements). No advances were made on phasing and there was little discussion of verification. The Prime Minister might accordingly observe that, while prospects appear good for an agreement, much INF detail remains to be worked out. Other agreements concluded were on nuclear risk reduction centres and nuclear testing where talks are to open before 1 December, concentrating as a first step on agreeing verification measures to make it possible for the US to ratify the Threshold Test Ban Treaty and Peaceful Nuclear Explosion Treaty. There appear to have been few advances on START or other issues.

The CSCE Vienna Follow-up Meeting resumed on 22 September and is now in its final stages. Our objective is an outcome allowing a continuing process of scrutiny of human rights performance, balancing the likely agreement on further Confidence and Security Building Measures negotiations. Specifically, the Twelve aim to secure agreement on the three "Flagship" proposals: the human dimension, an economic forum in the FRG, and an information forum in London in 1989. It will be vital to carry the US and other non-EC allies with the Twelve to achieve this. The Prime Minister might comment favourably to Mr Schluter on the effective performance so far of the Danish Presidency in this context.

With other Nordic countries the Danes have co-sponsored proposals on the environment including a CSCE meeting on it. We accept the environment as a CSCE issue, but fear to duplicate work under way in other fora. Mr Schluter may mention the French proposal for a conference on humanitarian issues in Paris in 1989 (the 200th Anniversary of the French Revolution) and to use the prospect of agreement to a subsequent meeting in Moscow on human contacts to extract Soviet concessions on human rights. It includes a follow-up meeting on human rights in the West. (The Foreign Secretary is currently considering this.) We recommend that the Prime Minister say that the pros and cons of going to any meeting in Moscow will have to be very carefully weighed; the conditions of any Moscow meeting would be a crucial factor; and we should not give the Russians any hint that we might be prepared to agree to a Moscow meeting.

Denmark/NATO

The new Danish parliament will need to decide on the level of defence spending for the five-year period beginning in January 1988. The current level is inadequate (representing 2.3% of GDP, compared to UK's 5.1%), and has exacerbated insufficiencies in Danish forces. The previous Government recommended a 6.6% increase (or £75 million pa), but the Social Democrats refused to consider any increase apart from an inflation factor. We recommend that the Prime Minister ask Mr Schluter how the new Government intend to proceed and to underline the need for all European members of NATO to be seen to bear their share of the cost of NATO defence. She might reassure him regarding our suggested redeployment of the UK Mobile Force (UKMF) to reinforce BAOR rather than Denmark (as a measure to increase cost-effectiveness) explaining that we shall not make the change unless a replacement can be identified to maintain the security of the Baltic approaches.

South Africa

The Danes are vocal proponents in the Twelve of economic sanctions: they have implemented an extensive national programme of sanctions as well as withdrawing their Embassy from Pretoria. They have supported Boesak's proposal for an EC sponsored meeting of South African opposition groups; and they would also support a declaration of principles on South Africa. Mr Schluter recognises that there are differences with the UK, but has said that he will not press them on this occasion. Depending on the line he takes, we recommend that the Prime Minister reiterate our oppostion to various punitive sanctions and support for peaceful change. She might remind Mr Schluter of our commitment to ending apartheid, but explain that our manifold historical/trade/ economic and family links mean that South Africa is not just another international issue for us.

North Sea Dumping

The Danes view sea dumping as unacceptable as a matter of principle believing waste should be disposed of on land within national frontiers. This is expected to be an issue at the North Sea Conference in London on 24-25 November. We recommend that the Prime Minister explain to Mr Schluter our policy that wastes should not be dumped at sea, unless this is the option of least detriment to the environment as a whole, unless the

/operation

operation is properly licensed and unless it is carried out in accordance with the international conventions and our own restrictive rules under the Food and Environment Protection Act without adverse effect on the marine environment.

I attach a Political Background note and Personality Note on Mr Schluter.

Yours ever,

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

POLITICAL BACKGROUND: DENMARK

1. Denmark is Britain's 12th largest export market and a major supplier of our foodstuffs. Danes enjoy a very high standard of living (GDP per capita 1984 $11,290). Their electoral system produces coalition and/or minority government (majority government only twice since the war) and consensus politics. Proportional representation in Denmark ensures a multiplicity of parties represented in the unicameral Folketing (Parliament).

2. The first Conservative-led coalition this century took office in September 1982 under Poul Schlüter. The coalition comprised the Conservative, Venstre (Danish Liberals), Centre Democrat and Christian Peoples' Parties but also depended on ad hoc support from smaller parties. Schlüter replaced Anker Joergensen whose Social Democrat (SD) government got into difficulties over the high public sector deficit. The Social Democrats had developed excessive state benefits. But they have been the dominant force since 1945 and are still the largest single party.

3. The Prime Minister called an election on 8 September. It was earlier than generally expected, and reckoned to give the government a headstart. But the results did not produce a clear majority for either side although there was some swing to the left. Mr Schluter resigned, but was almost immediately reappointed as Prime Minister and formed a government of the same four-party coalition. In order to achieve a majority, he will now have to rely for support on the incompatible (Liberal) Radicals and (right-wing) Progress Party. The Government's position is precarious and fresh elections cannot be ruled out.

4. Inflation at the end of December 1986 was 4.3%. Unemployment is 7.5%. Despite growth in production and exports, a high balance of payments deficit and rising private consumption give rise to concern. The government has failed in its efforts to rein in domestic consumption and cut the payments deficit. Measures adopted last year included premiums on savings for home buying and education, increased taxes on consumer borrowing and minimum down payments of 30% on consumer purchases with a 3 year maximum

repayment period. Consumer demand has slumped and OECD forecast a rise of only 0.25% in 1987. Growth is expected to be 0.5% with inflation down to 3.75%.

5. The present coalition had a majority in the Folketing for its economic policies, but not on defence. The government has been 'instructed' to dissociate Denmark from INF deployment. Despite these difficulties, the five pro-NATO parties (four in government and the Social Democrats) were able to reach agreement in June 1984 on the latest of a series of defence agreements, providing a defence framework for the period 1985-87. It froze already inadequate defence expenditure. Negotiations on the next defence agreement (from January 1988) should be set in train soon. They are likely to be more difficult than before. The Social Democrats insist on no increase in defence expenditure, with some allowance for inflation. Any conciliatory moves by them would push even more of their supporters towards the more left-wing Socialist People's Party. There is no majority for a WEU application although the government has been following reactivation with keen interest. Denmark's position over membership may be reconsidered.

6. The government called a referendum on the Single European Act (SEA) in 1986. This quite bold move paid off (result 56.2% for, 43.8% against) but there is still little popular enthusiasm for European integration or political cooperation, although the Danes are conscious of deriving substantial economic benefits from the CAP. Insular Danes prefer their own higher environment standards, protected service industries and links with the Nordic community.

Bilateral Relations

7. Traditionally close and friendly. Regular visits at all levels. The Secretary of State on 16/17 July. The PUS (FCO) on 16/17 September. The Secretary of State for Defence may visit Denmark in the New Year.

Western European Department,
September 1987

PE1ADD

SCHLÜTER, POUL

Prime Minister since September 1982 (Conservative).

Born April 1929. Studied law at Aarhus and Copenhagen Universities, obtaining degree from Copenhagen in 1957. Worked as a barrister eventually becoming a Supreme Court attorney. Active in the Conservative Youth organisation from the age of 15, he was National Chairman of Conservative Youth in 1952-55. Elected to Folketing in 1964. His first major party post came in 1971 when he was appointed Political Spokesman following the collapse of the Radical/Conservative/Venstre coalition government. Folketing Group Chairman 1974-82. Party Chairman 1974-77 and since 1981. Became Prime Minister in September 1982 (when Social Democrats gave up government) heading a minority government composed of Conservatives, Venstre, Centre Democrats and Christian People's Party. Thrust unexpectedly into office half way through Danish EC Presidency he managed the December 1982 European Council effectively. Led Conservatives to an impressively increased vote at January 1984 election, although coalition remained a minority government.

Energetic leader of a party which needed to recover from a low point (reduced to 10 Folketing members at January 1975 election). Must take a good deal of the credit for achieving highest level of support for Party this century. Has maintained remarkable cohesion within coalition – something which many commentators regarded as impossible for four parties to sustain – although this is becoming increasingly difficult as the next election approaches. Schlüter has concentrated on economic policies since he took office and has shown courage in pursuing them. But he has been unable to make any impact on Denmark's balance of payments problem, which in fact worsened in both 1985 and 1986. Outside domestic policy he has acquiesced in a number of left wing motivated Folketing resolutions on defence and security issues where the parliamentary arithmetic has been against him; this has weakened Denmark's status in the eyes of her allies.

Visited London for talks with Prime Minister November 1982. Met Mr Gummer when latter visited Denmark as Conservative Party Chairman in November 1984. Hosted lunch for Sir Geoffrey Howe when Foreign and Commonwealth Secretary briefly visited Copenhagen in July 1985.

Personally unassuming, friendly and cheerful. His second wife Lisbeth is a teacher who continues to teach Danish and classical studies at Johannesskolen, an upper secondary school. She nevertheless takes great pride in working with her husband, insisting on a functional role when she accompanies him on trips, both internally and overseas. Both speak good English.

23 X
PM 87

PRIME MINISTER

MEETING WITH THE DANISH PRIME MINISTER

You are seeing Mr. Schluter for a talk and lunch on Monday.

The main purpose is to take him through your views on the future financing of the European Community, and so make sure that he starts the autumn round of contacts and discussions on this with an absolutely clear understanding of your position.

Even though Mr. Schluter is very well disposed personally, it will not be an easy task. Denmark's interests are significantly different from ours. They are substantial net beneficiaries from the Community: and do well out of the CAP. Better budget discipline and agricultural stabilisers are going to cost them money. It will be politically difficult for him to accept them, let alone take a lead as Chairman in ramming them through. And after his dodgy election result, it must be doubtful whether Schluter's heart will be in it. You will want to make sure that he understands that a solution can be found in December only if your basic requirements are met: and try to get his honest assessment of whether he thinks that he can get a solution embracing those requirements through. If not, it would be better not to try, but leave it until the June Council.

The points which you will want to make are:

- your priority in the past has been to get a fairer deal for Britain. That has been achieved, even though we remain substantial net contributors. You will not accept any worsening of our position;

- but you have a wider aim this time. There is an opportunity to get the Community's finances on a sound and stable footing and you are determined to take it;

- other Heads of Government must know in their heart of hearts that the present system of open-ended commitments to finance the CAP cannot go on. But do they yet have the will to face up to the implications. So far they have found it easier to evade them;

- political difficulties in some countries, e.g. the French elections, may make a solution in December difficult, [illegible]. That would be a reason for postponing of a decision for a few months. But it emphatically would not justify taking a wrong or inadequate decision.

- your basic requirements are as follows;

- (1) effective and binding budgetary discipline. This means a guideline for agricultural spending which cannot be exceeded. (2) It should grow less rapidly than the rate of growth in Community GNP, so that the share of agricultural spending in the budget falls. And the (3) maximum rate for growth of non-obligatory spending must continue to be observed.

(4) - the starting point for the agricultural guideline cannot be the bloated figure for the current year. That would be an abnegation of discipline. What the figure is will depend partly on whether it has to cover the cost of depreciation of stocks;

- there must also be a thorough overhaul of the (5) Commmunity's incredibly slack financial procedures, with payments made in arrears against invoices;

- (6) on the agricultural front, we need stabilisers for each commodity. These should operate automatically and as soon as the problem arises. If correction is left to the following year, it will be too late. Such stabilisers for milk and beef have already shown that they can be effective;

- the Commission have introduced quite a good paper on stabilisers. We now need detailed proposals before the European Council;

- talk of doubling the structural funds is whistling in the wind. That objective has never been agreed and is impractical. There has already been a substantial increase (40 per cent in real terms). There may be scope for some additional resources from the Regional Fund for the poorest states, but nothing much more than that;

- you are ready to consider the Commission's proposals for measuring own resources in terms of GNP. But you are certainly not ready to agree to the exaggerated increase in own resources (1.4% GNP) which they propose. It would amount to close on a doubling of the Community's revenue;

- indeed you will not agree to any increase in own resources until the measures you have set out are agreed. It would be irrelevant if you did, because you would never get it through Parliament;

- an opportunity to bring Community spending under proper control was missed in 1984. The assurances then given were not honoured. The result was the build up of massive deficits. This time you are determined not to repeat the mistake.

- you will also want to make clear that you are not looking for partial solutions for 1988, which allow some extra money without your other requirements being fully met. The 1988 budget has to be agreed within the existing 1.4% VAT ceiling. There can be no assumption that it will be raised;

There are one or two other EC issues which you ought to raise. You can welcome the Danish Presidency's intention to bring the Air Transport Package back to the Council in October. The

rules now allow for it to be passed by a qualified majority vote and there are eleven member states in favour. We are ready to find a reasonable solution to Spanish difficulties, but they do not have a leg to stand on. Gibraltar is covered by the Treaty. You will want to mention the dangers of protectionism in the US, which strengthen even further the arguments against an oils and fats tax. It will be particularly important that the Community should table a constructive proposal on agriculture in the GATT round. It should provide for reductions in all forms of agricultural support as agreed in the Economic Summit.

You will also want to discuss the Gulf and East/West relations. The only additional point is the inadequate level of Danish defence spending (2.3% of GDP); but there is little prospect of any increase, since the Government have to rely on Opposition support to get the defence budget through.

You will want to warn him against any EC initiative on South Africa before CHOGM.

He may raise the question of North Sea Dumping. Briefing is in the attached folder.

C.D.P.

P.S. Please also now see Server material at back of the folder.
CDP.

CDP

23 September, 1987.

PRIME MINISTER

CDP 23/9

MEETING WITH DANISH PRIME MINISTER

You are seeing Mr. Schluter on Monday for a talk and a working lunch. At present it is envisaged that just the two of you, with a Private Secretary each, will participate.

Content with that?

Or prefer to enlarge it?
(Since David Williamson has left, it would presumably mean getting David Hannay over from Brussels)

Mr. Schluter is perfectly content with matters as they stand.

CDP

Agreed MT

Charles Powell

22 September 1987

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FM COPENHAGEN
TO IMMEDIATE FCO
TELNO 282
OF 211630Z SEPTEMBER 87
INFO IMMEDIATE UKREP BRUSSELS

THE DANISH PRIME MINISTER'S MEETING IN LONDON WITH MRS THATCHER

SUMMARY

1. MR SCHLUTER SEEMS WINGED BY THE OUTCOME OF THE ELECTION. HE EXPECTS DOMESTIC DIFFICULTY ON ECONOMIC MANAGEMENT AND DEFENCE. HE HAS SOME DOUBTS ABOUT PROSPECTS FOR SUCCESS AT THE DECEMBER COPENHAGEN SUMMIT. HIS MEETING WITH THE PRIME MINISTER ON 28 SEPTEMBER MAY PUT SOME STUFFING BACK INTO HIM.

DETAIL

2. I HAD A WORD WITH THE PRIME MINISTER TODAY (21 SEPTEMBER) ABOUT THE PROSPECTS FOR HIS NEW GOVERNMENT AND HIS HOPES FOR HIS TALKS WITH THE PRIME MINISTER IN LONDON ON 28 SEPTEMBER.

3. MR SCHLUTER SEEMED AS RELAXED AS USUAL, BUT HE WAS VERY CAUTIOUS ABOUT HIS PROSPECTS. ONE COULD EXPLAIN AWAY THE GOVERNMENT PARTIES' LOSSES IN THE ELECTION: BUT THEY WERE REAL NEVERTHELESS. HE WOULD HAVE TO FEEL HIS WAY FORWARD, PARTICULARLY IN THE EARLY MONTHS.

4. THE FIRST HURDLE WOULD BE THE BUDGET, DUE TO BE ADOPTED IN NOVEMBER-DECEMBER. IT WOULD NEED MODIFICATION IF IT WAS TO CARRY. IN THE END IT PROBABLY WOULD. THE SOCIAL DEMOCRATS HAD NO INTEREST IN BRINGING ABOUT A BREAKDOWN SO SOON. BUT A LOT OF MANOEUVRING (AND, BY IMPLICATION, CONCESSIONS) WOULD BE NEEDED IN THE NEXT COUPLE OF MONTHS. THEREAFTER THINGS LOOKED EASIER IN 1988, UNLESS SOMETHING UNTOWARD WENT WRONG. IT WAS CLEAR THAT MR SCHLUTER HAD IN MIND A POLITCAL BREAKDOWN OVER THE DEMANDS OF ECONOMIC MANAGEMENT.

5. THINGS WOULD BE VERY DIFFICULT TOO ON DEFENCE AND NATO. I SUGGESTED THAT THE PROSPECT OF AN INF AGREEMENT MUST HELP TO DISARM HIS LEFT WING CRITICS. MR SCHLUTER AGREED, BUT WITHOUT GREAT CONVICTION. HE HAD TO GET A DEFENCE AGREEMENT SOON: BUT THE OUTCOME OF THE ELECTION (IN WHICH ONLY ANTI-DEFENCE PARTIES SCORED ADVANCES) WEAKENED HIS HAND. THE SOCIAL DEMOCRATS WERE COMMITTED TO NO INCREASE IN DEFENCE EXPENDITURE APART FROM A FACTOR FOR INFLATION. IF THEY

SHIFTED FROM THAT THE SOCIALIST PEOPLE'S PARTY, WHO HAD TAKEN VOTES AND SEATS OFF THEM DURING THE ELECTION, WOULD HARRY THEM FURTHER. HE WAS CONSCIOUS OF HIS ALLIES' FEELINGS ABOUT DANISH DEFENCE EFFORTS, BUT SAW NO PROSPECT OF DOING MORE. I SUGGESTED THAT THERE WAS ROOM FOR CREATIVE ACCOUNTING ABOUT INFLATION - A LINE THE FOREIGN MINISTER TOOK WITH THE PUS ON 17 SEPTEMBER. MR SCHLUTER LOOKED SCEPTICAL.

6. I SAID THAT WE WERE NATURALLY CONCERNED ABOUT DANISH DEFENCE EFFORTS. THE REVIEW OF THE UNITED KINGDOM MOBILE FORCE WAS NOT CONNECTED WITH THAT CONCERN: BUT WE TOO HAD OUR DEFENCE BUDGET PROBLEMS AND WERE KEEN TO SPEND OUR LIMITED RESOURCES TO BEST ADVANTAGE. WE HOPED THAT DANISH AND GERMAN OFFERS ON HOST NATION SUPPORT COULD HELP. MORE GENERALLY, THERE WAS GOING TO BE AN INCREASING NEED TO SHOW THE UNITED STATES THAT ALL THE EUROPEANS WERE PREPARED TO SPEND IN THEIR OWN DEFENCE. THE PRIME MINISTER ACKNOWLEDGED THIS BUT CLEARLY FELT THAT HIS HANDS WERE TIED. HE COMMENTED THAT PRECISELY TARGETTED CRITICISMS BY BRITAIN AND OTHER ALLIES COULD HELP THE DANISH GOVERNMENT IN THEIR DOMESTIC DEBATE ABOUT DEFENCE.

7. I ASKED ABOUT MR SCHLUTER'S EXPECTATIONS FOR THE COPENHAGEN SUMMIT. HE SAID THAT SUCCESS THEN DEPENDED ON GOOD PREPARATION. IT WOULD BE FATAL FOR HEADS OF GOVERNMENT TO START IMPROVISING AT THE SUMMIT ITSELF. I SAID THAT WE AGREED. AND WE WERE DEAD SET AGAINST ANY INTERIM SOLUTION ON COMMUNITY FINANCING. MR SCHLUTER SOUNDED WORRYINGLY SHAKY ON THIS : THE CHANCES OF SUCCESS AT THE SUMMIT WERE LIMITED BY SOME COUNTRIES' DETERMINATION TO LINK THE 1988 BUDGET TO A SETTLEMENT ON COMMUNITY FINANCING. IN ANY CASE, IN ABSOLUTE TERMS THE SUMS AT STAKE WERE RELATIVELY SMALL. I SAID THAT WE WERE AMONG THOSE WHO WERE DETERMINED THAT WE MUST GET AN EFFECTIVE SYSTEM OF COMMUNITY FINANCIAL CONTROL INTO PLACE. MR SCHLUTER ACKNOWLEDGED THIS: BUT OUR APPROACH DEMANDED LIMITS ON AGRICULTURAL EXPENDITURE WHICH COULD NOT BE PUT THROUGH OVERNIGHT. HE ADDED A REFERENCE TO THE SORRY STATE OF DANISH AGRICULTURE AND THE HARVEST. I SAID THAT WITHOUT SUSTAINED PROGRESS ON AGRICULTURE IT WOULD BE IMPOSSIBLE TO CONTROL COMMUNITY EXPENDITURE.

8. ON OTHER SUMMIT SUBJECTS, THE PRIME MINISTER SAID HE WAS VERY WORRIED ABOUT US PROTECTIONISM. I SAID THAT WE WERE CONVINCED THAT WE HAD TO FACE UP TO THE AMERICANS WHEN THEY WERE WRONG, WHILE AVOIDING PROVOCATIVE MEASURES SUCH AS THE OIL AND FATS TAX AND CONTINUING TO EXPLAIN OUR POSITION TO THE US CONGRESS AND PUBLIC. MR SCHLUTER AGREED. HE HOPED THAT BRITAIN, DENMARK AND GERMANY COULD STAY CLOSE ON THIS.

9. MR SCHLUTER SAID THAT HE EXPECTED THAT HE AND THE PRIME MINISTER WOULD SPEND MOST OF THEIR TIME ON COMMUNITY QUESTIONS. ON THE GULF, HE LOOKED FORWARD TO HEARING THE PRIME MINISTER'S VIEWS. THERE WERE DIFFERENCES OVER SOUTH AFRICA, BUT HE WOULD NOT PRESS THEM. OPINION IN DENMARK WOULD EXPECT HIM TO RAISE THE QUESTION OF NORTH SEA DUMPING. HE WOULD DO SO BRIEFLY.

COMMENT

10. I MAY HAVE CAUGHT MR SCHLUTER ON A BAD DAY HE CERTAINLY TOOK A CONSIDERABLY MORE BEARISH LINE THAN THE FOREIGN MINISTER WITH THE PUS AND LEADERS OF THE OTHER GOVERNMENT PARTIES WITH ME IN THE LAST FEW DAYS. THIS MAY PARTLY BE A MATTER OF HIS SLIGHTLY WHIMSICAL STYLE. HE MAY ALSO HAVE WANTED TO USE OUR TALK TO PREPARE THE GROUND FOR A TALE OF WOE AT NO 10. BUT I SENSED THAT HIS CONFIDENCE HAS GENUINELY BEEN DAMAGED BY THE COALITION'S POOR SHOWING AT THE ELECTION. NEVERTHELESS, I THINK HE EXPECTS TO CONTINUE AS PRIME MINISTER AT LEAST INTO NEXT YEAR. I STICK TO MY OWN VIEW THAT HE WILL GET THROUGH TO THE END OF THE DANISH PRESIDENCY WITHOUT MUCH DIFFICULTY, AND THEREAFTER MAY SURPRISE HIMSELF BY HIS LONGEVITY. HIS TALKS IN LONDON ON 28 SEPTEMBER MAY HELP TO RESTORE HIS CONFIDENCE.

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MRS. GOODCHILD

DANISH PRIME MINISTER

The Danish Prime Minister will be coming for a short working visit on Monday 28 September which will include lunch. The numbers involved are likely to be either four or six. I should be grateful if you could ask GHF to arrange the lunch.

CDP
11 September 1987

10 DOWNING STREET

LONDON SW1A 2AA

19 August 1987

From the Private Secretary

Mr. Hansen from the Danish Embassy rang me following the announcement that a general election would be held in Denmark on Tuesday 8 September. The Prime Minister's meeting with the Danish Prime Minister at Chequers, arranged for 11 September would have to fall. Mr. Hansen said that provided the Danish Prime Minister remained in office after 8 September, he would very much like to visit the UK to meet the Prime Minister as soon as possible after 20 September. I said that I could not offer any definite dates at this stage, but that Wednesday 23 September and Monday 28 September looked possible from our point of view. That was on the assumption that the times of the meeting would be as before, viz, beginning at about 1100 and continuing over lunch. I stressed that these dates, which I have pencilled into our diary, were very provisional, and selected without the benefit of advice from all those who needed to be consulted, including, of course, the Prime Minister herself. Mr. Hansen would consult with Copenhagen and be in touch again with us early in September. Nothing, of course, could be finalised until after 8 September.

M. E. Addison

Miss Fiona Paterson,
Foreign and Commonwealth Office.

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10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

27 July 1987

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T150/87

Dear Prime Minister,

I am delighted that you can accept my invitation to Chequers on 11 September for an informal talk. I understand that you will be travelling out in the morning, and suggest that we begin around 11.00 am, if that is convenient, and continue over a working lunch.

I very much look forward to our meeting.

Kind regards.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Poul Schlüter

OA

RDB 13/7 (1)

Mr. Beamish to note CDP

PRIME MINISTER

DANISH PRESIDENCY OF THE EC

Mr. Schluter has accepted with pleasure your invitation to come over for a talk in September and has opted for Friday 11 September. It would certainly flatter him and help the atmosphere of the talks if they could be at Chequers. This would follow the pattern of previous meetings with , e.g. Lubbers and Martens.

Agree to Chequers? Yes pls

CDP

CHARLES POWELL

10 July 1987

GRS 200

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FM COPENHAGEN
TO IMMEDIATE FCO
TELNO 171
OF 091415Z JULY 87
INFO IMMEDIATE UKREP BRUSSELS

YOUR TELNO 106 : INVITATION TO DANISH PRIME MINISTER

1. WE HAVE SPOKEN TO MR SCHLUTER'S PRIVATE OFFICE (KEEPING THE MFA INFORMED). AFTER CONSULTING HIM THEY HAVE TOLD US THAT MR SCHLUTER WOULD BE GLAD TO ACCEPT THE PRIME MINISTER'S INVITATION. (THERE WAS NO SUGGESTION THAT THE PRIME MINISTER MIGHT COME TO DENMARK.)

2. MR SCHLUTER'S PREFERENCE IS FOR 11 SEPTEMBER. BUT HE MUST ATTEND AN IMPORTANT MEETING HERE ON THE EVENING OF 10 SEPTEMBER. HE WOULD THEREFORE LIKE TO FLY TO THE UK ON THE MORNING OF 11 SEPTEMBER. (HIS OFFICE SAY THEY WOULD HOPE THE TALKS WOULD NOT START QUOTE TOO EARLY UNQUOTE.) MR SCHLUTER WOULD ALSO WISH TO RETURN TO DENMARK IN THE EVENING OF 11 SEPTEMBER. GRATEFUL TO KNOW IF THAT WOULD FIT WITH THE PRIME MINISTER'S WISHES.

3. MR SCHLUTER'S OFFICE ASKED ABOUT THE AGENDA. WE SPOKE AS IN THE LAST SENTENCE OF PARA 1 OF TUR. THEY WOULD BE GRATEFUL FOR FURTHER GUIDANCE IN DUE COURSE.

4. THEY ALSO ASKED WHETHER THE VISIT WAS QUOTE OFFICIAL UNQUOTE OR QUOTE WORKING UNQUOTE. WE SUGGESTED THE LATTER. GRATEFUL FOR GUIDANCE.

5. WILL THE PRIME MINISTER ISSUE A FORMAL INVITATION TO MR SCHLUTER?

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Denmark.

10 DOWNING STREET

From the Private Secretary

3 December 1982

The Prime Minister has received the attached letter from the Prime Minister of Denmark following their bilateral meetings here on 22 November. Although the message was despatched on 29 November it arrived only today and has therefore been overtaken by events. I assume that there will be no need for a reply.

I am sending a copy of this letter and enclosure to John Holmes (Foreign and Commonwealth Office).

TIM FLESHER

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries & Food.

VS

010/

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 227A/82

Prime Minister

Copenhagen, November 29, 1982

Dear Prime Minister,

I would like to express my sincerest thanks for the hospitality which you, your Ministers and your staff showed my delegation and myself in 10, Downing Street.

Although our views upon a major topic differ, and that is only on a temporary basis, I still had a profound feeling that our ways of thinking are very much alike. A personal meeting, short as it may be, is highly important in a time of swift, electronic communication, and I look forward to welcoming you in Copenhagen this coming weekend.

Sincerely Yours

Poul Schlüter.

To
the Rt. Honorary Margaret Thatcher
Prime Minister of the United Kingdom
of Great Britain

- 3 DEC 1982

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

22 November 1982

Visit by Danish Prime Minister

I enclose two records of conversation:-

a) the first of the tête-à-tête conversation which the Prime Minister held with Mr. Schlueter at 1800 hours.

b) the second of the plenary talks which took place from 1855 until 1930.

I am not recording the discussion at the working dinner which was largely of an insubstantial nature.

I am copying this letter and enclosure to Robert Lowson (Ministry of Agriculture, Fisheries and Food), John Kerr (HM Treasury) and David Hancock (HM Treasury).

A. J. COLES

Roger Bone Esq
Foreign and Commonwealth Office

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RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF DENMARK AT 1800 HOURS ON 22 NOVEMBER, 1982 AT 10 DOWNING STREET

Present:

Prime Minister	HE Mr. Poul Schlueter
Mr. A.J. Coles	Mr Eigil Jørgensen

****

Common Fisheries Policy

Mr. Schlueter apologised for the fact that he had to cancel the earlier visit to London which had been arranged and thanked the Prime Minister for inviting him a second time. At his press conference in London earlier in the day, he had been surprised at the degree of interest shown in the question of a Common Fisheries Policy. The Prime Minister said that this was indeed the issue of the moment. She regretted that she could offer no comfort. We were at the end of the road and could make no further concessions. At the end of last week she had visited Cornwall where the opinion was that the Government had made too many concessions. She had hoped that the issue would be settled by now. The Nine EC Member States were united. It was highly desirable that the Fisheries Council planned for 29 November should reach final agreement. If it did not, the question of fisheries would be the major issue at the Copenhagen Summit. If a settlement was not reached by the end of the year, national measures would be introduced - she was convinced that this would be damaging for Denmark.

Mr. Schlueter said that he too wished the issue could be settled on 29 November. But the basis for the new arrangement was supposed to be the average catches for the years 1973 to 1978. Britain then took 31% of the catch. He accepted that this figure should rise because we had given up our fishing around Iceland. The figure now proposed for Britain was 37%. His problem was that the Danish share was to decline from 27% to 21%.

The Prime Minister asked what account these figures took of Greenland. If Greenland fisheries were included the Danish figure returned to something near 27%. Mr. Schlueter replied to the effect that Greenland was sui generis. Denmark did not fish very much in Greenland's waters. The Prime Minister said that we could not but regard Greenland and Denmark as one unit. Mr. Schlueter argued that Greenland now wished to leave the Community. In any case, he was in no doubt that Denmark was being asked to pay rather too much in order to obtain agreement on a Common Fisheries Policy. Mr. Jørgensen said that EC Member States had accepted that Greenland should be excluded from the calculation.

The Prime Minister said that she could only repeat that Britain had made concession after concession. The Government was under great pressure for conceding too much. To illustrate this point, she drew extensively on the list of concessions annexed to the brief. There was now mounting trouble from fishermen in Scotland, the West Country and elsewhere. We did not want fisheries to be the major issue at Copenhagen. But it would be unless there was a settlement. The introduction of national measures would create great difficulties for Denmark and for Mr. Schlueter - she doubted if he wanted an early election.

Mr. Schlueter said that he was not looking for an arrangement which was acceptable to Danish fishing organisations. He knew he could not obtain that. But he must have a settlement which was sufficiently fair to win the support of a majority in the Danish Parliament. At present, he could not obtain that majority. The Germans had shown some disposition to help and had given up a little of their own quotas.

/The Prime Minister

The Prime Minister said that she regarded the present package as fair. She was sure that Germany would want an agreement to be reached before the important elections in Hamburg in early December. Another point to be borne in mind was that the major part of Danish fishing was virtually free of quota. Denmark had landed some one million and forty-seven thousand tonnes of industrial species. The comparative figure for the United Kingdom was ninety-five thousand tonnes.

Mr. Schlueter repeated that he sought a slightly improved arrangement. The Prime Minister said there was no hope of this. She did not see much point in discussing the matter further.

Mr. Schlueter said that he could not settle the problem before the Copenhagen Summit. The Prime Minister commented that in that case fish would be the main subject in Copenhagen and the Summit would be very difficult for Denmark. Mr. Schlueter then said that it might be possible to settle the matter after the Summit. There could be a further Fisheries Council, perhaps on 6 December. The Prime Minister said that we wanted a Fisheries Council on 29 November. The Nine Member States would then demonstrate to the world that they stood firm. She repeated that the deal was a very good one for Denmark, so good indeed that it would be difficult to justify to the British Parliament.

Mr. Schlueter said that what he needed was twenty-five thousand to thirty thousand tonnes of mackerel. The Prime Minister said that this was equivalent to our asking for herring from the Baltic and skagerrak when we had run out of herring in our own waters. She really thought there was little point in pursuing the argument. The Minister for Agriculture had telephoned our partners this morning. They were all standing firm and she had no doubt that they would continue to do so. She had had personal

/experience

experience of being in a minority of one at European Councils. It was not pleasant. A successful Summit in Copenhagen would be politically advantageous to Mr. Schluter's Government. Mr. Schlueter said he too did not want the Summit to concentrate on the fisheries issue. The Prime Minister said that that would be the case if there was no settlement beforehand. Mr. Schlueter commented that if the Danish Government gave in, simply to establish a propitious atmosphere for the Summit, it would run into severe Parliamentary problems. The Prime Minister asked whether the adoption of national measures by the Nine would not also be a problem for Denmark. Mr. Schlueter replied that this would not be too bad. However, it would be a failure for the Community. He did not want that. Indeed, he wanted a solution. But Danish fishermen would far prefer the adoption of national measures to the existing package. They believed, moreover, that discriminatory national measures would not be acceptable to the European Court. The Prime Minister said that she had little doubt that the adoption of national measures, with the support of the Commission, would be valid. Mr. Schlueter argued that national measures based on the aim of conservation would be legitimate. The Prime Minister pointed out that Denmark's record in conservation was not good. The United Kingdom had been the first to introduce genuine measures of conservation, when other countries had exhausted our herring resources. She added that we contributed something like two-thirds of the waters and two-thirds of the fish to the Community pool. Moreover, we bought very large quantities of the agricultural produce of the Community. Denmark exported six hundred and thirty million pounds worth of food to the United Kingdom each year and 40% of its exports came to this country. We were thus generous in our arrangements with the Community.

/Denmark: Internal Situation

Denmark: Internal Situation

In response to the Prime Minister's question, Mr. Schlueter said that his Government was working for a tenure of two and a half to three years. But it was only with the help of two other parties that his coalition could obtain the ninety-one vote majority which it required. In his first days of office, he had decided that rather than introduce measures singly, he would push them through as a package. This was the waterfall rather than drop by drop approach. He had made it clear that if the other parties did not support him he would hold a further election. Public expenditure, except on defence, had been severely cut. Indexation had been abolished except for old age pensions. From last October to next April, there was a total freeze on wages. From next April wage rises would be limited to 4% annually for two years. Inflation had been brought down to 9%. There was general support for these tough measures. The opposition of the trade unions was ritual - they understood that most of their members recognised the need for the measures.

Mr. Schlueter said there might be some problems ahead on defence spending. Now the Social Democrats were in opposition, they were arguing for cuts, despite the latest inter-party agreement on defence expenditure. There was some danger that the Social Democrats would get majority support for their point of view.

The Prime Minister asked whether the Danish Government had lowered personal taxation. Mr. Schlueter said that their commitment was not to raise personal taxation. But before they could lower it, they must get expenditure down. The deficit was still huge and the ordinary bank interest rate was at 21%. Unemployment benefit was a substantial burden. It had previously been at the level of 90% of wages - he had

/brought

brought this down to 80%.

The tête-à-tête discussion ended at 1855 hours and was followed by plenary talks.

22 November 1982

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RECORD OF PLENARY TALKS BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF DENMARK AT 1900 HRS ON 22 NOVEMBER 1982 AT 10 DOWNING STREET

Present:

The Prime Minister	His Excellency Mr Poul Schleüter
The Rt Hon. Peter Walker	Mr Eigil Jørgensen
The Rt. Hon Douglas Hurd	Mr Dahlgaard
Sir Julian Bullard	Mr Peter Wiese
Dame Anne Warburton	Mr Henning Gottlieb
Mr D.J.S. Hancock	Mr Niels-Joergen Nehring
Mr John Coles	Mr Ole Tarp
Mr Bernard Ingham	

Fisheries Policy

The Prime Minister said that during her tête-à-tête discussion with Mr Schlueter she had explained that Britain could make no more concessions. We wished to avoid discussion of the fisheries issue at the European Council and, therefore, wanted a Fisheries Council to settle the matter before then. We had reached the end of the road and were meeting increasing criticism for the concessions we had made. We believed the agreement was reasonable. The Nine EC Member States would stick together. She wanted the Copenhagen Summit to be successful for Mr Schlueter. But it would not be if the fisheries problem had not been solved.

Mr Schlueter said that the Prime Minister had made the British position very clear. He thought that they had not disagreed very much about the fisheries problem. He knew that the Nine Member States were in agreement. But he felt that the Danish problem had never really been understood. It had been agreed at the very beginning that the United Kingdom should be compensated for giving up its fishing in Icelandic waters. But under the present package the United Kingdom share rose from 31% to 37% while the Danish share went down from 27% to 21%. This was asking a little too much. We were very close to a solution but his problem was that of obtaining a parliamentary majority. He hoped he would be able to obtain that before 1 January.

Denmark had asked for a very small quota of mackerel - just 4 or 5%. If he obtained that, he could reach agreement at once. If he did not, he could not reach agreement before the Summit.

Mr Walker said that throughout the period of the Conservative Government he had sustained a very good relationship with Denmark. His predecessor had done nothing for Denmark and had held out for 45% and a 50 mile zone. When the Conservative Government had come to power, there had been immediate talks with Danish officials to solve the problem of the pout box. His agreement with Denmark had been very heavily criticised in the United Kingdom. Since then we had made a number of concessions. The comparison which Mr Schlueter had made between the 27% which Denmark had previously been allocated and the 21% which it was allocated under the present package was not valid. It left out the West Greenland quotas. The Commission had earlier agreed with all Member States a basic formula for quotas. That formula would have given Britain 38%. At an earlier stage, he had conceded part of this quota to France in return for a firm understanding that France would then agree to a Common Fisheries Policy. The understanding had not been kept but we had then been unable to get back the concession we had made. We were now at our minimum position. The Danish request for a quota of mackerel was equivalent to a British request for a herring quota from Skagerrak at the time when the British herring fisheries had run out. No Danish Government would make that concession. The West Coast mackerel were being heavily over-fished now. Next year there would inevitably be a reduction of quotas. This would have a very adverse effect on British fishermen. It was, therefore, clear that we could not offer Denmark mackerel now.

As to Shetland, licences in that area had been issued strictly in accordance with historic rights. If we now gave licences to Denmark, which had no historic rights in the area, the Box would no longer be a protection for Shetland. We had been told that Denmark attached importance to a particular square in the Box - we had conceded this and incurred heavy criticism. It was also necessary to take into account the political situation in Shetland. The fact was that if he now made concessions on mackerel and on Shetland

/licences,

licences, he could not get the package through the House of Commons.

Defence

Mr Schlueter said that during his tête-à-tête discussion he had explained to the Prime Minister his problems concerning the defence budget. Mr Hurd pointed out that one item in Denmark's defence budget was its contribution towards NATO preparations for INF modernisation. Norway had a similar item. It would have a bad effect on the Alliance if that element in the budget was rejected. Mr Schlueter said that Denmark was opposed to having nuclear weapons on its territory and there were strong views in Denmark against INF modernisation. Nevertheless, his Government wished to stick firmly to NATO's double decision. The Social Democrats, who had backed that decision when in government, were now changing their position. They were arguing that Denmark should not pay towards the NATO preparations. They claimed that this was reasonable since they did not expect the Netherlands or Belgium to make a similar contribution. The Prime Minister said that this was a disturbing situation. The first government that failed to pay its contribution would send an unfortunate signal to other governments who were hesitating. Mr Hurd said that even delay or postponement would send an unfortunate signal. The Prime Minister said that Danish conventional forces were strong. Mr Schlueter confirmed that this was so. There was no difficulty in attracting volunteers. The army had now become fashionable for young people. Denmark also had a large home guard which was similarly popular.

East/West Relations

The Prime Minister asked what the reaction in Denmark had been to the changes in the Soviet leadership. We were inclined to think that Soviet policy would not change. We were watching for favourable signs and would respond if they occurred. But any changes would have to be real, not cosmetic.

Mr Schlueter said that ordinary Danes, and indeed he himself, accepted that Brezhnevism without Brezhnev would continue for some time. There would be no dramatic changes. It was rather surprising that the change of leadership had been achieved so quickly in Moscow.

Sir Julian Bullard commented that it must have been very carefully prepared. Today's news was that Kirilenko had been dismissed from the Politburo . There was no news yet of a new President. Mr Schlueter said his guess was that Chernenko would become President. He thought that the Soviet build-up of military strength would continue in any case.

International Financial Situation

The Prime Minister said that the combination of deficit budgets across the world was placing great strains on the financial system. It would probably be necessary to discuss this at the European Council. She thought that the present problems would be surmounted if the principal debtor countries adopted strict policies under IMF supervision for the foreseeable future.

Mr Schlueter said that President Nyerere had recently visited Denmark. He was in a sombre mood. He was also under considerable pressure from the IMF.

EC Enlargement

Mr Schlueter said that the European Council would receive a progress report on enlargement. The Prime Minister said that she believed that France would hold up Spanish accession until satisfactory arrangements had been made for Mediterranean agricultural products. We should have a further problem with Spain. We could not entertain the idea of Spanish accession while the border between Gibraltar and Spain remained closed. We did not yet know the attitude of the new Spanish government to this problem. We had always thought that the political arguments for Spanish and Portuguese accession were overriding.

The discussion ended at 1930 hours.

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Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

CONFIDENTIAL

John Coles Esq
10 Downing Street
London
SW1

22 November 1982

Dear John

COMMON FISHERIES POLICY: PRIME MINISTER'S MEETING WITH DANISH PRIME MINISTER

--- I enclose the following material which the Prime Minister may find helpful when she meets Mr Schlüter later today.

(1) A summary of the CFP package as it now stands, which I understand from David Hancock you have specifically requested;

(2) a note responding to the points reported to have been made by Mr Schlüter on Danish television over the weekend (see Copenhagen telegram No. 406);

(3) a note of Mr Walker's conversations today with fisheries Ministers and senior officials in other Member States.

I am sending copies of this letter to David Hancock (Cabinet Office) and Stephen Lamport (Mr Hurd's office).

Yours sincerely

Robert Lowson

R LOWSON
Private Secretary

COMMON FISHERIES POLICY

The package 'on the table' covers the following aspects:-

(i) Access

(a) the continuation of 12 mile limits for at least 20 years from 1 January 1983 with provision for the arrangement to be continued after AD 2002. In the United Kingdom's 12 mile limit the fishing opportunities of other member states will be significantly reduced; we will retain the right to fish in those sections of the 12 mile limits of other member states of interest to our fleet;

(b) a 'box' at North Scotland will be established (also for 20 years in the first instance) within which fishing by larger vessels (over 26 metres) will be limited by transferrable licences;

(ii) Quotas

Total allowable catches are set for 1982 for all the main stocks of fish and for most of them these are divided into national quotas. The national percentage of catch quotas will normally continue from year to year;

(iii) Conservation

A Community regime on technical measures such as mesh sizes of nets, and minimum fish sizes will be established on a permanent basis. These measures include many that were first established as United Kingdom national measures.

(iv) Structures

Community aid will be given to the restructuring of the Community's fishing fleet;

(v) Enforcement

Common rules will be set for national enforcement by each member state in its own waters. A Community Inspectorate will be established to ensure the rules are interpreted uniformly;

(vi) Marketing

New and improved marketing arrangements came into force earlier this year.

COMMON FISHERIES POLICY

CLAIMS MADE BY DANISH PRIME MINISTER :

COPENHAGEN TELEGRAM 406

1. Paragraph 2: "Of the extra fish over and above the May TAC proposals Denmark had received 21% and the UK had gained 51%".

We cannot discover in the time available how these calculations have been made. They are roughly correct but they ignore:-

(a) the fact that TAC increases have been proposed mainly for stocks like Western mackerel where the UK has a substantial share and Denmark a low one. It is to be expected therefore that the total UK increase would be greater than the Danish.

(b) what really counts is what has happened to the national percentage shares of individual stocks since these will continue from year to year. As will be seen from the attached comparisons of percentage allocations for the main stocks of importance to both Denmark and the United Kingdom, on this basis Denmark has done very well.

% EC allocations A = June 1982 B = November 1982

	UK		Denmark	
	A	B	A	B
North Sea cod	47.0	47.0	19.8	20.5
North Sea haddock	79.4	78.0	5.1	6.7
North Sea saithe	16.8	16.9	6.1	8.7
North Sea plaice	35.6	28.5	15.4	20.0

2. Paragraph 3: "The 1973-78 EC catch percentages were rounded as UK 32%: Denmark 27%: Others 41% ..... The share out was now UK 37%: Denmark 21%: Others 42%"

This ignores:-

(a) the United Kingdom catches in third country waters. If the United Kingdom historic share is calculated including catches in the waters of third countries (specifically recognised as valid by the European Council) it goes up to over 36% of the EC total in the years 1973-78;

(b) the fact that the European Council has agreed that 'Hague Preferences' should figure in quota allocations. Denmark has gained extensively from the Preference accepted for Greenland. It is right that the United Kingdom should also gain from the agreed preference for the 'Northern parts of the United Kingdom'. Taking account not only of historic fishing patterns, but also third country losses (on which the United Kingdom suffered the largest losses of any Member State) and Hague Preferences, the United Kingdom share of the quotas would be expected to exceed the historic record.

(c) The Danish figure of 21% must be calculated leaving out of account the major stock of cod at West Greenland for which no quota division between member states have been proposed (at Danish insistence). But in practice the vast bulk of this catch will be taken by Danish (including Greenland) fishermen. When account is taken of this stock also the Danish percentage allocation returns to about 26 or 27%.

3. All these arguments relate to the seven main species only, (cod, haddock, whiting, saithe, plaice, redfish and mackerel). They take no account of the following extra points:-

(a) The Danes have access to profitable stocks of herring in the Baltic, Skagerrak and Kattegat. Moreover they have had access to those stocks over the past several years when most other EC fishermen had virtually no access to herring.

As a result the Danish herring processing industry has gained a considerable competitive advantage.

(b) There are important other species of fish used for human consumption which are neither the seven main species nor herring (eg sole). The present percentage allocations of these (calculated in cod equivalent tonnes) are:-

United Kingdom : 7%

Denmark : 35%

(c) The Danes have a very large industrial fishing fleet (ie one which fishes for fishmeal). It is pertinent that such vessels (almost all of them Danish) fish with small mesh nets and do significant damage to the stocks of human consumption species fished by fishermen of other nationalities. An indiciation of the relative size of the United Kingdom and Danish industrial fishing sectors is given by the following table of landings of industrial species:-

United Kingdom	95,000 tonnes
Denmark	1,047,000 "

(sprat, Norway pout, blue whiting, horse mackerel).

The Danes are therefore fortunate in that the major part of their fishing activity is virtually* free of any quota, whereas all UK fishing is subject to quotas.

* There are quotas for sprat in the Baltic

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Reference .....

CFP: DANISH POSITION

The Minister has spoken this morning successively to Braks (Dutch Fisheries Minister), Rohr (German State Secretary), Le Pensec (French Fisheries Minister) and Kerrin (Deputy Secretary in Irish Fisheries Department).

In each case the Minister said that we understood from Copenhagen that the Danes appeared to be making moves to present Denmark's argument as being just with the UK rather than with the rest of the Community. He proposed to say at today's meeting with Schlüter that this simply was not the case, that the nine were in full agreement and that, moreover, they were not prepared to discuss any further changes to the existing package. Braks and Rohr said that they were in total agreement with this line. Le Pensec was also fully agreed that there could be no change on the key issues of western mackerel and licences to fish in the North of Scotland box: his only thought was that there might be room for some new move on eastern mackerel if the Commission proposed it, although he recognised that scientific advice was against the Danes being given a quota. Kerrin was sympathetic to the Minister's line and said that he would inform his Minister of developments.

J E ROBBS
22 November 1982

22 NOV 1982

(1) Concessions given on consumer species (as exhibited on Mr Walker's board on TV affect 75 per cent (value) of Danish consumer catch. By contrast mackerel catch represents only one and a half per cent of the whole or 2 and a quarter per cent of the consumer fish catch.

(2) In terms of value of catch cod is 20 times as important as mackerel, plaice 7 times, herring 4 times and haddock half as important again as mackerel.

(3) Danish fleet reduction nowhere near UK's cut-back (7 per cent only in latest recorded period 1977-80). In this period vessels over 500 tonnes increased from 3 to 7.

(4) Denmark is still overwhelmingly an industrial fishing nation. The consumer fish proportion of the total remains about 18 per cent.

Summit. — Agenda in broader forum

—

Fish.

NOTE II

COMMON FISHERIES POLICY

MR SCHLÜTER'S TELEVISION BROADCAST

1. The Danish figure of 21% for the present division of quotas must have been calculated leaving out of account the major stock of cod at West Greenland for which no quota division among Member States has been proposed - at Danish insistence. But in practice the vast bulk of this catch will be taken by Danish (including Greenland) fishermen. When account is taken of this stock, the Danish percentage allocation returns to about 26 or 27%.

2. There are important other species of fish for human consumption which are neither the seven main species nor herring (sole is an example). The present percentage allocations of these (calculated in tonnes cod equivalent) are:

United Kingdom - 7%
Denmark - 35%

3. Denmark, unlike any other Member State, has a very large industrial fishing fleet. For example, compared with the United Kingdom, the second largest industrial fishing country, landings are:

Denmark - 1,047,000 tonnes
United Kingdom - 95,000 tonnes
(sprat, Norway pout, blue whiting, horse mackerel)

Industrial fishing under the Common Fisheries Policy will be virtually free of quota limitations. Therefore Denmark will be alone in enjoying a situation in which an important element of its fishing activities will not be subject to quota control, whereas a country like the UK will have all its fishing subject to quotas.

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Foreign and Commonwealth Office

London SW1A 2AH

19 November 1982

Dear John,

Visit by the Prime Minister of Denmark

I am enclosing with this letter a set of briefs for the Prime Minister's meeting with Mr Schlueter, the Danish Prime Minister, on 22 November. The briefs are updated versions of those forwarded under cover of my letter of 12 October in readiness for the meeting planned for 15 October.

Mr Schlueter will no doubt now be focussing increasingly on the European Council which he will be chairing in two weeks' time. Our objectives nevertheless remain much the same as set out in my earlier letter. With the Danes continuing to refuse to accept the package of Common Fisheries Policy measures agreed by the Nine, a major aim will be to impress upon Mr Schlueter once again the importance which we attach to agreement on the Common Fisheries Policy. This is now entirely up to the Danes. We must stress that there is no room for further concessions on our side, however small, and that the package of measures now on the table represents a take it or leave it offer. If the Danes cannot accept it then the other member States will have no option but to implement the package by national measures with Commission approval.

The Prime Minister will no doubt wish to go over the ground with Mr Schlueter on the items to be covered at the European Council on 3 - 4 December and to give him the benefit of her advice on the handling of the Council. A brief on Greenland is included for use if Mr Schlueter raises this. A full list of briefs is set out at Annex A to this letter. Biographical notes on Mr Schlueter and on Mr Tuge Dahlgaard, the Danish Ambassador, are at Annex B.

Yours ever,

(R B Bone)
Private Secretary

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ANNEX A

VISIT BY THE PRIME MINISTER OF DENMARK: 22 NOVEMBER

LIST OF BRIEFS

1. European Community Topics
   - i) Common Fisheries Policy
   - ii) European Council
   - iii) Greenland
2. East/West Relations
3. Latin America
4. International Economic Scene
5. Middle East, (including Lebanon and Iran/Iraq war)
6. Arms Control and Disarmament
7. Southern Africa
8. Denmark: Internal Politics
9. Denmark: Economy

ANNEX B

SCHLUETER, POUL

PRIME MINISTER

Leader of the Conservative Party since 1974. Chairman of Folketing Foreign Affairs Committee.

Born 1929. Studied law and worked as a lawyer. Active in Conservative Youth and various other youth organisations including the World Association of Youth. Member of the Folketing since 1964. An energetic leader of a party for which electoral support, after falling to its nadir in 1975, has climbed steadily at the 1977, 1979 and 1981 elections. It is now again approaching the levels it enjoyed in the 1950's and 60's, and is the second largest party in the Folketing, after the Social Democrats.

Has a charming second wife, a teacher, whom he married in 1979.

Speaks English.

MR TYGE DAHLGAARD

Mr Tyge Dahlgaard was born in 1921. He obtained a Degree in Political Science and Economics at Copenhagen University in 1947 and entered the Danish Foreign Service in 1949. He served as Counsellor in the OEEC in Paris from 1957-59 and as Counsellor (Economic Affairs) in Washington from 1959-64. He then served as Ambassador to the EEC and EURATOM in Brussels and CECA in Luxembourg from 1964-66. He was Minister for Commerce, for Nordic Affairs and European Market Affairs between 1966 and 1967. From 1968-72 he was Ambassador at Belgrade and from 1972-76 was Ambassador to Tokyo and Seoul. Ambassador at The Hague from 1976-81. Ambassador in London since February 1981.

Mr Dahlgaard is married.

COMMON FISHERIES POLICY (CFP)

POINTS TO MAKE

1. Gratifying that so much progress has been made over recent months towards settling a common fisheries policy. In the negotiations substantial concessions have been made to the needs of all Member States.

2. Denmark, in particular, has gained extensively from the final rounds of negotiation not least on fish quotas.

3. For the United Kingdom the final 'package' reached on 8 November represents a very considerable reduction in our demands which were supported earlier by all the parties in Parliament. This obviously presents us with serious difficulties; nevertheless we are prepared to stand by it despite domestic criticism which has been intense and is growing still (especially Shetlands and South West England).

4. Nine Member States are now firmly of the view that the process of negotiation has come to an end. That is most definitely the view of the United Kingdom.

5. Very much hope that Denmark can now adopt the position already taken by nine Member States. If not, it will be necessary for the final 'package' to be implemented by means of national measures.

6. [If no Fisheries Council is to be held] I am astonished that Denmark should refuse to hold a Fisheries Council before the European Council. Nine member states pressed for one. This is not in the highest traditions of the Presidency. It simply means that a major fisheries row will dominate your European Council.

[If a Fisheries Council is to be held] The opportunity to settle this matter at the Fisheries Council on 29th November must not be missed.

Otherwise, your European Council will be dominated by a major fisheries row.

Supplementary line to take

7. The consequences of not settling quickly are appalling. National measures would lead to your vessels being prosecuted. Uncertainty, possibly chaos, would reign. The extra fish promised by Norway would be withdrawn. UK supplies of mackerel to your factories might dry up. Relations between Denmark and UK - where we take so much of your exports would get worse and worse. I do not see how Denmark can afford the economic and political consequences of being isolated on a major issue with the Community.

ESSENTIAL FACTS

8. After a period of confusion it is now clear that the Danes have finally rejected the package on offer at the Fisheries Council on 8 November. At the meetings of the Fisheries Council on 25/26 October and 8 November significant concessions were made for the benefit of the Danes. Nevertheless they have not accepted the package on offer.

9. In some ways Danish interests are well served if no CFP agreement is reached. They were therefore conveniently placed during the years when the United Kingdom was widely considered to be blocking agreement. Although it should have been clear following the bilateral agreements we came to with the French and other Member States on access that the situation had radically changed, there is no evidence that Danish Governments of any persuasion have made serious attempts to alert their Parliamentary and public opinions to the inevitability of concessions if a fisheries agreement is to be found. If they have a conscious strategy it is likely to be to keep on "negotiating" until such time as concessions in their favour cease to be made. We need to convince them that so far as the other nine Member States are concerned that time has now arrived.

10. If overall agreement cannot be found before the end of the year

we will need to apply to take national measures to implement so far as possible the 'package' agreed by nine Member States. However, this presents many problems and it would clearly be very much better to achieve a Community-wide agreement.

11. Moreover there are distinct disadvantages for Denmark in not settling a CFP. In the fishing sector their industry would face an uncertain future with the threat of national measures being taken against them by the other Member States which could lead, for example, to prosecutions for illegal fishing. It would be open to us to change our quota management arrangements for mackerel so that fewer United Kingdom catches were landed in Denmark. Moreover in the event of continued disagreement the Norwegians would not make available to the Community the extra fish in 1982 that they would do in the event of agreement among the 10 which would particularly hit Denmark. The greater disadvantage, however, is political in that it must clearly be difficult for a small country like Denmark to remain isolated on a major issue within the Community. The Copenhagen summit for example would be likely to prove very uncomfortable for them. Certainly Danish interests would not be well served if because of her stand on fisheries Denmark became very unpopular in the United Kingdom. This is shown by the very great extent to which Danish exports and most particularly food exports are dependent on the United Kingdom market.

12. A note on the main concessions made to the Danes in recent months is annexed.

CONCESSIONS MADE TO DENMARK SINCE THE PROPOSALS OF THE 21st JUNE, ACCEPTED BY 9 OTHER MEMBER COUNTRIES

Quotas

(Column A - Danish allocation in tonnes
Column B - Danish percentage of EC availability)

	Original Proposal		Present Proposal	
	A	B	A	B
Baltic Cod	82,000	72.8	90,000	78.3
North Sea Cod	44,140	19.8	50,000	20.5
West Greenland Cod			TAC reduced and not allocate to meet Danish (Greenland) requirements	
N. Sea Haddock	7,000	5.1	11,500	7.7
N. Sea Saithe	4,000	6.1	5,940	8.7
N. Sea Plaice	20,000	15.4	26,000	20
N. Sea Herring	3,000	5.2	5,000	7.4
N. Sea Whiting	7,130	8.1	17,300	13.2

In addition Denmark may fish 7,000 tonnes of mackerel from Western wate up to 31 March 1983 as well as 20,000 tonnes they have already caugh in 1982 though thereafter Danish catches from this stock would not be permitted. There is also a possibility of a further 2,000 tonnes of North Sea cod being made available for the Danes for 1982 only by the Norwegians.

Access

The size of the North Scotland 'box' has been reduced in an area of interest to Denmark in order to meet their concerns.

Supplies of Mackerel

In order to meet Danish complaints that insufficient mackerel was available to their processing industry we have altered our national quota management arrangements with the effect that by 16 November landings of mackerel in Denmark from United Kingdom vessels amounted to 16,000 tonnes compared with 8,000 tonnes in the same period of 1981. We have also indicated willingness to consider the adoption of a premium for mackerel imported into Denmark from other community conntries financed by the Community.

"Trilateral" (EC/Norway/Sweden) Agreement

To meet Danish demands we have agreed that the trilateral agreement for 1982 will not be put into effect despite the consequent adverse effects on the herring stocks available to other Member States including the United Kingdom.

Financial Arrangements

The other Member States have agreed in principle certain other financial provisions such as community aid for exploratory voyages which could act as a further financial sop to Denmark.

PROSPECTS FOR EUROPEAN COUNCIL

POINTS TO MAKE

1. Community has resolved a number of difficult problems recently - EC/US steel, 1982 refunds. Grateful to Danish Presidency for your contribution. Understand that Mr Ellemann-Jensen has been a most effective Chairman to the Council - particularly impressive given difficulty of taking over in mid-Presidency. Also particularly grateful for key rôle played by Ambassador Borch in Washington in resolving pipeline dispute.

2. Two important items of business of imediate concern: reaching agreement on Common Fisheries Policy and budget problem for 1983 and later.

3. EITHER [if a Fisheries Council is not to be held]
Surprised by Presidency decision not to hold a Fisheries Council. This means that there is no alternative to having a major discussion at the European Council.

OR [if there is to be a Fisheries Council]
Vital to solve problem at Fisheries Council. Otherwise bound to be a major subject for discussion at European Council.

4. Budget problem being discussed by Foreign Ministers today - what sort of discussion we will need to have at European Council will depend on what happens there.

5. We shall no doubt have our usual discussion of economic and social situation. Believe there is growing convergence of economic policies among Member States, as reflected in conclusions agreed by joint Finance/Social Ministers Council. Believe we should also discuss trade issues and protectionism. We should also have some discussion of international monetary issues. Hope we can avoid a lengthy commmunique. Far better to have a few brief points for the press, summing up our actual discussion.

6. Important to discuss enlargement and give an encouraging signal to the candidate members.

7. [If he suggests that EC/US problems should be on the agenda] Main problems now resolved. Better not to highlight this subject, though we could if necessary have some discussion under Political Cooperation and when we discuss trade questions.

ESSENTIAL FACTS

1. This will be Mr Schlueter's first European Council. The Danish Presidency have tentatively suggested the following agenda:

A. COMMUNITY

(i) Economic and Social Situation
(ii) Enlargement
(iii) EC/US Relations

B. POLITICAL COOPERATION

(iv) Middle East
(v) Poland
(vi) CSCE

C. HYBRID

(vii) Oral Report on Genscher/Colombo
(viii) Council Report on European Union

2. In discussion in Coreper we have argued that it will also be necessary for the European Council to discuss the Common Fisheries Policy unless a solution has been reached in advance. It should be clear by 22 November whether the Danish Presidency are accepting our suggestion, supported by most Member States, that a Fisheries Council should be held before the European Council.

3. We have also argued that the budget may need discussion at the European Council. This will depend on the outcome of the discussion at the 22 November Foreign Affairs Council.

4. The economic and social situation is the usual item. The European Council will be asked to endorse some useful conclusions which have been agreed by the ECO/FIN and joint ECO/FIN-Social Affairs Councils. There is also likely to be discussion of trade issues and protectionism as President Mitterrand suggested. And

there could be advantage in a discussion on the strengthening of the International Financial system, on which the joint council agreed the Community should play a positive part.

5. On Enlargement the European Council will discuss the Commission's recently produced inventory and report, which was called for in June and contains some important new ideas.

6. The Foreign Affairs Council is to decide whether EC/US relations should be an agenda item. We have argued that, now that the main problems have been resolved, it would be better not to flag it up in this way.

7. The contents of the discussion on political cooperation will become clearer after the Ministerial discussion on 23 November.

8. On the Genscher/Colombo proposals, there will be an oral report on progress by the Presidency. The Germans may say how they will handle this during their Presidency.

9. The European Union item is a formality under which the European Council annually takes note of a report on progress by the Foreign Affairs Council.

GREENLAND

POINTS TO MAKE

1. Taking Greenland out of the Community would set a bad precedent. Also very important that Greenland remains firmly wedded to the Western Alliance. Understand this may again be an issue at elections next May. What are the chances that they will change their minds? Believe negotiations should move slowly.

2. Greenland's own preferred solution of Overseas Countries and Territories status (OCT) poses real problems, particularly on fish and on aid. On fish, there is a danger of upsetting the delicate balance of fishing opportunities between Member States. On aid, Greenland with its high level of income per head could not expect to leave the Community and at the same time continue to receive generous amounts of Community aid or the benefit from OCT arrangements designed for poor countries.

ESSENTIAL FACTS

3. In a referendum on 23 February 1982, Greenland opted by a small majority for withdrawal from Community. Consequently the Danish Government submitted in June a formal proposal for a Treaty amending the Community Treaties which would provide for Greenland's withdrawal from full membership, and her addition to Annex IV to the Treaty, listing the overseas countries and territories (OCT's) covered by the Part IV arrangements.

4. The Danish Government has suggested that the Treaty amendments be agreed by the end of 1982, leaving 1983 clear for ratification by Member States, and introduction of the new arrangements on 1 January 1984. This timetable unlikely to be met. The opinions of the European Parliament and of the Commission have been sought but the Commission's report is not expected until early next year. Elections next May could possibly reverse Greenland decision to withdraw and Commission believe that Community should avoid any action in next six months which could adversely affect the prospects for the elections. Our overall objective must be to ensure that Greenland remains firmly wedded to the Western Alliance. On the other hand, Greenland's withdrawal would pose particular problems on fish, aid, and in deciding the nature of any future relationship.

5. Tariff free imports of fish products which Greenlanders would want continued are also a politically sensitive issue in the Community and, particularly, in the United Kingdom.

6. We would therefore need, in exchange for any agreement on access for fish products, to obtain reciprocal concessions on fishery opportunities in Greenland waters.

7. Greenland is a relatively wealthy country, with a higher GNP per head than the UK, Ireland, Greece and Italy. It would be inappropriate for the Community to provide Greenland with development aid, as OCT status would require. The Greenlanders appear to have recognised the difficulty, implicit in the request for OCT status, when they suggested to Commissioner Burke in September that a special relationship, possibly similar to that for the Faroes, should be negotiated quickly if OCT status proved impossible. The Commission themselves in their meeting with Mr Hurd suggested that such an

arrangement may prove feasible - eg. an Association regime requiring specific reference in Article 227 and a separate Protocol annexed to the Treaty.

BRIEF NO 2

EAST/WEST RELATIONS

POINTS TO MAKE

1. West must make clear to Soviet leadership that a more constructive East/West relationship is available, if Soviet Union willing to adopt new approach. Afghanistan, Poland and Soviet military build-up remain critical issues. Important to give right signal to East in NATO foreign ministers' communique of 8-9 December. Must nevertheless continue to guard against Soviet wedge driving, in particular over NATO 'double decision'.

Andropov

2. Andropov appeared to be assured during his meetings following Brezhnev's funeral, and showed familiarity with international issues. So far he has emphasised continuity of policy in public statements. Too early to draw any longer term conclusions about possible changes in Soviet policies.

Pipeline: East/West Economic

3. Delighted with success of Washington talks on East/West economic relations and with lifting of pipeline sanctions. Indebted to you, especially Ambassador Borch in Washington, for your key role in this as EC Presidency.

4. Now look forward to follow-up work. UK wholeheartedly committed to this. Understand that another Ambassador-level Seven-plus meeting in Washington soon to discuss how it should be organised. Remains important to cater for Community aspect of follow-up process.

/Poland

Poland

5. Release of Lech Walesa and the announcement of Papal visit in 1983 suggest Jaruzelski may lift martial law by end of year. Need to be able to respond to this. Useful to coordinate assessments and policy in Ten and NATO. Will have to judge real significance of any moves by Jaruzelski.

CSCE

6. Welcome Alliance agreement on common approach at Madrid. Grateful for Denmark's presentation of Ten's position, as basis for that of the Alliance, at opening plenary at Madrid.

Afghanistan

7. Must keep firm on Afghanistan. Need further strong UNGA resolution. Support Cordovez' mediation efforts, but do not share his optimism.

ESSENTIAL FACTS

8. As present incumbent of the EC Presidency, Denmark participated fully in the Washington 'Seven-Plus' discussions. No Danish companies were caught by the measures.

9. Denmark has EC Presidency until 31 December, and will therefore be directly involved in early stages of follow-up work to the Washington agreement. The Danish Ambassador to Washington, Borch,
A handled the Presidency role skilfully (see Washington telegram 3683).

Poland

10. Response to Solidarity's call for strikes and demonstrations on 10/11 November was limited. Walesa released unexpectedly on

12 November, possibly as the result of Church/State negotiations for Papal Visit to Poland in June 1983. Walesa's future role and intentions unclear; he has reportedly asked to meet Jaruzelski but no early meeting is planned. The Polish Military Council (WRON) has called a special session of Parliament on 13 December when it is expected that Jaruzelski will lift or modify martial law.

11. EC Political Directors on 15/16 November considered recent developments in Poland insufficient to warrant any change in policy, but recommended that the Ten should consider what their long term policy should be if Jaruzelski lifted martial law and nominally fulfilled the West's three criteria. EC Foreign Ministers will discuss this on 23 November.

12. The Commercial Banks signed an agreement to reschedule 1982 debt on 3 November. Creditor Governments at US signing agreed on 25/26 October not to resume 1982 debt rescheduling negotiations with the Poles for the time-being but to press latter on non-repayment of debts under 1981 agreement.

CSCE

13. At the opening session at Madrid Denmark presented the agreed package of amendments to the draft (RM 39) put forward in December 1980 by the Neutral and Non-Aligned countries. The Soviet Union concentrated in its initial plenary speech on the importance of a Conference on Disarmament in Europe and the need for a 'businesslike' approach by all.

Afghanistan

14. The UNGA Afghanistan debate will begin on 24 November. Pakistan,

supported by the Islamic Conference countries, will table another strongly-worded resolution reiterating the fundamental principles of previous resolutions. The Ten have offered to help bring out the vote, which must match or surpass last year's 116-23-12.

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TO IMMEDIATE FCO
TELEGRAM NUMBER 3683 OF 13 NOVEMBER
INFO COPENHAGEN

FOLLOWING FOR PRIVATE SECRETARY

EAST-WEST ECONOMIC RELATIONS (PIPELINE)

1. NOW THAT WE HAVE AN AGREED SUMMARY OF CONCLUSIONS ON EAST/WEST ECONOMIC RELATIONS AND A VERY SATISFACTORY DECISION ON SANCTIONS, THE SECRETARY OF STATE MIGHT LIKE TO MENTION TO HIS DANISH COLLEAGUE HOW MUCH WE HAVE APPRECIATED THE STERLING EFFORTS OF THE PRESIDENCY IN ACHIEVING THIS MUCH. SIR M.BUTLER HAS MADE THE POINT IN BRUSSELS (UKREP BRUSSELS TELNO 4234) BUT IT WOULD BE WORTH ENDORSING IT BILATERALLY.

2. THE DANISH AMBASSADOR IN WASHINGTON, OTTO BORCH HAS USED HIS DELICATE POSITION WITHIN THE SUMMIT SEVEN WITH ENORMOUS SENSITIVITY AND SKILL, QUIETLY MOVING THE EUROPEAN FOUR FORWARD IN SOME SORT OF UNISON, ENCOURAGING THE FRENCH TO SQUEEZE ALL THE CONSTRUCTIVENESS THEY COULD OUT OF THEIR INSTRUCTIONS, AND ALWAYS ENSURING THAT THE NON-PARTICIPANT COMMUNITY COUNTRIES FELT THAT THEIR VIEWS HAVE BEEN PROPERLY TAKEN INTO ACCOUNT. HIS PRIVATE CONTACTS, (AS WELL AS THOSE OF ROY DENMAN), WITH THE STATE DEPARTMENT AND OTHERS HAVE ALSO BEEN A MOST USEFUL CONTRIBUTION TO THE PROCESS. THE ALLIANCE COULD NOT HAVE BEEN MORE FORTUNATE IN HAVING BORCH IN THE COMMUNITY CHAIR FOR THIS EXERCISE.
WRIGHT

EAST/WEST ECONOMIC ISSUES - SIBERIAN PIPELINE

LIMITED

TRED
EESD
NAD
PLANNING STAFF
DEFENCE D
ECD (E)
WED
ESID
PUSD
ES & SD
NEWS D

ERD
PS
PS/MR HURD
PS/MR RIFKIND
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LATIN AMERICA

POINTS TO MAKE

Relations with Latin America

1. Wrong to exaggerate damage done by Falklands conflict. UK has been giving higher priority to Latin America since this government came to power in May 1979. Keen to participate fully in development of Western relations with the area.

Economic Problems of Latin America

2. Economic and financial problems of some Latin American countries are now serious. IMF in discussion with Mexico and Argentina. Situation needs careful watching.

Falkland Islands

3. Grateful for Danish abstention on UNGA resolution. Helped show that despite predictable majority in Argentina's favour, many countries do not support call for negotiations, expecially one couched in such prejudicial terms.

4. Resolution unacceptable. Call for resumed negotiations cynical and hypocritical coming from country which broke off negotiations to launch invasion of Islands. Argentina still seeks to predetermine outcome insisting that negotiations must lead to transfer of sovereignty. Dismisses Islanders' fundamental right to self determination. Continued ambiguity about cessation of hostilities. Absurd to suggest that situation in Falkland Islands is a threat to world peace.

Arms Sales in Argentina

5. Naturally disappointed at decision by partners to lift arms embargoes. Continue to regard very seriously. Hope individual arms contracts for Argentina will be scrutinised on case by case basis before licences issued. Hope Governments can treat lifting of embargo largely as formal measure and keep practical effects to minimum.

/Belize

Belize

6. Belize doing well following independence (stable democracy with good human rights record). But dispute with Guatemala still unresolved. Informal talks between Belize and Guatemala taking place in New York. We are willing to discuss bilateral relations with Guatemala and welcome any constructive moves to solve the dispute.

7. (If raised) British garrison remains in Belize for as long as may be appropriate. No date has been set for their withdrawal.

ESSENTIAL FACTS

Latin America

8. Recent ministerial visits to Latin America include Mr Onslow to Brazil (August) and Mexico (September); Mr Rees to Chile, Paraguay and Ecuador (September); Lord Skelmersdale to Colombia, Costa Rica and Dominican Republic (August) and a (private) visit by Mr Younger to Venezuela (September) and PUS to Colombia (September).

External Debt Problems of Latin America

9. The external financial position of Latin American countries has deteriorated sharply over the last year. Including the Caribbean, their debts now amount to $300 billion (from a total LDC indebtedness of $524 billion) Creditors' confidence in the ability of some of the most heavily indebted countries to deal with their debt problems have been eroded. Argentina, Mexico and possibly Brazil will need to renegotiate their debts in the next few months. An orderly rescheduling or re-financing of commercial bank debts in conjunction with IMF assistance is the most likely outcome, but adjustment will not be easy.

/Falkland

Falkland Islands

A 10. The UNGA Resolution (text attached) was adopted on 4 November by 90 votes to 12 with 52 abstentions. After much (unhelpful) dithering all our EC partners except Greece abstained. A list
B showing how UN members voted is attached.

11. General Assembly resolutions are not binding on member states, unlike those of the Security Council.

Revised Argentine Draft Resolution (3/11/82) (Official UN version)

General Assembly

Having considered the question of the Falkland Islands (Malvinas).

Realising that the maintenance of colonial situations is incompatible with the United Nations ideal of universal peace,

Recalling its resolutions 1514 (XV) of 14 December 1960, 2065 (XX) of 16 December 1965, 3160 (XXVIII) of 14 December 1973 and 31/49 of 1 December 1986,

Recalling further Security Council Resolutions 502 (1982) of 3 April 1982 and 505 (1982) of 26 May 1982,

Taking into account the existence of a de facto cessation of hostilities in the South Atlantic and the expressed intention of the parties not to renew them,

Reaffirming the need for the parties to take due account of the interests of the population of the Falkland Islands (Malvinas) in accordance with the provisions of General Assembly Resolution 2065 (XX) and 3160 (XXVIII),

Likewise reaffirming the principles of the Charter of the United Nations on the non-use of force or the threat of force in international relations and the peaceful settlement of international disputes,

1. Requests the Governments of Argentina and the United Kingdom of Great Britain and Northern Ireland to resume negotiations in order to find as soon as possible a peaceful solution to the sovereignty dispute relating to the question of the Falkland Islands (Malvinas):

2. Requests the Secretary-General, on the basis of this resolution, to undertake a renewed mission of good offices in order to assist the parties in complying with the request made in paragraph 1 above, and to take the necessary measures to that end:

3. Requests the Secretary-General to submit a report to the General Assembly at its thirty-eighth session on the progress made in the implementation of this resolution:

4. Decides to include in the provisional agenda of its thirty-eighth session the item entitled quote question of the Falkland Islands (Malvinas) unquote.

United Nations Department
Foreign & Commonwealth Office
3 November 1982

Keep

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TO IMMEDIATE FCO
TELEGRAM NUMBER 1816 OF 4 NOVEMBER
AND TO IMMEDIATE PARIS (FOR S.OF.S. PARTY).

MIPT: FALKLANDS AT THE GENERAL ASSEMBLY.

THE FOLLOWING IS THE RESULT OF THIS EVENING'S VOTE ON THE LATIN AMERICAN DRAFT RESOLUTION:

YES (90): AFGHANISTAN, ALBANIA, ALGERIA, ANGOLA, ARGENTINA, AUSTRIA, BENIN, BOLIVIA, BOTSWANA, BRAZIL, BULGARIA, BURUNDI, BYELORUSSIA, CAPE VERDE, CAR, CHILE, CHINA, COLOMBIA, COMOROS, CONGO, COSTA RICA, CUBA, CYPRUS, CZECHOSLAVAKIA, DEMOCRATIC KAMPUCHEA, DEMOCRATIC YEMEN, DOMINICAN REPUBLIC, ECUADOR, EL SALVADOR, EQUATORIAL GUINEA, ETHIOPIA GABON, GDR, GHANA, GREECE, GRENADA, GUATEMALA, GUINEA, GUINEA-BISSAU, HAITI, HONDURAS, HUNGARY, INDIA, INDONESIA, IRAN, IRAQ, ISRAEL, IVORY COAST, JAPAN, LAOS, LIBERIA, LIBYA, MADAGASCAR, MALAYSIA, MALI, MALTA, MEXICO, MONGOLIA, MOROCCO, MOZAMBIQUE, NICARAGUA, NIGERIA, PAKISTAN, PANAMA, PARAGUAY, PERU, PHILIPPINES, POLAND, ROMANIA, RWANDA, SAO TOME AND PRINCIPE, SPAIN, SURINAME, SYRIAN ARAB REPUBLIC, TOGO, TUNISIA, UGANDA, UKRAINE, USSR, UNITED ARAB EMIRATES, TANZANIA, UNITED STATES, UPPER VOLTA, URUGUAY, VENEZUELA, VIETNAM, YEMEN, YUGO-SLAVIA, ZAMBIA, ZIMBABWE.

NO (12): ANTIGUA AND BARBUDA, BELIZE, DOMINICA, FIJI, GAMBIA, MALAWI, NEW ZEALAND, OMAN, PAPUA NEW GUINEA, SOLOMON ISLANDS, SRI LANKA, UNITED KINGDOM.

ABSTAIN (52): AUSTRALIA, BAHAMAS, BAHRAIN, BANGLADESH, BARBADOS, BELGIUM, BHUTAN, BURMA, CANADA, CHAD, DEMARK, EGYPT, FINLAND, FRANCE, FRG, GUYANA, ICELAND, IRELAND, ITALY, JAMAICA, JORDAN, KENYA, KUWAIT, LEBANON, LESOTHO, LUXEMBOURG, MALDIVES, MAURITANIA, MAURITIUS, NEPAL, NETHERLANDS, NIGER, NORWAY, PORTUGAL, QATAR, ST LUCIA, ST VINCENT AND GRENADINES, SAMAO, SAUDI ARABIA, SENEGAL, SIERRA LEONE, SINGAPORE SOMALIA, SUDAN, SWAZILAND, SWEDEN, THAILAND, TRINIDAD AND TOBAGO, TURKEY, CAMEROON, VANUATU, ZAIRE.

NOT PRESENT OR NOT PARTICIPATING (3): DJIBOUTI, SEYCHELLES, SOUTH AFRICA.

THOMSON

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FALKLAND ISLANDS

WORLD ECONOMIC SCENE

POINTS TO MAKE

Global Negotiations

1. Appreciate helpful role played by Danish Presidency in New York to secure early agreement on launching Global Negotiations. Regret lack of progress so far. Important that Community stands by Versailles amendments to G77 launching resolution. These offer best prospect for getting Global Negotiations underway.

World Economy

2. Some progress towards creating the conditions necessary for recovery. In many countries the inflation rate is falling faster than expected. Nominal interest rates have fallen. A modest recovery is in prospect next year.

3. Problems remain: no room for complacency. Many developing countries are heavily indebted. Existing institutions coping so far, but adjustment measures will weaken these export markets, slowing down growth in the West.

International Trade/Gatt Ministerial

4. Important to reduce protectionist pressure on open trading system. But unrealistic to expect this to be a unilateral effort by EC.

5. Important however for Community to pull together at GATT Ministerial (24-27 November). Commission's approach generally constructive and provides sound basis for Community positions. French defensiveness, particularly over agriculture, likely to prove a major problem.

/ESSENTIAL

ESSENTIAL FACTS

Global Negotiations

6. Preparations deadlocked. Consultations continue but little prospect of Western countries persuading the G77 to accept the Versailles text for launching GNs unchanged. The Danes, as Presidency, have tended to a flexible approach over the text though recent prompting by the UK and FRG, has strengthened their determination to stand by the language agreed at Versailles.

World Economy

7. Inflation in the main industrialised countries has been halved in the last two years. Nominal interest rates are falling. The most recent Treasury forecast for major OECD economies predicts a modest, late recovery (2%) in 1983. But real interest rates remain high and world trade has stagnated.

8. The recession has caused increasing problems for developing countries and for the world banking system. Developing country debt will reach $600 billion by the end of 1982. Most is concentrated in a handful of the more industrialised developing countries. But many of the poorest countries are also experiencing enormous difficulties.

International Trade/GATT Ministerial

9. On trade policy issues generally the Danes, even more than Germans, take a strongly and (in our view) unrealistically liberal line. However, they keep a low profile on external aspects of the CAP which, as it operates at present, brings them substantial benefits.

10. In preparations for the GATT Ministerial, the Commission have injected element of realism. But CAP hard-liners, led by France are still proving difficult over specific mention of subsidies and other issues. This is absolute minimum the US Administration consider necessary. There is a risk of French wrecking tactics.

/The

The Ministerial is intended to demonstrate the free world's collective will to maintain and strengthen the open trading system. Deadlock would undermine confidence and so damage the interests of all trading nations including France. In contrast the Danes favour an over-ambitious approach. They have, for instance, advocated the acceptance of new rules for safeguard action. It would be useful to remind them on the eve of the GATT Ministerial of their responsibility as Presidency to work for agreement on a middle-of-the-road position.

CONFIDENTIAL

MIDDLE EAST (INCLUDING LEBANON AND IRAN/IRAQ WAR)

Points to Make

1. Distinctive European approach remains valid. Our role to help expand areas of convergence between US/Arabs. Important to sustain momentum of Reagan initiative. Firm US response to Israeli defiance over settlements needed. Glad Presidency to take up with US on behalf of Ten.

2. Arab response so far cautious but not discouraging. Good to see that they were able to unite at Fez on a policy of peaceful negotiations. But process of reconciling the different positions will not be easy.

3. Key role for Jordan. King Hussein needs other Arab, and especially PLO, support. Clear from Mr Pym's visit that he is reasonably encouraged at progress of discussions with Arafat. He values continuing Ten role.

Lebanon

4. Hope Habib will be able to make progress in negotiations for withdrawal of forces. End-1982 target looks unrealistic.

5. President Gemayel had made impressive start, even though lack of control over Kataeb militia and ambivalent attitude towards Palestinian civilians worrying.

6. HMG considering Lebanese request for contribution to Multinational Force. Very difficult for us, but may be able to help with training.

/Iran

Iran/Iraq War

Military Situation

7. Latest Iranian offensive broke Iraqi defences in a limited area North East of Amara; largest penetration yet into Iraqi territory. Iraqis fought less effectively than in recent battles. Both sides re-inforcing.

Meditation

8. Prospects remain poor. Little West can do. Iraq ready to settle and desperate to invoke UNO, EC and others in effort to bring Iran to the table. Uncritical support for Iran will not bring peace nearer and will risk provoking unconsidered Iranian reaction, perhaps against other states in the region.

ESSENTIAL FACTS

Arab-Israel

9. The Danes as Presidency have not been pressing for collective European activity in the current round of diplomacy, but they agree that the Ten should take opportunities to sustain the momentum generated by Reagan and Fez. Elleman-Jensen visited Amman shortly before Mr Pym and covered much the same ground with the King.

10. Political Directors of the Ten discussed on 15/16 November a UK suggestion that the Presidency should hold a formal discussion with the Americans on behalf of the Ten on the deteriorating situation on the West Bank. The aim would be primarily to urge the Americans to respond firmly to Israeli defiance over settlements, in order to protect US credibility in the Arab world. Other West Bank issues, including the expulsion of expatriate lecturers who refused to sign a political declaration would also be raised. The Presidency revealed that Elleman-Jensen plans to visit Israel shortly and would propose to discuss the same issues with the Israelis after they had been put to the US. The Presidency will seek formal approval at the Foreign

/Ministers'

Ministers' meeting on 23 November.

Lebanon

11. Negotiations for the withdrawal of foreign forces are bogged down over disagreement on the level and composition of the US/Israeli/Lebanese delegations, with the Israelis holding out for political as well as military discussions. Habib is due to return to the area on 19 November to oversee both these negotiations and progress on the wider Arab/Israel issue.

12. The Lebanese Parliament has given the new government a vote of confidence and agreed to the Prime Minister's demand to emergency powers to rule by decree for 6 months. The internal consensus commanded by President Gemayel is still impressive. But he seems powerless to prevent continuing clashes between Kataeb (Christian) and Druze (Muslim) militias south-east of Beirut. Gemayel's attitude towards the 400,000-500-000 Palestinian refugees in Lebanon is ambivalent. The Government is still preventing the rebuilding of Palestinian refugee camps in the South and wants only 'legal' Palestinian residents (those who came before 1970) to remain, insisting unrealistically that the remainder (up to 250,000) should go elsewhere.

13. The Lebanese Foreign Minister made a formal request for British participation in an expanded Multinational Force (MNF) on 6 November. We have said publicly that this is being considered, while stressing our heavy commitments elsewhere. An area where we are more likely to be able to help is in training. The MOD's Director of Military Assistance Overseas (DMAO) is due to visit Beirut on 22 November. Of others approached for a contribution to the MNF, only the Belgians have so far responded favourably. The US and Italians are ready to increase their contingents, but the French are more cautious.

/Iran

Iran/Iraq War

Military Situation

14. Despite inferiority in numbers and weaponry Iranian offensive launched on 1 November, 120 kilometres into Iraq on 30 kilometres wide front. Both sides suffered heavy losses. Iraqis were ejected from two well-prepared defensive positions. Saddam Hussein apparently increasingly concerned at setbacks and possible adverse effect on morale. Iranians now dominate border heights. Iraqis digging in hastily below. Iraqis launched small scale attack on 14 November. Too early to assess impact. Iraqis still hold roughly equal area of Iranian territory.

Mediation

15. Islamic Conference Organisation attempt in mid-October scuppered by Iranians. Turks currently disinclined. UN inactive. Algerians working in margins.

BRIEF NO 6

DEFENCE, ARMS CONTROL AND DISARMAMENT

POINTS TO MAKE

Danish Defence Spending

1. Gather that Danish Government may be under pressure to make cuts in defence budget, despite existence of Defence Agreement. Hope this can be resisted. May be useful to argue with those in favour of cuts that Alliance requires strong conventional defences if nuclear threshold to be kept high, and in face of rapidly growing Warsaw Pact conventional forces. Any measures which weaken NATO's conventional defences will have reverse effect.

SACEUR's Rapid Reinforcement Plan

2. Welcome dedication of UK Mobile Force (land) (UKMF(L)) to reinforcement of Denmark. Important contribution to Danish defence.

INF

3. Maintenance of zero option and continued preparations for deployments still offer best hope for progress next year. Premature to consider any change. December 1983 not a deadline for INF negotiations: should continue after first deployments.

4. Preparations for basing, in part funded by NATO infrastructure budget, an essential part of INF negotiating position. Arresting them would arrest progress in Geneva.

/START

START

5. Renewal of strategic arms control and US proposals for reductions warmly welcomed in UK. NATO should maintain public support for US focus on ballistic missiles as most destabilising systems - as in NATO Summit Declaration. But also important that Americans counter Russian propaganda by repeating willingness to include bombers, and cruise missiles in strategic role.

ESSENTIAL FACTS

Danish Defence Spending

6. Danish spending per capita one of the lowest in Alliance, despite fact that Denmark enjoys one of the highest per capita incomes. Defence spending traditionally subject of 4 yearly Defence Agreements designed to keep defence budget out of day to day party politics and to allow coherent planning. Last such agreement concluded in 1981 for period 1982-84 (a year late because of difficulties in reaching agreement). Provided for real increase of only 1% in 1982 and 1.2% in 1983 and 1984, despite Danish acceptance of NATO aim of 3%. Recent reports from Copenhagen suggest that Mr Schlueter remains so resolute about defence spending that he would rather go to the country than accept anything like the full DKr 600 million cuts demanded by opposition Social Democrats. He may have to go as far as DKr 200 million (the economies being chosen to shock the public) but is still resisting.

/SACEUR's

SACEUR's Rapid Reinforcement Plan (RRP)

7. RRP due to be agreed finally by Defence Ministers at DPC in December. Main problem involving UK reinforcements was whether UKMF(L) should be dedicated to Denmark or Northern Italy. SACEUR eventually secured agreement of parties involved that should be dedicated to Denmark. Discussions between UK and Danish MOD of detailed planning for reinforcement now under way.

INF

8. The parties of the new coalition Government are sounder than Mr Joergensen's government on the INF double decision, but anti-nuclear weapon feeling runs high in Denmark and Mr Joergensen in opposition has become vocal in his opposition to cruise missiles (and threatens to try to block Denmark's contribution to support facilities funded by NATO for the missiles). Danes are unlikely to defend NATO strategy with enthusiasm.

9. The third round of the INF negotiations began on 30 September. The Americans will continue to pursue the zero option. [Not for use] We are anxious that there should be no discussion of alternative negotiating positions at this stage.

10. Mr Schlueter is looking for arguments to refute Danish parliamentarians who wish to block their proportion of the Danish contribution to NATO's infrastructure budget which will be spent on cruise missile bases.

/START

START

11. The second round began on 6 October. The main US objective is to reduce the element of strategic instability caused by the growth in heavy accurate MIRVed ICBMs capable of a 'first strike' on US land-based missiles. The US have proposed major cuts in ballistic missile warhead numbers. The Russians have been critical, but careful not to reject US proposals out of hand, and have already indicated their willingness to make reductions to levels below those envisaged by the unratified SALT II.

BRIEF NO 7

SOUTHERN AFRICA

POINTS TO MAKE (IF RAISED)

Namibia

1. Glad that agreement now reached on nearly all issues preventing implementation of UN Plan. Some work still to be done, on electoral system for the Constituent Assembly, and composition of and arrangements for UNTAG.

2. Timing of implementation now in practice depends on outcome of US/Angolan/South African discussions on regional security.

3. The US/Angolan dialogue has come far since it began a year ago. We must all keep our nerve. Hope that Western European partners will not rock the boat, eg by supporting renewed calls for sanctions.

Sanctions

4. Sanctions would not hasten settlement in Namibia, would not have desired effect on South African internal policies and would seriously damage interests both of Western countries and of many countries in Southern and Central Africa.

ESSENTIAL FACTS (FOR USE FREELY, EXCEPT PARAGRAPHS 6 and 8)

5. Foreign Ministers of the Five reviewed progress in New York on 1 October, and in their communiqué reiterated their commitment to early implementation of the UN Plan. However, there has so far been no breakthrough on the withdrawal of Cuban troops from Angola.

6. [NOT FOR USE:] For domestic political reasons, both sides have understandable difficulties in making compromise proposals. We and

the French have agreed to take soundings with Angolan leaders to help move the negotiations forward.

7. We are encouraging the Americans to show some flexibility on numbers and phasing. If the current initiative brings a Namibia settlement, there could be further scope for joint Western action in the region.

Danish Attitude

8. [NOT FOR USE:] The Danes tend to suspect us of being too inclined to give the South Africans the benefit of the doubt. They have supported calls for full economic sanctions against South Africa. During their Presidency they have nonetheless been fairly helpful on Namibia issues (eg the need for eventual aid for an independent Namibia).

DENMARK: INTERNAL POLITICS

1. The Danish Parliament has been unicameral since 1953. Denmark has proportional representation, operating through party lists in multi-member constituencies, which gives mathematically exact representation in the Folketing according to the total number of votes polled nationwide by the individual parties. In combination with a very low threshhold (2% of the votes nationwide, which gives four seats in the Folketing), the Danish system has resulted - within a broadly equal left/right division - in a fragmented Parliament and a proliferation of very small parties. In consequence there has not been majority government by a single party in modern times, and majority coalitions have been formed only twice in the last 25 years. The test for survival is 'no majority against', ie differences between the opposition parties prevent them from combining to overturn the government. Agreement on change or reform, or on major measures of economic management, is hard to reach. But once achieved, usually by consensus around the middle, it sticks.

2. The Social Democrats have been the dominant force throughout the post-war period, leading the way in the development of an advanced system of state benefits now broadly supported by virtually all sections of political opinion. Their approach has been undoctrinaire, supporting the free market economy and membership of both NATO and the EC. There is wide inter-party agreement on foreign policy and defence but the economic pressures of the last ten years have put the Folketing under increasing strain. A Parliamentary crisis over the economy was precipitated in August. The Social Democrats could not get assurances of enough Parliamentary support for their proposed package to reduce the deficit by DKR 10 billion and to improve Danish

/competitivity

competitivity through price control and income restraint. Mr Anker Jorgensen resigned on 3 September, without calling an election.

3. The Conservative leader, Mr Poul Schlueter, presented his new government one week later. This is a minority four party coalition (Conservatives, Liberals, Centre Democrats and Christian Peoples Party) which commands 66 votes in the Folketing - 90 votes are needed for a majority. With ad hoc support from other non-socialist parties, the government could muster 91 votes. Conservatives and Liberals each hold 8 Ministerial posts, the Centre Democrats 4 and the Christian Peoples Party one. Mr Henning Christophersen, Liberal leader, is deputy Prime Minister and Minister of Finance and another Liberal, Mr Uffe Ellemann-Jensen, Foreign Minister.

4. At the opening of Parliament of 5 October, Mr Schlueter announced a drastic programme of economic and financial measures to respond to the forbidding economic problems which are the government's over-riding concern. (See Economic brief for details.) The programme was criticised by the Social Democrats and the Left generally as being slanted against the wage earner. Hostile reactions from the trade unions focused particularly on the suspension of wage indexation and the 4% ceiling on public sector wage rises, and there were large-scale protest demonstrations. But the Government were able to obtain the necessary support from the Radicals and Progress Party at the cost of only minor changes and the package went through Parliament on Saturday 16 October, with a series of hair's breath majorities. (It was note-worthy that the Social Democrats abstained on one measure to save the Government when a handful of the Progress Party defected at the last moment.)

/5.

5. The Government now face a further important test over the introduction of taxes on hitherto exempt pension and insurance funds, but they are privately confident that the Social Democrats will not bring them down on this issue. Thereafter the really major hurdles are the 1983 budget (which must enter law by 31 December) and the biennial labour market negotiations (which should be finished by 1 March, when current agreements expire). It will continue to be necessary to win the support of the left of centre Radicals and maverick Progress Party. These can always be expected to exact a price and in particular the Radicals will press hard for cuts in defence expenditure. Paradoxically it is in the defence and foreign affairs fields (where the new Government's heart is certainly in the right place) that the Government may be particularly vulnerable. The radicals will always cause problems, and the outcome will depend in large degree on how far the Social Democrats play a responsible role in opposition, resisting the temptation to trim leftwards.

6. The Government will have been heartened by recent opinion polls showing substantial public support for their economic programme. The stock of Mr Schlueter and the Conservative party has shown a particularly marked rise, to the point indeed where it could threaten to become a source of embarrassment with the other coalition parties who may feel obliged to raise their profile.

BRIEF NO 9

DENMARK: INTERNAL ECONOMY £1.00 = DKr 14.50

1. The Danish economy has undergone major structural changes since the Second World War. A firm industrial base has been established (20% of GDP in 1981) and agriculture (5.6% of GDP in 1981) has been rationalised. The transformation was achieved by borrowing. This would probably have paid off by now, but for the two oil crises of the seventies. In consequence of these Denmark's balance of payments has got steadily worse instead of better and the country has had an external deficit in all but one of the past 22 years. It has been rising strongly but it is now hoped to hold it to around DKr 18 Billion in 1983. Meanwhile, the inflation rate has slowed to 9½% compared with over 12% earlier this year. Unemployment, at about 9% is slightly below the EC average and shows the slowest increase in the Community. The European Commission expects GDP growth of 2.0% this year.

2. Total foreign debt was recently put by the Financial Times at DKr 130 Billion (Ø15 Billion) approaching US Ø3000 per head. The cost of debt service exceeded the current account deficit in 1981: the DKr 18 Billion deficit for 1982 represents 4% of GDP.

3. Public spending is also a major issue. The previous government's modest aim was to reduce its rate of growth to zero by the mid-eighties. But rising unemployment (and the generous benefits payable) together with spiralling debt servicing

/commitments

commitments pushed the net central government budget deficit up to DKr 42 Billion (about 10% of GDP) in 1981. But the new economic measures approved by Parliament in October (see paras 4-5 below) should cut back the deficit to 13% of GDP in 1983 (DKr 69 Billion).

4. In the shorter term the new government have taken stronger corrective measures than their predecessors were able to contemplate. They have set themselves the goal of stopping the growth of the central government budget deficit as per cent of GDP in 1983 and reducing it from 1984.

5. The following new measures have been passed by the Danish Parliament:

(i) a total freeze on wages and profits until the Biennial Wage Agreement expires on 1 March 1983, with Government powers to extend as necessary. Other forms of remuneration, commission payments and honoraria are also frozen:

(ii) suspension of cost of living wage indexation system, initially until January 1985 but it is widely believed it will be prolonged:

(iii) suspension of public pay comparability:

(iv) a 4 per cent ceiling for public sector wage increases for the next pay round covering 1983-85.

/6. The

6. The Government have also secured Parliamentary approval for a wide range of budgetary measures which should achieve the expected reduction of DKr 18 Billion in the 1983 deficit. These include the suspension of indexation of unemployment pay (which will, however, remain at 90 per cent of previous earnings), cuts in some social security benefits, and a reduction by DKr 3 Billion of central Government support to local authorities in 1983.

7. Further legislation to tax net capital investments of private pension and insurance funds (hitherto tax-free) to raise additional revenue of DKr 4 Billion in each of the next two years is now before Parliament.

8. In addition, the Government have also promised to introduce proposals to stimulate industrial investment. As an inducement the Government have promised to reduce income tax if wages in the private sector can be kept down.

9. In the medium to longer term Denmark's economic problems should be alleviated by the coming on-stream of gas and oil from the Danish sector of the North Sea. Limited quantities of crude oil have been produced since 1981 and the advent of Danish natural gas in late 1984 will mean, according to official forecasts which may prove conservative, that about 30 per cent of Denmark's energy needs will be met indigenously by the mid-eighties. But Denmark otherwise lacks natural resources beyond what it can grow (very efficiently) or catch in the sea.

Fr Dutch German Irish

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

CONFIDENTIAL

PRIME MINISTER

22 November 1982

I attended a lunch today given by the Danish Ambassador in honour of the Danish Prime Minister.

On the way to the lunch I conferred with our Ambassador who informed me that she thought it was one of those delicate problems where there were terrible political problems for Denmark in not obtaining further concessions and terrible problems for Britain in giving any concessions. I do believe, however, that it is the Danes who will be forced in to obtaining no concessions and certainly there is no way we can be forced into giving any.

I sat to the left hand side of the hostess, the Prime Minister to her right, and was therefore able to confer with the Prime Minister during the lunch. To my left was the Permanent Secretary of the Danish Foreign Office, who is obviously the key adviser to the Prime Minister at today's talks, and who put to me the various points of the Danish Government.

One of their main objectives is to persuade Britain and other countries that this should not be a matter for the Summit. I assured the Permanent Secretary that there was no way that our Prime Minister could go to Copenhagen to a Summit, in the absence of an agreement, without this being a major topic, and without there being a major attempt to obtain a decision. I told him that I thought other European leaders, including Germany, would feel the same, particularly due to the importance of the Hamburg election.

He said that their consultations with Germany showed that the Germans could be persuaded not to raise it at the Summit. This is not surprising seeing that many of the German fishing opportunities are incorporated in Danish and Greenland waters.

There is no doubt in my view that one of the best pressures that we can put upon Denmark at this moment in time is that without doubt this is going to be a major topic at the Summit, and not one that could be treated as being passed on to the fishing Ministers thereafter.

/The Permanent

The Permanent Secretary told me that the Danish people felt that as they had been so kind to us on agriculture, budget and the Falklands, we could be kind to them in providing them with 20,000 tonnes of mackerel and 7 licences in the North of Scotland box, which is all that is required to obtain a settlement. I pointed out that we were kind to them on the budget and that we actually paid in and they did not. I also pointed out that the Falklands was very much in the interests of the western world and we had made the sacrifice, and on agriculture the positive advantages to Denmark were greater than most other European countries. I stated, however, that we have a great desire for the friendliest of relationships between our two countries, and with that in mind it was absurd for them to press for mackerel in an area where they had no historic catch, and for licences in an area in which they had no history of fishing for edible fish; and that politically both these demands were a total impossibility. I also informed him that this was not just our view but the view of the nine, and he was rather shaken when I said that only this morning I had consulted the other fishing Ministers, all of whom had agreed with me.

The Permanent Secretary stated that his ideal was for no Fisheries Council to be held on 29 November, for the Summit to agree that the December Fisheries Council should try and reach a settlement, and a view that December would be easier for the Danish Government to settle. I expressed the view that this formula was not acceptable to Britain unless there was a firm basis of the details on which a settlement would be achieved in December. He said that it would only require minor concessions and I repeated that the nine would make no further concessions on the package itself, and the only advantages that were available were in areas like the marketing and structures packages where the Commission had discretion to do some things that could be advantageous to Denmark.

I reminded him of the degree to which Britain, and I personally, had had made considerable efforts to assist the Danish Government.

(1) When the Conservatives came to power we negotiated with the Danes an arrangement for the pout box which was vital to Danish industrial fishing.

(2) I had reorganised the disposal of our mackerel so as to double the deliveries of mackerel for the Danish processors.

(3) We had approved all quota changes that substantially improved the percentages given to Denmark in recent months.

(4) We had given up a vital square of the North of Scotland box because we were told that this was a vital square for Danish fishing.

(5) We had conveyed to Danish Ministers that if they could find some proposal in the marketing or structures area within the Commission's discretion, although Britain was only one of two net contributors to the European budget, we would consider any reasonable proposal.

/The Permanent

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The Permanent Secretary said our actions had been appreciated and he pointed out that the sacrifice of the square in the North of Scotland box had been considered to be a major concession by one of the two fishing organisations in Denmark, and that on this sacrifice they had been willing to approve an agreement. But it was the other fishing organisation that demanded the mackerel and the North of Scotland licences, and this was their difficulty.

I must warn you that this evening they will give up the North of Scotland licences and ask in return that we give them the western mackerel; for in fact they officially informed the Commission that they would give up their demands for the North of Scotland licences at the last Ministers' meeting.

There is no way we can, or should, give them any western mackerel. In my judgment, if we remain firm this evening, and we can persuade the French to remain firm tomorrow (I am briefing the French Minister at 7.30 a.m. tomorrow, and it might be worth you sending a message to the French Prime Minister), and we insist on the meeting on 29 November prior to the Summit, and we insist, in the failure of agreement, that it is a major topic at the Summit, then I believe the Danes will settle before that Summit takes place.

I am sending copies of this minute to Douglas Hurd and Sir Robert Armstrong.

PETER WALKER

GRS 200A

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TO IMMEDIATE FCO

TELEGRAM NUMBER 408 OF 21 NOVEMBER

INFO IMMEDIATE UKMIS NEW YORK

SWEDISH MEXICAN UNGA RESOLUTION

1. ANOTHER UNEXPECTED SQUALL HAS BLOWN UP FOR THE DANISH NON-SOCIALIST MINORITY GOVERNMENT JUST BEFORE MR SCHLUETER'S VISIT TO LONDON.

2. ON FRIDAY THEY NOTIFIED THE FOREIGN AFFAIRS COMMITTEE OF THEIR INTENTION, ALREADY ANNOUNCED TO THEIR ALLIES, TO VOTE AGAINST THE SWEDISH/MEXICAN UNGA RESOLUTION CALLING FOR A FREEZE ON NUCLEAR WEAPONS. TO THEIR SURPRISE, IT EMERGED THAT NOT ONLY THE SOCIALIST PEOPLE'S PARTY BUT ALSO THE SOCIAL DEMOCRATS WANTED DENMARK TO VOTE IN FAVOUR THIS YEAR. THEY THREATENED TO USE THE MAJORITY THEY CAN MUSTER AGAINST THE GOVERNMENT IF THE LATTER DO NOT AGREE TO ABSTAIN. A FURTHER, EXTRAORDINARY, MEETING OF THE FOREIGN AFFAIRS COMMITTEE HAS BEEN CALLED FOR TOMORROW (AT WHICH MR HENNING CHRISTOPHERSEN WILL REPRESENT THE GOVERNMENT IN THE ABSENCE OF BOTH THE PRIME MINISTER AND THE FOREIGN MINISTER) AND IT IS STILL HOPED TO PERSUADE THE SOCIAL DEMOCRATS NO TO INSIST ON TAKING THE ISSUE TO PARLIAMENT OR AT LEAST TO AVOID DEFEATING THE GOVERNMENT, BUT THE OUTLOOK IS NOT VERY GOOD.

3. THIS STORY IS IN THIS MORNING'S DANISH PRESS. THE POLITICAL DIRECTOR TOLD ME ABOUT IT LAST NIGHT, ADDING THAT THE GOVERNMENT FULLY INTEND TO STICK TO THEIR NEGATIVE VOTE. HE EXPLAINED THIS AS ANOTHER MANIFESTATION OF THE SOCIAL DEMOCRATS' NEED, BECAUSE THEY ARE ACCEPTING SO MANY CONSERVATIVE IDEAS ON THE ECONOMIC FRONT, TO SHOW A HIGH LEFT-ORIENTED PROFILE ELSEWHERE, AND FOREIGN POLICY AND DEFENCE ARE ALL THAT IS LEFT TO THEM (CF ALSO THEIR POSTURE ON INF, DEFENCE CUTS AND TURKEY.)

(ADVANCED AS REQUESTED)

FCO PLEASE ADVANCE NO 10

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PS/MR HURD
PS/PUS

SIR J BULLARD
MR WRIGHT
MR GOODISON
MR ADAMS
MR GILLMORE
CABINET OFFICE

CONFIDENTIAL

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DESKBY 220800Z

FM COPENHAGEN 21/1230Z NOVEMBER 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 407 OF 21 NOVEMBER

INFO IMMEDIATE UKREP BRUSSELS

MY TELNO 398:8 VISIT OF MR SCHLUETER: DANISH POLITICAL SITUATION AND CFP.

1. AS WILL BE SEEN FROM MIPT (NOT TO ALL), MR SCHLLUETER'S MINORITY GOVERNMENT CONTINUES TO FACE CONSIDERABLE PARLIAMENTARY PROBLEMS. SINCE MY TUR WAS SENT, IT HAS BECOME CLEARER THAT THESE ARE LEADING THE GOVERNMENT TO THE UNUSUAL COURSE OF SHOWING GREAT FLEXIBILITY ABOUT HOW THE REVENUE THEY REQUIRE IS RAISED: IF THE TAX ON PENSIONS AND INVESTMENT IS NOT ACCEPTABLE IN PARLIAMENT, THEY ARE SAYING THAT THEY ARE PREPARED TO FIND THE DKR 4 BILLION BY OTHER MEANS, SEEING THIS AS THE ONLY FEASIBLE APPROACH IN PRESENT CIRCUMSTANCES. IT REMAINS THE CASE, HOWEVER, THAT THE SOCIAL DEMOCRAT LEADERSHIP ARE NOT ANXIOUS TO RETURN TO OFFICE BEFORE SOME TIME NEXT YEAR. (GIVEN THE SPIRIT BETWEEN DANISH PARTIES, I WOULD NOT BE SURPRISED IF THEY HAD IN MIND, INTER ALIA, THAT PRESENT MINISTERS NEED ONE YEAR IN OFFICE TO QUALIFY FOR THEIR PENSIONS.)IRONICALLY ENOUGH MR SCHLUETER'S POPUALRITY AS PM (CONFIRMED I N A POLL PUBLISHED THIS MORNING) MAY ITSELF IN FUTURE CAUSE HIM INTRA-COALITION PROBLEMS BY DRIVING THE LIBERALS (WHO ARE JUDGED THE STRONGER MINISTERIAL TEAM) TO ASSERT THEMSELVES MORE DEFINITELY.

2. CFP IS SEEN HERE, BOTH BY THE PRIME MINISTER AND BY THE PRESS, AS THE MAIN ISSUE FOR DISCUSSION IN LONDON. MY TELNO 406 REPORTED THE LINE MR SCHLUETER TOOK ON TV ON FRIDAY NIGHT. IN CONVERSATION LAST NIGHT, THE POLITICAL DIRECTOR (NOT DIRECTLY CONCERNED BUT WELL INFORMED) TOLD ME THAT DESPITE ALL THE DISCOURAGEMENT HE HAS RECEIVED, MR SCHLUETER WOULD STILL HOPE TO BRING SOMETHING FURTHER BACK FROM LONDON, THOUGH NOT NECESSARILY IN TERMS OF TONS OF FISH. HE (NOT UNNATURALLY) DEMURRED WHEN I EXPRESSED THE HOPE THAT IT WOULD BE SUFFICIENT FOR MR SCHLUETER TO BE ABLE TO SAY ON RETURN THAT HE HAD TRIED HIS UTMOST AND STILL COULD NOT ADD TO THE RESULTS ATTAINED. BUT HE ADDED TWO POSSIBLY SIGNIFICANT POINTS:

(A) MR HENNING CHRISTOPHERSEN, HAVING BECOME PERSONALLY ENGAGED, WAS NOW KEEN TO GET A SOLUTION WITHIN THE TERM OF THE DANISH PRESIDENCY. AS LEADER OF THE LIBERAL PARTY, THE FISHERMEN'S PARTY, HE COULD EXERT A POSITIVE INFLUENCE.

(B) DYVIG SEEMED CONFIDENT THAT THE SOCIAL DEMOCRATS WOULD NOW ACCEPT WHATEVER THE GOVERNMENT FELT IT COULD SETTLE FOR, IE THAT THEY HAVE REVERTED TO THE POSITION MR KJELD OLESEN VOICED IN HIS TALK WITH YOU ON 10 SEPTEMBER.

FCO PLEASE ADVZNCE TO NO 10 AND TO MAFF FOR PS MR WALKER AND MASON

[ADVANCED AS REQUESTED]

[COPIES SENT TO NO 10 DOWNING ST.]

COPIES TO:-
PS/MR WALKER } MAFF
MR MASON }

WARBURTON
STANDARD
WED
ECD(I)

CONFIDENTIAL

Briefing folder in separate folder.

PRIME MINISTER

Your talks with the Danish Prime Minister

The plan is:

1800 Tête-à-tête with only Private Secretaries present

1845 approx. Plenary session in the Cabinet Room

1930 for 1945 Working dinner

Mr. Schlueter wants to bring a team of seven to the talks. Our team will be:

Peter Walker
Douglas Hurd
Julian Bullard
Mr. Hannay
Ken Couzens
Mr. Hancock
Dame Anne Warburton (our Ambassador in Copenhagen)

We shall reduce to seven a-side for dinner.

The talks will be dominated by the fisheries question. You will want to consider how to handle the tête-à-tête. Perhaps the best approach would be to state the political realities about fish very clearly, leaving detailed discussion until the plenary session when Peter Walker will be present; (I do not think it would be altogether fair to bring him into the tête-à-tête since his opposite number from Denmark will not be in London). Then you could perhaps discuss East/West relations and the Danish political situation.

In the plenary, in addition to fish, you could deal with the European Council and any other matters that Mr. Schlueter wants to raise.

/ The handling

The handling of the media will be important. The Danish Embassy told us today that Mr. Schlueter might want to speak to some Danish journalists immediately after his talks with you and before dinner begins (after dinner will be too late because of Danish newspaper deadlines). We have made it plain that this would be very unusual. We shall have to see what his plans are when he comes.

A.J.C.

19 November 1982

Foreign and Commonwealth Office

London SW1A 2AH

18 November 1982

Sue Goodall has seen.

19/11

Visit of the Danish Prime Minister

When I wrote to you on 11 November I undertood to let you know as soon as we had received the name of the last member of the Danish delegation for the talks with the Prime Minister on 22 November.

We now know that Mr Schluter will be accompanied by Mr Eigil Jørgensen, Permanent Under-Secretary at the Danish MFA, who takes the place of Mr Esper-larsen. There will in addition be a further member of the Danish team, Mr Ole Tarp, who is described as a Head of Section in the Prime Minister's Department. The Danes have not however made any request for Mr Tarp to be present at the meal following the talks. I understand that, in terms of seniority, Mr Jørgensen ranks second only to Mr Schluter.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

Denmark, July '22. Visit of HM of Denmark.

010

(2)

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

Prime Minister

A.J.C. 18/11

Transfer X to Question briefing MT

PRIME MINISTER

17 November 1982

Dear Prime Minister

To keep you informed of the saga with Denmark, I succeeded in getting on to Danish television on Tuesday evening and I believe I was able to put over the fact that there are no more concessions coming and also the substantial concessions that the 9 have made the Danes.

As a piece of general background which I think can be politely pointed out to the Danes during some appropriate discussions, it is interesting to note the degree to which Denmark would be crippled if anti-Danish sentiment swept this country as a result of their demands over the fishing deal.

X

Danish exports of food to the United Kingdom amount to £630 million a year while our exports of food to them amount to £35 million a year. Of Denmark's total food exports to the European Community nearly 40% come to Britain and of our food exports to the Community 2½% go to Denmark.

They currently sell us more than £250 million of bacon a year which represents 99% of their total bacon exports. They export £82 million of butter which represents 69% of their total exports of butter. I think it might also be pointed out that they sell us no less than £51 million of fish.

Already in the House of Commons Albert Costain has broached the need for people to stop purchasing Danish products if they threaten us in this way, and, in view of the state of the Danish economy and Danish agriculture, there is no doubt that they would be very vulnerable should they pursue policies that create strong hostilities within this country.

I am copying this minute to the Foreign Secretary, the Secretary of State for Scotland and Sir Robert Armstrong.

Peter

PETER WALKER

DANISH RELIANCE ON UK FOOD MARKETS

Danish exports of food to the United Kingdom amount to £630 million a year while our exports of food to them amount to £35 million a year. Of Denmark's total food exports to the European Community nearly 40 per cent come to Britain and of our food exports to the Community 2½% go to Denmark.

They currently sell us more than £250 million of bacon a year which represents 99% of their total bacon exports. They export £82 million of butter which represents 69% of their total exports of butter. I think it might also be pointed out that they sell us no less than £51 million of fish.

vb

c. Mrs Goodchild

12 November 1982

Visit of the Prime Minister of Denmark

Thank you for yourletter of 11 November.

We shall arrange a working dinner for 14. Mr. Schluter's Private Secretary will be welcome to attend. Your proposals for participation on our side are also acceptable.

C.S.

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

PREM 19/3654

10 DOWNING STREET

MR. COLES

It would be perfectly OK to have 14 in the Pillared Room. As for M. Thorn's Lunch in September.

SE

12 November 1982

Sue Goodchild ← SG 12/11

Since these suggestions are very close to those the P.M. agreed earlier, I think we can accept them. Can we have a table for 14 in the pillared room? (Back to me for reply).

A.J.C. 11/11

Foreign and Commonwealth Office
London SW1A 2AH

11 November 1982

Dear John,

Visit of the Prime Minister of Denmark

Thank you for your letter of 1 November. I am writing to confirm that the Danish delegation for the talks on 22 November will be the same as set out in my letter to you of 29 October except for some uncertainty as to the MFA representative. I shall let you know as soon as I have a name. I assume that on our side the Prime Minister would wish to invite a group similar to that which she agreed should attend the talks and dinner planned for 15 October. On this occasion, however, Mr Schluter's visit coincides with a meeting of the Foreign Affairs Council. The Foreign and Commonwealth Secretary will not therefore be free to attend. Should the Prime Minister wish, I understand that Mr Hurd, who already knows Mr Schluter, would be willing to take Mr Pym's place.

The Danes have asked (but without pressing strongly) whether Mr Schluter's Private Secretary, Mr Lars Teit-Hansen (who will be in No 10 during the talks but will not necessarily take part in them) could be invited to the dinner. If this addition were acceptable, Danish participation at the meal would rise to seven. We should need to match this number. We would propose that the Prime Minister be accompanied by Mr Hurd, the Minister for Agriculture, Sir Julian Bullard, Mr Hancock and HM Ambassador at Copenhagen, as well as yourself. (I am assuming that the agreement given in your letter of 8 October for Dame Anne Warburton's presence at the meal holds good on this occasion too.) I should be grateful if you would let me know whether the Prime Minister can agree to a working dinner for 14 rather than 12.

(Finally,

Finally, I can confirm that Mrs Schluter will be taken care of throughout the day by Mrs Dahlgaard, the wife of the Danish Ambassador. Mrs Schluter apparently knows London well and we have not been asked to arrange a separate programme for her.

Yours ever,

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

14 NOV 1982

CONFIDENTIAL

Denmark

1 November 1982

VISIT BY THE PRIME MINISTER OF DENMARK

Thank you for your letter of 29 October.

We can agree that the talks should begin at 6 p.m. and be followed by a working dinner. I note that Mrs. Schlueter may be in London during this visit - you will appreciate that if we make the dinner a working one there will be no opportunity for her to meet the Prime Minister.

I should be grateful for confirmation as soon as possible of the team who will be accompanying Mr. Schlueter, so that invitations can be issued for the working dinner.

A J. COLES

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

CONFIDENTIAL

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Foreign and Commonwealth Office

London SW1A 2AH

29 October 1982

Caroline

Is 6 p.m. possible?

IC

OK. CJ.

MR 1/11

Dear John,

Visit by the Prime Minister of Denmark

Thank you for your letter of 26 October.

Mr Schlueter has welcomed the Prime Minister's offer of talks on 22 November followed by dinner. Mr Schlueter could be available to begin the talks at 6 pm (or a little earlier if the Prime Minister would prefer). He will probably be accompanied by much the same team as would have accompanied him on 15 October. These are Mr Pieter Wiese, Permanent Under Secretary and Mr Henning Gottlieb, Deputy Under Secretary, Prime Minister's Office; Mr Joergen Esper Larsen, Deputy Under Secretary, MFA; Mr Niels-Joergen Nehring, Head of EC Affairs Department; Mr Lars Telt-Hansen, Private Secretary and Mr Tygve Dahlgaard, the Danish Ambassador. There is also a possibility that on this occasion Mrs Schlueter will be in London. Mr Schlueter intends to travel on to Paris on the morning of 23 November.

On briefing, I would propose to provide nearer the time updated versions of the briefs forwarded under cover of my letter of 12 October.

I should be grateful to know if the Prime Minister can agree starting the meeting at 6 pm. May I assume that the Prime Minister envisages the talks being followed by a working meal rather than a social dinner? This would of course allow for a longer and more detailed discussion.

Yours ever

Tygve

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

Visit of Danish PM: Denmark: July 1982

29-OCT 1982

Denmark FCE SW

10 DOWNING STREET

From the Private Secretary

26 October, 1982

The Danish Prime Minister

Thank you for your letter of 22 October. The Prime Minister would be glad to see Mr. Schlueter and could offer talks followed by dinner on 22 November. I should be grateful if you could arrange for this invitation to be conveyed to Mr. Schlueter and for me to be informed of the response in due course.

A. J. COLES

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

Foreign and Commonwealth Office
London SW1A 2AH

Prime Minister
You could do talks followed by dinner on 22 November. I think it would be worthwhile.

22 October 1982

Dear John. Agree? Yes MT
A.J.C. 25/10

The Danish Prime Minister

The Danish Prime Minister would like to reinstate the visit to Britain he had to cancel because of parliamentary difficulties on 15 October. We have explained in informal contacts with his officials that the Prime Minister's diary would not enable her to give him lunch before 6 or 15 December. He would prefer to come before the European Council meeting on 3/4 December and there are obvious advantages to us in inviting him before then if we can. In the circumstances, Mr Schlueter will quite understand if the Prime Minister is unable to offer him a meal but will be very grateful for the chance to talk to her. Would the Prime Minister be able to fit him in sometime in November for a working session of perhaps two hours?

Yours ever

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

SUBJECT

cc Mosley
Ops

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T1948/82

RM

10 DOWNING STREET

THE PRIME MINISTER

16 October 1982

Dear Prime Minister,

Thank you for your letter of 13 October. I entirely understand that your Parliamentary situation obliges you to cancel your visit here. But I still very much look forward to seeing you when you are able to find time to visit us. There is much that we need to discuss.

Yours sincerely,

Margaret Thatcher

His Excellency Mr Poul Schlüter,

FILE

RM

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG
CABINET OFFICE

DANISH PRIME MINISTER

Thank you for your minute of 13 October about the cancellation of the visit by the Danish Prime Minister. I have since received the letter which the Ambassador of Denmark has sent you, enclosing the text of a letter from Mr Schlüter to the Prime Minister. Mrs Thatcher will, of course, be replying to this.

14 October, 1982

A. J. COLES

GRS 250
RESTRICTED

RESTRICTED

FM COPENHAGEN 131020Z OCT 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 317 OF13 OCTOBER
INFO PRIORITY UKREP BRUSSELS

INFO SAVIVNG OTHER EC POSTS, STOCKHOLM, OSLO, UKDEL NATO.

MY TELEGRAM NUMBER 315 : MR SCHLUETER'S VISIT

1. AS ALREADY REPORTED BY TELEPHONE, MR SCHLUETER'S OFFICE HAVE RUNG THIS MORNING TO SAY THAT, WITH THE GREATEST REGRET, MR SCHLUETER IS OBLIGED TO CANCEL HIS VISIT TO LONDON ON FRIDAY. GOTTLIEB EMPHASISED TO ME HOW VERY MUCH MR SCHLUETER REGRETS, BOTH ON PERSONAL AND POLITICAL GROUNDS, HAVING TO MISS THE VISIT. HE WILL CERTAINLY HOPE THAT THE VISIT CAN BE RESTORED AT A LATER DATE. BUT THE POLITICAL UNCERTAINTY HERE IS SUCH THAT HE CANNOT NOW MAKE ANY PROPOSAL.

2. THE TROUBLE REMAINS THE DIFFICULTY OF PERSUADING THE PROGRESS PARTY AND THE RADICALS NOT TO BE THE ONES TO OVERTHROW THE NON-SOCIALIST GOVERNMENT. TODAY AND TOMORROW IS LIKELY TO BE SPENT NEGOTIATING WITH THE FORMER - WHERE THE LEGACY OF PREVIOUS OSTRACISM AND WHAT GLISTRUP FEELS TO HAVE BEEN PERSONAL VICTIMISATION MAKES IT DIFFICULT TO AROUSE ANY LOYALTY. IF THE PROGRESS PARTY ARE PERSUADED, FRIDAY WILL BE SPENT IN A SIMILAR AND NO LESS DIFFICULT EXERCISE WITH THE RADICALS. THE THIRD READING IS AT PRESENT PLANNED FOR SATURDAY. A PRIVATE TALK BETWEEN MR SCHLUETER AND MR ANKER JOERGENSEN YESTERDAY DOES NOT SEEM TO HAVE PRODUCED ANY HOPE THAT THE SOCIAL DEMOCRATS CAN HELP THE GOVERNMENT NOW (ALTHOUGH THE POSSIBILITY OF A SOCIAL DEMOCRAT/CONSERVATIVE COALITION IN THE LONGER TERM IS BEING MENTIONED MORE WIDELY).

IF THE FINAL VOTE GOES AGAINST THE GOVERNMENT, THERE WILL BE AN ELECTION. THE MORNING'S PRESS ARE ALREADY SUGGESTING THE DATE OF 9 NOVEMBER.

3. THE PERMANENT SECRETARY MFA ALSO TELEPHONED TO SAY HOW VERY SORRY AND DISAPPOINTED THEY WERE ABOUT THE CANCELLATION.

4. I AM TELEGRAPHING SEPARATELY ABOUT THE IMPLICATIONS FOR DISCUSSION ABOUT THE COMMON FISHERIES POLICY.

FCO PLEASE PASS SAVING TO ALL.

WARBURTON

STANDARD
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PS/MR WALKER, MAFF
PS/CHANCELLOR OF THE EXCHEQUER

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[PASSED AS REQUESTED]

ROYAL DANISH EMBASSY

THE AMBASSADOR

55, SLOANE STREET,
LONDON, SW1X 9SR.

13th October, 1982.

1 encl.

Dear Sir Robert, RCA

Further to our telephone conversation today I forward a copy of a telegramme received from Copenhagen containing the text of a letter, dated 13th October 1982, from the Prime Minister of Denmark, Mr. Poul Schlüter, to Prime Minister The Rt.Hon. Margaret Thatcher.

Yours sincerely,

Mr Coles

I sent you a minute about this earlier in the day,

RCA 13 x 82

Sir Robert Armstrong, KCB, CVO
Secretary of the Cabinet
Cabinet Office
70 Whitehall
London SW1A 2AS

SUBJECT

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T19/8/82

T 19/8/82

cc Master
cps

Copenhagen, October 13th, 1982

P.M. has replied.
A.J.C. 15/10
f-a.

Dear Margaret Thatcher,

It is with the greatest regret and reluctance that I have had to cancel our visit to London on Friday, October 15th. I hope you will understand that my parliamentary situation simply does not allow me to be out of the country at the present time. We are a minority government, and our endeavours to establish the necessary parliamentary basis for the - rather harsh - economic measures, we propose, are proving even more difficult than we expected. At the moment of writing, the outcome is totally uncertain.

I am very sorry because I had looked very much forward to visiting you and talking to you and your colleagues. I regret it both in political and personal terms, but I hope it will be possible for me to come to England at another time.

Sincerely yours

Poul Schlüter.

Rt. Hon. Margaret Thatcher
Prime Minister of Great Britain
London

ROYAL DANISH EMBASSY

Copy of a telegramme received from Copenhagen containing the text of a letter dated 13 October, 1982, from the Prime Minister of Denmark, Mr. Poul Schlüter, to Prime Minister, The Rt.Hon. Margaret Thatcher.

Dear Margaret Thatcher,

It is with the greatest regret and reluctance that I have had to cancel our visit to London on Friday, October 15th. I hope you will understand that my parliamentary situation simply does not allow me to be out of the country at the present time. We are a minority Government, and our endeavours to establish the necessary parliamentary basis for the - rather harsh - economic measures, we propose, are proving even more difficult than we expected. At the moment of writing, the outcome is totally uncertain.

I am very sorry because I had looked very much forward to visiting you and talking to you and your colleagues. I regret it both in political and personal terms, but hope it will be possible for me to come to England at another time.

Sincerely yours

Poul Schlüter.

Ref. A09751

MR COLES

cc Mr Fall

The Danish Ambassador has just rung me, to let me know that the Danish Prime Minister has decided that he must cancel his forthcoming visit to London in view of the delicate political situation now prevailing in Copenhagen. The package of economic measures which the Government is proposing is to be considered in the Danish Parliament in the latter part of this week and early next; the political situation is likely to be difficult and delicate; and the Prime Minister thinks that he must be in Copenhagen.

2. I said that I was sure that the Prime Minister would understand the reasons, though she would much regret his having to cancel his visit, and would hope that another opportunity for a visit would arise.

RTA

ROBERT ARMSTRONG

13th October 1982

MR. COLES

The Danish Prime Minister has problems at home and has cancelled his visit on Friday.

13 October 1982

Foreign and Commonwealth Office

London SW1A 2AH

12 October 1982

Dear John,

Visit by the Prime Minister of Denmark: 15 October

I am enclosing with this letter a set of briefs for use by the Prime Minister during her meeting with Mr Poul Schlueter, the Danish Prime Minister, on 15 October.

The Prime Minister has said that she does not wish to be tied down to a formal agenda and Mr Schlueter agrees that the talks should be kept as flexible as possible. You mentioned in your letter of 5 October that the Prime Minister would want to discuss Denmark's internal political situation. I enclose a brief (No. 10) and the Ambassador in Copenhagen will be sending a scene-setting telegram on the eve of the visit. This will give an up-dated assessment of the way in which Danish policies are developing and of what the Danes hope to get out of the talks on 15 October. Mr Schlueter will to some extent still be feeling his way but his principal objective is likely to be similar to our own: to establish a good working relationship at the top. Mr Schlueter can be expected to welcome an exchange on East/West and transatlantic relations, but will be more reserved on the Community matters which are of interest to us.

Mr Pym found Mr Schlueter impressive when he saw him on 11 September and he has made a brisk start by putting forward to his Parliament what is in Danish terms a courageous and austere programme for cutting Government spending and restoring Danish competitivity. The meeting on 15 October will enable us to give a further useful boost to our bilateral relationship and, more concretely, to advance our interests on Community matters, with a fellow "new entrant". Given the

/probable

probable slowing down of the Budget negotiation time-table and the diminishing likelihood that matters will come to a head under the Danish Presidency, we might do best on 15 October to focus in the Community context on two more immediate targets, the Common Fisheries Policy and implementing decisions on the 1982 refunds. We shall want to persuade Mr Schlueter of the need for the Danes to accept the reasonable compromise on a Community Fisheries Policy that is now on the table with the aim of reaching agreement on future policy at the next meeting of the Council on 25 - 26 October. But it would obviously be foolish to let the opportunity pass of repeating to him our determination to get a lasting solution to the Budget problem, of insisting on the need for the Commission to come forward with ideas and of urging the Danish Presidency to do all they can to respect the end of November deadline. The Prime Minister may also wish to touch on EC Aid for Central America.

The Prime Minister may wish to give the visitors an account of our approach to East/West relations with particular stress on economic policies and our discussions with the United States. She may also want to raise a number of international economic issues.

A full list of briefs is set out at Annex A to this letter. Biographical notes on Mr Schlueter and the Danish Ambassador are at Annex B. Mr Schlueter's programme will follow. There is no separate programme for Mrs Schlueter and Mrs Wiese. They apparently know London well and the Danish Embassy are making arrangements for them throughout their stay.

Finally, I should draw your attention to the attached telegram 315 from Copenhagen. The telegram casts a shadow of doubt over Mr Schlueter's visit and makes clear that domestic political considerations may yet prevent Mr Schlueter from visiting London as planned. We are promised firmer news tomorrow.

Yours ever,

Roger Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

ANNEX A

VISIT BY THE PRIME MINISTER OF DENMARK: 15 OCTOBER

LIST OF BRIEFS

1. European Community Topics
   a) (i) Budget
   b) (ii) Common Fisheries Policy
   c) (iii) Greenland
   d) (iv) 'Jumbo' Council of Employment/Finance Ministers
   e) (v) EC Aid for Central America
2. East/West Relations
3. EC/US Relations
4. International Economic Scene
5. Latin America
6. Arab/Israel, including Lebanon
7. Iran/Iraq
8. Arms Control and Disarmament
9. Southern Africa
10. Denmark: Internal Politics
11. Denmark: Economy

ANNEX B

SCHLÜTER, POUL

PRIME MINSTER

Leader of the Conservative Party since 1974. Chairman of Folketing Foreign Affairs Committee.

Born 1929. Studied law and worked as a lawyer. Active in Conservative Youth and various other youth organisations including the World Association of Youth. Member of the Folketing since 1964. An energetic leader of a party for which electoral support, after falling to its nadir in 1975, has climbed steadily at the 1977, 1979 and 1981 elections. It is now again approaching the levels it enjoyed in the 1950's and 60's, and is the second largest party in the Folketing, after the Social Democrats.

Has a charming second wife, a teacher, whom he married in 1979.

Speaks English.

MR TYGE DAHLGAARD

Mr Tyge Dahlgaard was born in 1921. He obtained a Degree in Political Science and Economics at Copenhagen University in 1947 and entered the Danish Foreign Service in 1949. He served as Counsellor in the OEEC in Paris from 1957-59 and as Counsellor (Economic Affairs) in Washington from 1959-64. He then served as Ambassador to the EEC and EURATOM in Brussels and CECA in Luxembourg from 1964-66. He was Minister for Commerce, for Nordic Affairs and European Market Affairs between 1966 and 1967. From 1968-72 he was Ambassador at Belgrade and from 1972-76 was Ambassador to Tokyo and Seoul. Ambassador at The Hague from 1976-81. Ambassador in London since February 1981.

Mr Dahlgaard is married.

CONFIDENTIAL

GRS 350A
CONFIDENTIAL
FM COPENHAGEN 111600Z OCT 82
TO IMMEDIATE FCO
TELEGRAM NO 315 OF 11 OCTOBER
INFO SAVING UKREP BRUSSELS

MY TELEGRAM NO 305: DANISH ECONOMIC MEASURES AND MR SCHLUETER'S VISIT

1. THE GOVERNMENT'S PROGRAMME WAS GIVEN ITS FIRST READING ON 8 OCTOBER, AFTER IT HAD EASILY SURVIVED A VOTE OF NO CONFIDENCE THE PREVIOUS EVENING (THE SOCIAL DEMOCRATS ABSTAINING). HOWEVER, IT BECAME EVIDENT BY FRIDAY THAT THE GOVERNMENT WOULD HAVE MORE DIFFICULTY THAN THEY HAD AT FIRST HOPED IN MUSTERING THE ESSENTIAL SUPPORT OF THE PROGRESS AND RADICAL PARTIES FOR KEY ELEMENTS OF THEIR PROGRAMME. A SPLIT WITHIN THE PROGRESS PARTY AT FIRST SEEMED TO BE THE MOST DANGEROUS THREAT BUT THEY HAVE APPARENTLY FALLEN INTO LINE OVER THE WEEKEND. NEGOTIATIONS WITH THE RADICALS, COMPLICATED BY THE TENDENCY OF THEIR MEMBERS TO PURSUE INDIVIDUAL POLICIES, ARE EXPECTED TO TAKE ANOTHER DAY OR SO: CERTAIN OF THEIR OBJECTIVES MIGHT WELL PROVE INCOMPATIBLE WITH THOSE OF THE PROGRESS PARTY, WITH WHICH THE RADICALS DO NOT WANT TO BE SEEN TO BE CO-OPERATING. IN SHORT, THERE IS A GOOD DEAL OF UNCERTAINTY WHETHER THE GOVERNMENT WILL GET ENOUGH OF ITS PROGRAMME THROUGH NOT (REPEAT NOT) TO FEEL OBLIGED TO CALL AN ELECTION. MY INFORMATION IS THAT THE SOCIAL DEMOCRATS ARE UNLIKELY TO LEND ACTIVE SUPPORT, ALTHOUGH THEY DO NOT WANT AN ELECTION NOW, APPARENTLY PARTLY BECAUSE THEY CONSIDER THAT THE GOVERNMENT SHOULD HAVE CONSULTED THEM ABOUT THE PROPOSALS.

2. I THIS MORNING ASKED THE DANISH PRIME MINISTER'S OFFICE TO GIVE ME THE EARLIEST POSSIBLE WARNING IF MR SCHLUETER'S VISIT TO LONDON ON FRIDAY SEEMS TO BE IN JEOPARDY. THEY REPLIED THAT IT WAS, INDEED, POSSIBLE THAT THE THIRD READING SCHEDULED FOR THURSDAY (PARA 8 OF THE DRAFT POLITICIAL BRIEF SHOULD HAVE SAID 14 OCTOBER) MAY YET SLIP TO FRIDAYN 15 OCTOBER. IN THAT CASE, MR SCHLUETER'S VISIT WOULD PROBABLY HAVE TO BE CANCELLED. ANOTHER POSSIBILITY MAY BE THAT THE THIRD READING IS TAKEN ON SATURDAY, WHEN THE VISIT MIGHT BE CURTAILED SIMPLY TO THE MIDDLE OF FRIDAY. I WILL OF COURSE REPORT AS SOON AS I HAVE ANY FIRM INFORMATION BUT I WAS TOLD THINGS MAY NOT BE CLEAR UNTIL WEDNESDAY, 13 OCTOBER.

FCO PSE PASS SAVING TO UKREP

WARBURTON

[REPEATED AS REQUESTED]

LIMITED
WED NEWS D
ERD SIR J BULLARD
TRED MR EVANS
ESID MR GOODISON
ECDs MR THOMAS
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CONFIDENTIAL

A

BRIEF NO 1

CONFIDENTIAL

VISIT BY THE PRIME MINISTER OF DENMARK, 15 OCTOBER 1982

EUROPEAN COMMUNITY TOPICS

(i) EC BUDGET

Points to Make

1. Would like to explain UK budget problem briefly. Long history. Problem was foreseen in our accession negotiations and the Six gave an assurance that if an unacceptable situation arose it would be dealt with. Community's recognition of need to deal with the problem repeated in 1974 financial mechanism and 30 May 1980 agreement.

2. Problem has not gone away. Our net contribution currently running at a level of 1500-2000 mecu a year - almost as much as our aid programme for the developing world. Likely to get worse because of rising CAP expenditure.

3. These sums represent a real burden on British tax-payers from which farmers and others in other member states benefit. How would you in Denmark deal with anti-marketeers if you had large sums of money flowing out instead of the large inflows you actually have? and if you were at the same time among the less prosperous member states, as we are, instead of the most prosperous?

4. The negotiations on this subject have been extremely painful. Opportunities were lost both in 1980 and again in 1982 to agree a long term solution which would avoid the repeated negotiations on this divisive subject.

5. Must try to avoid another major public row this autumn. New Danish Foreign Minister, Mr Ellemann-Jensen, chaired September Council

/helpfully

helpfully and with great skill. Hope he will press the French really hard on 1982 refunds at the next Council on 25 October if no settlement has been reached before then. Must get agreement by that Council if we are to avoid problems with Parliament over making necessary provision in Community budget.

6. For 1983 and later, deadline agreed in May was 30 November. We want to stick to that and thus avoid an argument at the European Council in Copenhagen on 3/4 December. Hope that Danish Presidency will put pressure on Commission, who are not moving fast, to produce their ideas quickly and then get negotiations in Brussels going rapidly.

7. Some suggestions have been made for thorough-going review of Community's financial arrangements to cover problem of burden sharing between member states, impact of enlargement and the diminishing head-room below 1% ceiling as a result of the increasing cost of the CAP. We would go along with such a review as long as no advance commitment to new own resources. But it will take time and would not be a substitute for the solution to UK problem which is required by end November.

Essential Facts

8. Although agreement on 1982 refunds was not reached at the 20 September Council, the French found themselves virtually isolated. They continue to insist however that the reimbursement to the UK of our contribution to 1982 German refunds should be linked with 'corrections' for the alleged over-payment to the UK in 1980/81. That is contrary to the 25 May 1982 agreement. The Council discussion was chaired well and impartially by the new Danish Foreign Minister, who displayed an impressive grasp of the details. It has now been virtually agreed that the refunds will be paid out of unspent money

in the 1981 and 1982 Community budgets. This means that the time-table constraints are less severe than if the refunds were to be paid from the 1983 budget, but the Commission will still need to make proposals for a 1982 supplementary budget by the end of October if problems with the European Parliament are to be avoided.

9. The Danish Presidency has not so far organised any discussion of the solution for 1983 and later, nor has the Commission yet come forward with its ideas. As major net beneficiaries the Danes' national interest lies in restricting UK compensation to the minimum. They have in the past taken a particularly hostile line towards the concept of net contributions. With Germany, Denmark has the highest GDP per head in the Community (25% above the average). Because of its large agricultural industry Denmark also enjoys substantial net receipts from the budget (some 250 mecu in 1981 after contributing to UK refunds). When they joined the Community the Danes expected to enjoy these large benefits from the CAP and they have naturally sought to protect them.

10. The line which the new Danish Government will take is not yet clear. Mr Pym met Mr Schlueter and Mr Ellemann-Jensen, the Foreign Minister, in Copenhagen immediately after they took office, and went over with them the main points on the EC budget. Schlueter indicated that he would do his best to find a solution by November. We should encourage him to stick to this deadline and also try to persuade him of the fairness of Britain's case and the need for the Community to find an adequate solution.

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(ii) Common Fisheries Policy

Points to Make

1. Fully appreciate that you inherited a very difficult negotiating position on fisheries from previous government. And I understand the real sensitivity of this issue in Denmark.

2. Nevertheless, the issue is just as sensitive here. The UK Government has moved very substantially from the negotiating position it inherited. So have other governments. Expect the Danes to do the same. The proposed arrangements on access to our coastal waters have been rejected by our major fishing organisations. But we are standing by them since they open the way to solving the CFP as a whole.

3. Package now on the table is broadly acceptable to nine member states. There is a common determination among them to settle. With movement by the Danes agreement could be reached in one meeting.

4. Important to secure agreement at next Fisheries Council on 25/26 October. This would help create right atmosphere for solution of other difficult problems which Community has to tackle this autumn. And the longer a settlement is delayed the more problems we will have domestically and pressure will build up from the industry and Parliament to go back on the deal. Failure to get agreement before end of year bound to lead to serious Community crisis. Danish Government should not assume that that outcome will be any better.

[If the Danish Prime Minister lists their 4 main demands]

5. Access to United Kingdom 6-12 mile belt: The United Kingdom and Denmark agreed to cancel all claims on each other under the 1964 London Convention. Since accession Danish fishermen have made virtually no use of the opportunities they acquired then. That is why

/the

the Commission has not proposed any access for Danish vessels to United Kingdom belt.

6. Access to North Scotland box: There is no record of Danish fishing for demersal species for human consumption in the area of the box. That is why the Commission has not proposed that Denmark be issued any licences. Danish claim for over 100 licences absurd. Other Danish fishing in the box would of course be unaffected.

7. Mackerel: Commission's proposal for catch quotas are based on the criteria agreed by the European Council on 30 May 1980. On Western mackerel Denmark has a negligible historic catch record, no third country losses and no 'Hague' Preferences. Therefore no claims to a quota which is why the Commission has not proposed one. On mackerel for supplies to Denmark for processing Mr Walker has already explained the steps taken to facilitate supplies by United Kingdom vessels are not prevented from supplying Danish factories.

8. Fishing in Greenland waters: Recognise this is a sensitive issue. But Greenland gains, and hopes to continue to gain, considerable advantages from the Community. Advantages must be reciprocal.

Essential Facts

9. The next meeting of the Fisheries Council will probably be on 25/26 October. Only the Danes are now blocking a solution and there are now no outstanding issues which could not be resolved at a single meeting.

10. The Commission's latest proposals on the main outstanding questions of Total Allowable Catches (TACs)/quotas and access, were presented on 14 June. They were discussed at Fisheries Councils on 28/29 June

/and

and 20/21 July and 4 October, but no progress was made because of the Danish attitude. The Danes are still seeking increased quotas of certain fish, which in practice could only be met at our expense or at the expense of conservation. On access they are also seeking over 100 licences in the north Scotland box, although they have no record of fishing there to justify such a claim and are also seeking entry to the 6-12 mile belt around North East England. However, the UK and Denmark agreed to cancel all claims in each other's waters at the time of the London Convention (1964) and although they have had fishing rights in part of our 6-12 mile belt since accession (1973) they have made virtually no use of them. By the criteria agreed on 30 May 1980 they have no claim to a mackerel quota west of the United Kingdom. Recent changes to the United Kingdom management measures for mackerel have removed any disincentive from United Kingdom vessels supplying Danish factories direct. This has been explicitly acknowledged to be helpful by the Danish Minister.

11. At the 4 October Council new Danish Minister's (Mr Grove) decision to speak both as Chairman and leader of the Danish Delegation provided additional confusion. However the new Danish Minister was left in no doubt of the determination of the other nine Member States to reach an early settlement on the basis of the Commission's proposals. Mr Walker has gone over the ground very thoroughly with Mr Grove. It will be important to keep up the pressure on the Danes if agreement is to be reached at the next Council.

(iii) GREENLAND

Points to Make

1. HMG regret the move to take Greenland out of the Community - it would set a bad precedent. Understand this may again be an issue at elections next May. What are the chances that they will change their minds? Does not this suggest it would be better if the negotiations move slowly?

2. HMG fully aware of Greenland's strategic importance. Our overall objective is to ensure that Greenland remains firmly wedded to the Western Alliance. But Greenland's own preferred solution of Overseas Countries and Territories status (OCT) poses real problems particularly on fish and on aid. Agreement by the end of the year (as Greenland wishes) seems most unlikely.

3. [Fish] The Community will need to ensure that any arrangements made for the future association of Greenland do not include elements which could upset the delicate balance of fishing opportunities which might result from agreement to a revised Common Fisheries Policy.

4. [Aid] Greenland could not expect to leave the Community and at the same time continue to receive generous amounts of Community aid. OCT arrangements were designed to provide an aid and trade regime similar to that in the Lomé Convention to help developing territories (which Greenland with a per capita gnp of $7990.00 could not reasonably claim to be). Moreover, OCT status for Greenland might well create demand for OCT status from other territories eg. in the context of enlargement of the Azores and Canaries.

Essential Facts

5. In a referendum on 23 February 1982, Greenland opted by a small majority for withdrawal from the Community. Consequently the Danish Government submitted to the President of the Council in June a formal

proposal for a Treaty amending the Community Treaties which would provide for Greenland's withdrawal from full membership, and her addition to Annex IV to the Treaty, listing the overseas countries and territories (OCT's) covered by the Part IV arrangements.

6. The Danish Government has suggested that the Treaty amendments be agreed by the end of 1982, leaving 1983 clear for ratification by Member States, and the introduction of the new arrangements on 1 January 1984. This timetable is unlikely to be met. The Presidency, in accordance with the procedure laid down under Article 236 of the EEC Treaty, has asked for the opinion of the European Parliament and of the Commission. Neither has yet been received.

7. It appears that Commissioner Burke (who has the dossier) is moving towards either a special OCT status for Greenland, or some entirely new arrangement. He is concerned about the need for the Community to avoid any action in the next six months which could adversely affect the prospects for the next Greenlandic elections (to be held next May) which could result in a reversal of the decision to withdraw. The Danes are said to favour efforts by the Community to encourage Greenland to reconsider its decision. Burke is currently engaged on a round of visits to Member States and to Greenland. He is expected to visit the UK on 15 October.

8. The negotiations on fish are likely to be particularly difficult. It is assumed that in the negotiations to settle her future relationship with the Community Greenland's aim will be to secure free access for her fish products whilst excluding from her waters fishermen from Member States and third countries who might fish under bilateral arrangements with the Community.

(iv) JUMBO COUNCIL OF EMPLOYMENT/FINANCE MINISTERS

Points to Make

1. Appreciate difficulty for Presidency of cancelling now the 'Jumbo' Council of employment and finance Ministers arranged by your predecessors. But important not to allow excessive expectations of EC initiatives from Jumbo to arise.

2. All agree that key to economic recovery is achievement of success on inflation and lower interest rates - which requires continuing tight control of budget deficits.

3. Hope your Ministers will help us to ensure that this line is reflected in conclusions of Jumbo Council.

Essential Facts

4. The previous Danish Government was keen on the proposed 'Jumbo' Council of employment and finance Ministers. They saw it as an opportunity to continue work on possible EC initiatives over unemployment, which they hoped would culminate in the European Council in Copenhagen early in December.

5. Most other governments have been unenthusiastic about the prospects of EC initiatives in this field. In particular, Germany and the Netherlands have always shared our hesitation over the prospects for the Jumbo Council, and are equally anxious that excessive expectations as to what such a Council might achieve should not be built up. Within the Commission, Ortoli's Directorate General are also sceptical, but Mr Richard's Social Affairs Directorate General is keen to see positive developments at the Jumbo.

6. With the change of Government in Denmark, we now have a Presidency which is much less enthusiastic than its predecessors

/over

over the Jumbo. The Prime Minister's meeting with Mr Schlueter could provide a useful opportunity to reinforce their intention to approach the Jumbo in the right frame of mind.

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(v) EC AID FOR CENTRAL AMERICA

Points to Make

1. Anxious to see this programme agreed. But important for Community to get its priorities right in spending limited resources.

2. In UK view, wrong for Nicaragua to benefit from this special programme. Nicaragua has benefitted from regular EC aid programmes. But inclusion in special programme would mean a further 10 mecu for a country which is spending its resources on military build-up rather than development, and which has increasingly close links with Soviet Union and Cuba. Moreover to provide extra aid to Nicaragua now would produce a further complication in EC/US relations at a most inopportune time. Not seeking specific exclusion of Nicaragua so much as arguing that only those countries (Costa Rica, Honduras, Dominican Republic) agreed by all Member States should be included. Hope Danish Presidency will support this approach in interests of agreement at October Foreign Affairs Council.

Essential Facts

3. The March European Council conclusions stated that 'aid given by the Member States of the Community and by the Community itself for development in Central America and the Caribbean should be co-ordinated and increased within the limits of their possibilities'. The Commission subsequently proposed 65 mecu aid for all countries of the region. After discussion at two Foreign Affairs Councils the possible beneficiaries have been reduced to Costa Rica, Honduras, the Dominican Republic and Nicaragua (our objection to Guatemala having been accepted). The first three are acceptable to all Member

/States

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States. We have opposed the inclusion of Nicaragua but have received support only from Germany and Luxembourg. All other Member States (including the Danish Presidency) are firmly in favour, and the French have said that if Nicaragua is not included they will veto the whole programme. There is a chance that the new Danish Government may be prepared to take a different line from its predecessor and that, in her role in the Presidency, they could turn the balance in the Council. The approach most likely to gather support for our point of view is that the new aid should only go to those countries acceptable to all.

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EAST/WEST RELATIONS

Points to Make

1. Relations with the Soviet Union will continue to be affected by Afghanistan, Poland and the Soviet military build-up. West must demand restraint, and create conditions for Soviet Union to allow greater diversity in Eastern Europe.

2. No reason for West to be on the defensive. Russians beset with internal problems (economy, agriculture), and international image tarnished. West has taken high ground over arms control, Middle East and relations with the third world.

3. Vital to maintain and develop this advantage, and guard against Soviet wedge driving, in particular over NATO 'double decision'.

Poland

4. The UK position was made clear in an on the record statement on 8 October, as soon as passage of this legislation was confirmed.

5. We deplore this development which constitutes a backward step and a regrettable obstacle to the restoration of more normal relations.

6. Unrealistic to expect early improvement in Poland. Must work closely together in NATO and the Ten for coordinated policy designed to keep Russians out of Poland, preserve such liberties as still exist there, and maintain pressure on Polish leaders to keep their pledges of renewal and reform.

/Rescheduling

Rescheduling (If raised)

7. More important than ever to establish facts and implications of Polish economic crisis. Attach importance to the forthcoming discussion among creditors in Paris at the end of this month. Important to preserve unity of Creditors' Group.

East/West economic relations

8. Our Foreign Ministers agreed at La Sapiniere that more work was needed on this subject. Have an open mind where this should take place. OECD clearly best for some topics. Must respect Community dimension. NATO will have to take an overview of work done elsewhere. Very important we clear our minds, and that West agrees on analysis and policy.

Siberian pipeline

9. Worrying problem, but we must keep it in perspective. Hope that the work we do on East-West economic relations will contribute to solving the problem, and ensuring it does not recur.

CSCE

10. Welcome agreement being developed by Ten on common approach at Madrid (condemnation of violations of the Final Act by the East, combined with resumption of negotiations of a substantive and balanced concluding document). But essential to maintain Western unity; hope that US will follow Ten's lead.

11. The Ten's approach should generate support from neutral and non-aligned.

/ESSENTIAL FACTS

ESSENTIAL FACTS

Poland

12. The Sejm (Polish Parliament) passed new trade union legislation on 8 October. The effect is to dissolve all existing unions including Solidarity. The underground Solidarity organisation has reacted by calling a four-hour strike on 10 November (the anniversary of the registration of the trade union, Solidarity). Both the Polish Church and the Vatican have condemned the Sejm's decision.

13. NATO has condemned the delegalisation of Solidarity, as have some individual members of NATO including the UK. The Americans have announced the ending of MFN status. Consultations in NATO continue.

14. Jaruzelski made a speech to the Sejm on 9 October which while moderate in tone showed little flexibility. He paid lip-service to the early lifting of martial law, made conciliatory remarks designed to placate the Church. But the overall message was a grim call for more hard work and discipline.

15. Poland's 16 major Western Creditors (mostly NATO but including several neutrals) agreed on 14 January that they could not resume talks with the Poles on debt rescheduling.

16. Economic arguments are clearly in favour of a resumption of talks. Poland's total hard currency obligations in 1982 total some $9.5 billion, far more than the Poles can pay. In the absence of rescheduling the Poles have suspended all payments on 1982 debts. They are therefore directly benefiting from the present situation. Once a rescheduling agreement was concluded the Poles would have to resume some payments. But the Americans are opposed to any

resumption of talks with the Poles on political grounds.

17. The creditors Group is due to meet in Paris on 25/26 October to discuss the state of the Polish economy and the financial arguments for and against resuming talks with the Poles. We attach importance to these talks. If agreement cannot be reached there is a risk that the Creditors Group will split up, with individual countries seeking their own separate agreements with the Poles.

18. Denmark is a member of the Creditors Group. The Danes usually maintain a low profile in line with the NATO 'pack'.

East-West Economic Relations

19. Discussed by NATO Foreign Ministers at La Sapiniere on 2-3 October. M. Shultz presented paper setting out principles, which was described by Dr Luns at NATO Council on 8 October as a "general identity of views". Agreement that more work was needed on strategic exports including oil and gas equipment, study of Soviet economy and prospects, role of credit, alternative energy sources, but no decisions yet where this should be done.

Pipeline

20. Danes are not directly affected by US measures of December and June. In EC Presidency capacity, Danes have been intermittently involved in discussion of problem between countries mainly involved (UK, France, FRG, Italy), but have shown no special sensitivity about meetings taking place without them.

/CSCE 21.

CSCE

21. The Foreign Ministers of the Ten will meet in Denmark on 16/17 October to finalise tactics for Madrid on the basis of a consensus developed in political cooperation. The Americans may now be moving closer to the European position, provided that there was agreement that negotiations should be on a hard-headed basis. But President Reagan's comments on 10 October following the outlawing of Solidarity indicates that the US position may now harden further.

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EC/US RELATIONS

POINTS TO MAKE (subject to revision in the light of developments)

General

1. Unilateral and arbitrary action by US has put serious strain on open trading system and Western Alliance. This does neither side any good. Strongly in our interest as well as Americans' to continue to try to negotiate agreed solutions to current problems.

Pipeline

2. [See Brief on East/West Relations]

Steel

3. Welcome confirmation by 20 September Foreign Affairs Council of EC readiness to implement terms agreed on 6 August between Davignon and US Commerce Secretary Baldrige. Davignon's efforts to clinch a mutually satisfactory deal have had full support from UK. Germans and Greeks must not be allowed to block parallel agreement on pipes and tubes.

4. Negotiated settlement remains vitally important. Offers only realistic prospect of minimising disruption of trade with US and threat of consequent disturbance of EC internal market.

/Other Trade Issues/GATT Ministerial

Other Trade Issues/GATT Ministerial

5. Concerned at threat to relations from tension over other trade issues - e.g. US resentment at CAP export refunds and rising protectionist pressures in Congress which could easily result in further instances of US action incompatible with GATT obligations and maintenance of open trading system.

6. Need to avoid raised expectations of forthcoming GATT Ministerial in this context. But a successful outcome vital to improving climate for operation of open trading system generally. Need for all participants to make a constructive contribution.

Essential Facts

Steel

7. Danes have no significant industry interest. But concerned about US action as possible precedent for use of broad-brush definition of subsidy by US in countervailing cases in other sectors.

8. Davignon remains optimistic about the chances of a successful outcome to the efforts he is making to clinch a deal with the US. He is playing his cards close to his chest. But he has told us in confidence that the Commission will not be proposing to the Council more than cosmetic adjustments to the outline agreement worked out on 6 August. But the terms of the parallel arrangement on pipes and

/tubes, where

tubes, where the Germans and Greeks object strongly to giving any actual commitment to restrain exports are still uncertain.

9. The deadline imposed by US procedures is still 15 October, but a further week's extension seems increasingly likely. A special Council before the deadline may be called at short notice. Pipes and tubes remain the major outstanding issue; Davignon appears to believe the inevitable row over market share within the EC can be resolved without great difficulty.

Other EC/US Trade Issues

10. On agriculture US stridently critical of CAP export refund system which, with its element of subsidy, permits disposal of EC high-cost surpluses at lower prices prevailing on world markets. UK accepts that export refunds are defensible in terms of special GATT rules for primary products. But we would welcome greater recognition in the Community of the need to do something about increasing levels of subsidised exports both because they are bound to remain a damaging irritant in relations with lower-cost producers, such as US, as well as because they are a drain on the budget.

GATT Ministerial Meeting (24-27 November)

11. First meeting of GATT at Ministerial level since 1973. Intended primarily as a collective demonstration of political

/commitment to

commitment to maintain and strengthen open trading system despite recession. Not itself a forum for resolving bilateral disputes; rather a review of the framework of rights and obligations within which the bulk of world trade is conducted. UK attaches importance to a constructive EC input, though in present economic circumstances content will necessarily be modest. Danes, like Germans, tend to favour a more forthcoming Community line, particularly in relation to developing countries, than can realistically be expected to command consensus in EC. French and Italians especially reserved. In recent contacts in GATT in Geneva Commission have been exploring possibilities which in UK view are broadly on the right lines.

BRIEF NO 4

INTERNATIONAL ECONOMIC SCENE

Points to Make

World Economy

1. Prospects for the major economies remain gloomy. Recent US moves to relax monetary policy if sustained should help to bring interest rates down. Such a decline long seen as necessary for revival of US economic activity and the world economy. Likely to have beneficial effect on confidence.

2. IMF/IBRD Annual Meetings in Toronto in early September stressed need to continue fight against inflation. Considerable progress has already been made in reducing inflation in US, UK and FRG.

3. Debt position of developing countries remains cause for major concern. But existing institutions coping so far. Developing countries undertaking adjustment which involve slower GNP growth and impact on imports. Developments need careful watching.

Global Negotiations

4. Appreciate helpful role played by Danish Presidency in New York to secure early agreement on launching Global Negotiations.

5. Regret lack of progress so far. Important however that Community stands by Versailles amendments to G77 launching resolution. These offer best prospect for getting Global Negotiations underway.

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LATIN AMERICA

Points to Make

Relations with Latin America

1. Wrong to exaggerate damage done by Falklands conflict. UK has been giving higher priority to Latin America since this government came to power in May 1979. Keen to participate fully in development of Western relations with the area.

Economic Problems of Latin America

2. Economic and financial problems of some Latin American countries are now serious. IMF in discussion with Mexico and Argentina. Situation needs careful watching.

Falkland Islands - Negotiations

3. Have made clear to partners many times that cannot accept any call for resumed negotiations. Argentina still seeks to predetermine outcome insisting that negotiations must lead to transfer of sovereignty. Dismisses Islanders' fundamental right to self determination.

4. Moreover, no confidence in Argentina's good faith. Invaded while negotiations in progress, defied mandatory Security Council resolution calling for withdrawal - still refuses to acknowledge formally and unambiguously that hostilities have ceased.

Falklands at the UNGA

5. We will vote against any resolution calling on us to negotiate. Any resolution unbalanced without reference to non-use of force and self-determination.

/6. Hope

6. Hope partners will on no account support draft resolution calling for negotiations. Vote in favour would not be understood. Abstention acceptable (as in 1976) but negative vote welcome.

Possible UK Counter Draft (if raised)

7. Only resolution we could accept would highlight self-determination and exclude commitment to negotiate; would soon be amended by Argentina's friends becoming as unacceptable as Mexican Argentine draft. Could not then vote for own resolution.

Arms Sales to Argentina

8. Naturally disappointed at decision by partners to lift arms embargoes. Continue to regard very seriously. Hope individual arms contracts for Argentina will be scrutinised on case by case basis before licences issued. Hope Governments can treat lifting of embargo largely as formal measure and keep practical effects to minimum.

BELIZE

9. Belize doing well following independence (stable democracy with good human rights record). But dispute with Guatemala still unresolved. Informal talks between Belize and Guatemala taking place in New York. We are willing to discuss bilateral relations with Guatemala and welcome any constructive moves to solve the dispute. But now Belize is independent we are not directly involved in the dispute itself.

10. (If raised) British garrison remains in Belize for as long as may be appropriate. No date has been set for their withdrawal.

/Essential Facts

Essential Facts

Latin America

11. Recent ministerial visits to Latin America include Mr Onslow to Brazil (August) and Mexico (September); Mr Rees to Chile, Paraguay and Ecuador (September); Lord Skelmersdale to Colombia, Costa Rica and Dominican Republic (August) and a (private) visit by Mr Younger to Venezuela (September) and PUS to Colombia (September).

External Debt Problems of Latin America

12. The external financial position of Latin American countries has deteriorated sharply over the last year. Including the Caribbean, their debts now amount to $300 billion (from a total LDC indebtedness of $524 billion) Creditors' confidence in the ability of some of the most heavily indebted countries to deal with their debt problems have been eroded. Argentina, Mexico and possibly Brazil will need to renegotiate their debts in the next few months. An orderly rescheduling or re-financing of commercial bank debts in conjunction with IMF assistance is the most likely outcome, but adjustment will not be easy.

Falkland Islands

13. Our EC partners' support for our position on negotiations is lukewarm. Indications that some (eg France, Italy) might be prepared to support Argentine resolution. This could undermine our efforts to secure support of friendly third world delegations.

14. Our partners have been informed repeatedly of our position. But it would be useful if the Prime Minister were to take this opportunity to re-iterate our position strongly.

/UN Debate

UN Debate So Far

15. Committee of 24 (C24) discussed on 19-20 August. Several helpful interventions - Councillors Cheek and Blake (Falkland Island Councillors) spoke. Simple procedural decision referring report to General Assembly. Fourth Committee (decolonisation matters) will debate report of C24. Plan for Councillors Cheek and Blake to speak. Cuban Chairman may interfere. Plenary will debate Mexican item. Dates not fixed for either : any time between now and Christmas, early November seems likely for Plenary.

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ARAB/ISRAEL

Points to Make

1. Reagan initiative constructive and politically realistic step forward. No doubt of US determination to see it through.

2. Distinctive European approach remains valid. Our role to help expand areas of convergence between US/Arabs.

3. Arab response so far cautious but not discouraging. Good to see that they were able to unite at Fez on a policy of peaceful negotiations. Process of reconciling the different positions must now begin. Key role for Jordan; but King Hussein needs other Arab, and especially PLO support.

Lebanon

4. Government have condemned Beirut massacres. We support principle of inquiry to establish full facts. Both Israel and Lebanese Government are conducting investigations. UN Security Council has a legitimate role but cannot usefully act against wishes of the Lebanese Government.

5. Pleased to see that new Government has been formed, but it faces formidable problems.

/6. US active

6. US active in negotiations to bring about full withdrawal of foreign forces from Lebanon. UN may have a role in future peace-keeping arrangements. Fully support aim of strong independent Lebanon.

Essential Facts

Arab/Israel

7. Present moment an opportunity which may not recur to make real progress on Palestinian question. We have welcomed Reagan initiative as important opportunity for peaceful progress on Palestinian question (Ten's position differs in that we explicitly espouse Palestinian self-determination and association of the PLO with negotiations).

8. Outcome of Fez Summit was encouraging in that Arabs managed to unite around negotiating position giving implied recognition of Israel. Fez communiqué calls for Palestinian State under PLO control, which is difficult for us and Americans, but can be regarded as basis for discussion. US will need to put pressure on Israel. Arabs are still considering follow-up. A team led by King Hassan will visit Washington on about 22 October, and wishes to come on to London later (possible dates under discussion).

/9. Lebanon

BRIEF NO 7

IRAN/IRAQ WAR

POINTS TO MAKE

State of War

1. Limited Iranian attack on 1 October may be prelude to major offensive in southern and central areas: or change of tactics to a war of attrition aimed at expelling remaining Iraqi forces from small pockets of Iranian territory. Prospects for early peace poor.

Prospects for Mediation

2. Iranian leadership show no real interest at present in negotiated settlement. Algerians still exploring ways of bringing both sides together: no other mediators active. Little that West or Ten can do directly, but remain ready to encourage and support any peace initiative which stands chance of success.

ESSENTIAL FACTS

State of War

3. Unclear whether limited attack on 1 October 100 km NE of Baghdad was prelude to major Iranian offensive against Basra or whether Iranians intend to recover remaining pockets of their territory by limited attacks. If latter, conflict could again develop into one of attrition. Winter rains at beginning of November will restrict use of heavy artillery in ground offensives. Both sides could dig in until spring.

Prospects for Peace

4. Hardline mullahs in Tehran show little interest at present in seeing the conflict end. Their recent statements emphasise limited aims of recovering Iranian territory and betray concern at high casualty rate. Further large scale offensives in which neither side emerged a clear victor could bring about a change. The Iranian people show little stomach for more fighting and popular support for Islamic revolution may begin to wane. Iraqis remain ready to negotiate on almost any terms short of outright capitulation. Prospects for early peace remain poor.

Security Council

5. The Security Council, at Iraqi instigation, have passed three resolutions calling for end to War. UK voted in favour. The Iranians consistently reject attempts by Security Council to become involved. They point to its lack of concern for Iranian position in early days when Iraq invaded Iran. Further ill-considered action at UN could reduce its ability to play effective role later on.

BRIEF NO 8

ARMS CONTROL AND DISARMAMENT

POINTS TO MAKE

INF

1. Commitment to zero option and continued preparations for deployments still offer best hope for progress. Premature to consider any change. Russians forced to change propaganda tune and their position on some secondary issues of substance.

START

2. Renewal of strategic arms control and US proposals for reductions warmly welcomed in UK. NATO should maintain public support for US focus on ballistic missiles as most destablising systems - as in NATO Summit Declaration. But also important that Americans counter Russian propaganda by repeating willingness to include bombers, and cruise missiles in strategic role.

UNGA FIRST COMMITTEE

3. Arms control and disarmament cannot be treated in isolation from defence. In Presidency role Denmark can bring partners to recognise this common interest.

ESSENTIAL FACTS

INF

4. Under Mr Schlueter's predecessor (who had strong personal doubts about NATO's nuclear strategy), the Danes waivered over the deployment track of NATO's double decision on INF. The parties of the new Coalition Government are thought to be sounder but anti-nuclear weapon feeling runs high in Denmark and the Danes are unlikely to

defend NATO strategy with enthusiasm. (No nuclear weapons are stationed in Denmark).

5. The third round of the negotiations began on 30 September. The Americans will continue to pursue the zero option. /Not for use/ We are anxious that there should be no discussion of alternative negotiating positions at this stage.

6. By extending both their unilateral moratorium on longer-range INF deployments and the area of reductions under an INF treaty, to include weapons capable of striking Europe from east of the Urals as well as those stationed in Europe, the Russians have reacted to Western criticism that their previous position enabled them to target Western Europe with weapons stationed just east of the Urals.

START

7. The second round began on 6 October.Main US objective to reduce element of strategic instability caused by the growth in heavy accurate MIRVed ICBMs capable of a 'first strike' on US land-based missiles. Have proposed major cuts in ballistic missile warhead numbers for a first phase and cuts in 'throw-weight' (aggregate weight of warheads and associated equipment, which is a measure of destructive potential) in a second phase. Russians have been critical but careful not to reject US proposals out of hand.

UNGA FIRST COMMITTEE

8. First Committee of UN General Assembly, on disarmament, begins on 18 October. The Danes will speak for the Ten that day. Mr Hurd will speak for the UK on 28 October /Not for Use/ The Danes are unlikely to make a good job of co-ordinating the position of the Ten at the UN. Their task will be made more difficult by the Irish.

CONFIDENTIAL

SOUTHERN AFRICA

Points to Make (If raised)

Namibia

1. Five encouraged by achievements of New York negotiations in July-August, which helped resolve nearly all issues preventing implementation of Security Council Resolution (SCR) 435, though some work still needs to be done. The electoral system for the Constituent Assembly, to be chosen by the South Africans and UN Special Representative, is still outstanding but this should not be a major difficulty. Foreign Ministers met in New York on 1 October, reviewed progress and issued a communique. We have briefed the Ten in New York.

2. Although we accept that this issue does not form part of SCR 435, presence of Cuban troops in Angola is significant factor in tense regional atmosphere. Political reality is that we shall not achieve implementation of the UN Plan without some agreement on Cuban withdrawal. Comprehensive regional settlement would promote political stability and economic development in the area.

Sanctions

3. We accept that South African occupation of Namibia is unlawful. But we believe resolution of the problem can only be brought about by negotiation. Sanctions would end South African confidence in the Five and destroy the negotiations. The result would be increased violence. Sanctions would also damage economies of neighbouring African states, as well as our own.

/Essential Facts

Essential Facts

4. Following informal consultations with the Front Line States in New York, the Five have reached agreement on nearly all outstanding Namibia issues, including certain informal understandings which together with the public documents cover all issues under SCR 435. A decision on the electoral system is however yet to be taken, after discussions between the South Africans and UN Secretariat: and the 'enabling' Resolution to set implementation in motion will also be drafted only when all parties have finally committed themselves to a settlement.

5. Progress on the Cuba/Angola issue has meanwhile been uncertain. The Five have agreed to support American efforts to negotiate an agreement while stressing that it is not part of the Five's remit. In practice we have supported the Americans; but others in the Five, particularly the French, have been outspoken against linkage. Linkage is unpopular with the Africans, who see it as a delaying tactic. But neither the South Africans nor the Americans will agree to settlement terms that do not provide for some linkage.

6. Meanwhile the Secretariat, in consultation with the parties, the Five and other UN member states, continue internal preparations for deploying the civil and military components of the UN Transition Assistance Group (UNTAG). We have also had preliminary discussions with potential aid donor countries about an eventual international effort to mobilise development assistance for Namibia: needs will be great to compensate for the considerable help the territory currently receives from South Africa.

Danish Attitude (Not for use)

7. The Danes tend to suspect us of being too inclined to give the

/South Africans

South Africans the benefit of the doubt. They have supported calls for full economic sanctions against South Africa (usually in the context of the Namibia negotiations). During their Presidency they have nonetheless been fairly helpful on Namibia issues (eg the need for advance finance for UNTAG and for eventual aid for an independent Namibia).

DENMARK: INTERNAL POLITICS

1. The Danish Parliament has been unicameral since 1953. Denmark has proportional representation, operating through party lists in multi-member constituencies, which gives mathematically exact representation in the Folketing according to the total number of votes polled nationwide by the individual parties. In combination with a very low threshhold (2% of the votes nationwide, which gives four seats in the Folketing), the Danish system has resulted - within a broadly equal left/right division - in a fragmented Parliament and a proliferation of very small parties. In consequence there has not been majority government by a single party in modern times, and majority coalitions have been formed only twice in the last 25 years. The test for survival is 'no majority against', ie differences between the opposition parties prevent them from combining to overturn the government. Agreement on change or reform, or on major measures of economic management, is hard to reach. But once achieved, usually by consensus around the middle, it sticks.

2. The Social Democrats have been the dominant force throughout the post-war period, leading the way in the development of an advanced system of state benefits now broadly supported by virtually all sections of political opinion. Their approach has been undoctrinaire, supporting the free market economy and membership of both NATO and the EC. There is wide inter-party agreement on foreign policy and defence but the economic pressures of the last ten years have put the Folketing under increasing strain. A Parliamentary crisis over the economy was precipitated in August. The Social

/Democrats

Democrats could not get assurances of enough Parliamentary support for their proposed package to reduce the deficit by DKR 10 billion and to improve Danish competitivity through price control and income restraint. Mr Anker Jorgensen resigned on 3 September, without calling an election.

3. The Conservative leader, Mr Poul Schlueter, presented his new government one week later. This is a minority four party coalition (Conservatives, Liberals, Centre Democrats and Christian Peoples Party) which commands 66 votes in the Folketing - 90 votes are needed for a majority. With ad hoc support from other non-socialist parties, the government could muster 91 votes. Conservatives and Liberals each hold 8 Ministerial posts, the Centre Democrats 4 and Christian Peoples Party one. Mr Henning Christophersen, Liberal leader, is deputy Prime Minister and Minister of Finance and another Liberal, Mr Uffe Ellemann-Jensen, Foreign Minister.

4. At the opening of Parliament on 5 October, Mr Schlueter announced a drastic programme of economic and financial measures to respond to the forbidding economic problems which must be the government's over-riding concern. (See Economic brief for details.) The fifteen Bills given their first reading on 8 October should come up for third reading on 14 October: it should be clear shortly before that whether, as expected, the larger part is accepted, in part with Social Democrat abstention. If so, the first hurdle will have been surmounted but difficult problems lie ahead, especially in winning trades union acceptance of intervention in wages and suspension of indexation and, as the measures bite, in the effects on the economy of the bold effort to reduce the public sector.

/5.

5. In practice, the coalition is likely to survive only so long as it adopts a programme in which the Social Democrats can at least acquiesce. They resisted the first temptation to topple the government on its programme. But first reactions to that programme from the Danish TUC and politicians near it already show how hard it will be to maintain this under pressure to recapture electoral support recently lost to their left. If the coalition breaks down, or is thwarted in Parliament, there will have to be a new election, which most parties wish to avoid for the time being. Government members are talking of 18-24 months as the right interval before an election.

6. The new Administration has declared that it will broadly maintain previous policies in foreign and defence affairs. A greater warmth is already discernible towards the EC and NATO. The new government has also demonstrably shown its wish to develop closer links with HMG. This does not, of course, mean that UK arguments on all EC questions, notable the budget and CFP, are altogether acceptable to them.

BRIEF NO 11

DENMARK: INTERNAL ECONOMY £1.00 = DKr 15.10

1. The Danish economy has undergone major structural changes since the Second World War. Agriculture has been rationalised and a firm industrial base established. The transformation was achieved by borrowing. This would probably have paid off by now, had the country not been hit by the two oil crises of the seventies. In consequence of these Denmark's balance of payments has got steadily worse instead of better and the country has had an external deficit in all but one of the past 22 years. The deficit in 1981 was DKR 13 billion, or about 3% of GDP. It is now expected to rise to DKR 20 billion in 1983, partly because more imports will be sucked in if the economy starts to pick up again and party because interest payments on foreign debt - which last year reached DKR 22 billion gross - are escalating.

2. Public spending has also become a major issue. The previous government's modest aim was to reduce its rate of growth to zero by the mid-eighties. But rising unemployment (and the generous benefits payable) together with spiralling debt servicing commitments pushed the net central government budget deficit up to DKR 42 billion (about 10% of GDP) in 1981. The new non-socialist government estimate that, on unchanged policies, it will rise to DKR 80 billion (15 per cent of GDP) in 1983. This would maintain the upward pressure on Danish interest rates (which has already caused severe difficulties for Danish industry and agriculture) just when the international trend is downwards. Lack of investment is already a serious problem.

3. In the medium to longer term, some of these problems should be alleviated by the coming on stream of gas and oil from the Danish

/sector

sector of the North Sea. Limited quantities of crude oil have been produced since 1981 and the advent of Danish natural gas in late 1984 will mean, according to official forecasts which may prove conservative, that about 30% of Denmark's energy needs will be met indigenously by the mid-eighties. But Denmark otherwise lacks natural resources beyond what it can grow (very efficiently) or catch in the sea.

4. In the shorter term the new government have recognised that stronger corrective measures need to be taken than their predecessors were able to achieve. They have set themselves the goal of reversing the trend, not only stopping the growth of the central government budget deficit as per cent of GDP, but actually reducing it from 15% to 13%. To this end they announced a package of proposals on 5 October:

- wages (and profits) are to be frozen until 1 March 1983 (when the present two year wage agreement expires),
- all indexation of wages and transfer payments is to be suspended until 1985,
- wage increases for the public sector, and certain transfer payments, in the period 1983 to 1985, are to be held within 4% a year,
- other forms of remuneration, eg dividends, commission payments and honoraria will also not be allowed to rise,
- a promise of a reduction in income tax if negotiations in the private sector lead to a marked reduction in wage increases.

5. The government aim to reduce the expected budget deficit by DKR 20 billion in 1983 and by at least 37 billion in 1984. They will achieve this by:

/- reducing

- reducing the rate of unemployment benefit from 90% to 80% of previous earnings,
- tightening the rules on the payment of unemployment benefit,
- abolishing the first day of sickness benefit,
- reducing expenditure on services and administration and grants to local government,
- cutting the losses of the post office and the state railways by putting up tariffs/fares,
- imposing a temporary tax on the hitherto tax-free investment income of pension funds and insurance companies.

Proposals to stimulate industrial investment are promised but no details have yet been worked out.

6. It is widely expected that the government will get the larger part, but not all, of their proposals adopted. The Swedish devaluation, which the Danish government are resisting following, is seen here as adding greater urgency to their efforts. The government's aim is for the committee stage to be completed so that the third reading can take place on Friday 15 October.

010

(2)

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

Prime Minister

You see the Danish P.M. on Friday.

A.J.C. 12/10.

PRIME MINISTER

11 October 1982

VISIT OF THE DANISH PRIME MINISTER: 15 OCTOBER

You will have a full brief on fisheries for this visit. I hope you will have the chance to make good use of it. This visit is a heaven-sent opportunity to persuade the new Danish Government away from the intransigence they inherited from their predecessors. The timing is perfect: the next Fisheries Council, which can be the decisive one, is to be held ten days later.

If the Danish Prime Minister has been properly briefed by his officials, he will know that I really have been as helpful as possible towards them. I have personally tried every trick I can think of to get them off the hook - going to the extent, for instance, of re-jigging our whole control system for mackerel so as to provide an incentive to British fishermen to supply Danish factories. There really is very little else we can do, with the best will in the world - which we have repeatedly demonstrated. If there were more, I would do it, for an early settlement of this matter is of vital importance politically. If the Danish Prime Minister could be persuaded that we are at the end of the road, and it is up to his government to make the sacrifices everyone else has already made, it would be a great prize.

I am copying this letter to Geoffrey Howe, Francis Pym and George Younger.

PETER WALKER

Denmark

10 DOWNING STREET

From the Private Secretary

8 October 1982

BF

Visit by the Prime Minister of Denmark

Thank you for your letter of 7 October. I agree that the talks from 1230-1315 should be attended by Sir Julian Bullard, Mr. Hannay, Sir Kenneth Couzens, Mr Hancock, one representative of MAFF (perhaps Robert Lowson could give me his name) and Dame Anne Warburton.

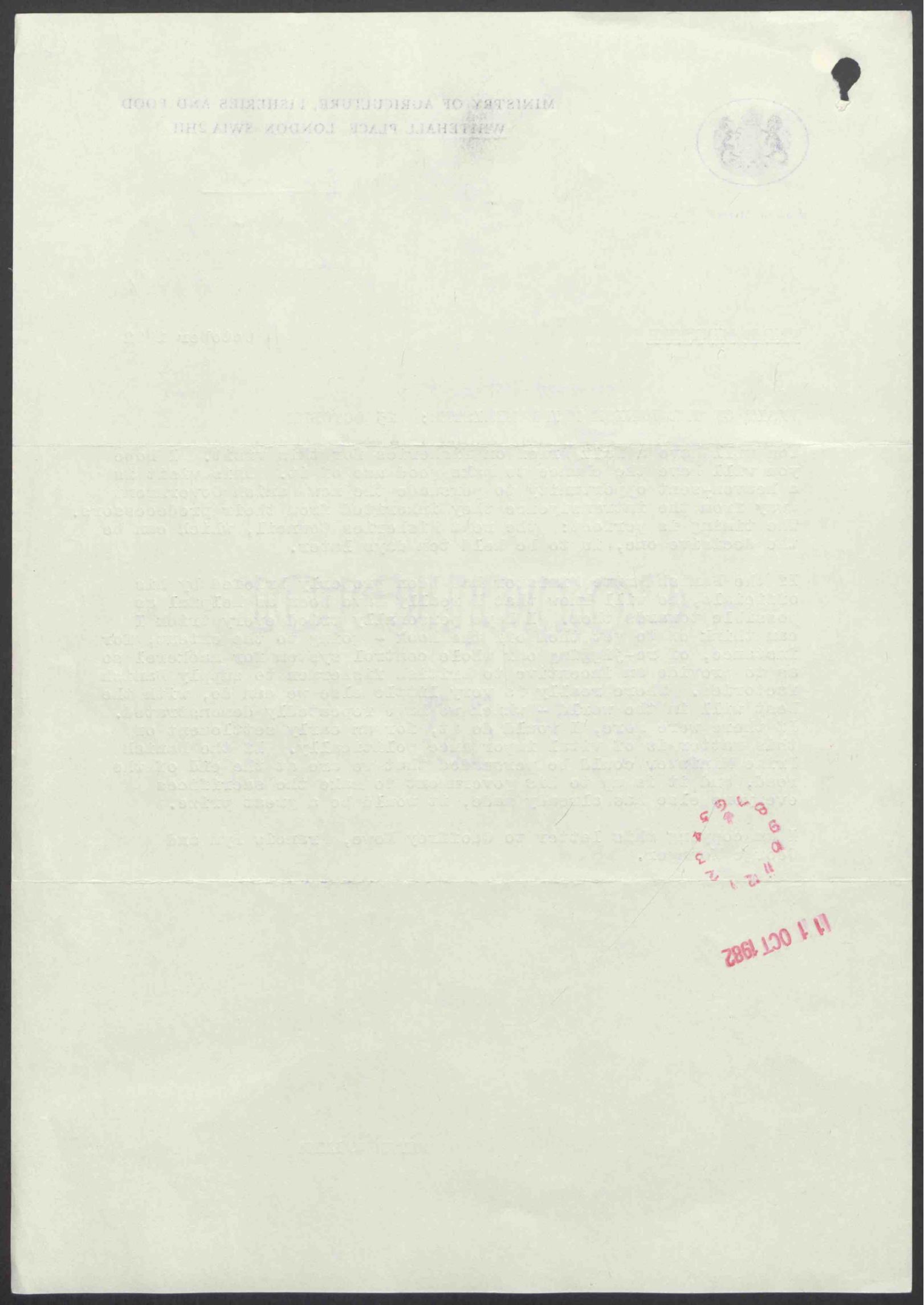
Perhaps you would let me know in due course whether the Danish Prime Minister will arrive at No.10 at noon simply with a Private Secretary or whether we shall need to accommodate his whole party from that time on.

We shall as you suggest be inviting Dame Anne Warburton to attend the working lunch.

I am copying this letter to John Kerr (HM Treasury), Robert Lowson (Ministry of Agriculture, Fisheries and Food), and David Hancock (Cabinet Office).

A.J. COLES

Roger Bone Esq
Foreign and Commonwealth Office.



11 OCT 1982

14 OCT 1982

Denmark

10 DOWNING STREET

From the Private Secretary

8 October 1982

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I am copying this letter to John Kerr (HM Treasury), Robert Lowson (Ministry of Agriculture, Fisheries and Food), and David Hancock (Cabinet Office).

A.J. COLES

Roger Bone Esq
Foreign and Commonwealth Office.

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

7 October 1982

Dear John.

Visit by the Prime Minister of Denmark

In your letter of ~~4~~ 5 October you asked for advice about officials who might attend the Prime Minister's talks with Mr Schlueter, in addition to Sir Julian Bullard and Mr Hannay.

It has now been proposed to Mr Schlueter that he should see Mr Walker at 1115 on 15 October and Mr Brittan at 1500. I suggest, therefore, that an official from each of these Departments should be invited to the Prime Minister's meeting. I also suggest that David Hancock, Cabinet Office, should attend.

Our Ambassador in Copenhagen, Dame Anne Warburton, would also be available to attend and it would be valuable for her to do so given the newness of the Danish Government. If the Prime Minister agrees it might be appropriate for Dame Anne also to attend the working lunch.

I am copying this letter to John Kerr (HM Treasury) and Robert Lowson (MAFF).

Yours ever,

Roger Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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HL

Denmark

5 October 1982

Visit by the Prime Minister of Denmark

Thank you for your letter of 4 October about the agenda for the Prime Minister's talks with Mr. Schlueter.

I am sure that the Prime Minister will want the agenda to be completely flexible. I do not think she will decide in advance which topics she wishes to discuss at her tete-a-tete meeting with Mr. Schlueter though she may well raise the two Community matters to which you refer. I would also expect her to use that part of the talks for a discussion of the political situation in Denmark. Thereafter, she will be entirely happy to discuss any matters which Mr. Schlueter wishes to raise.

JOHN COLES

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

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Foreign and Commonwealth Office

London SW1A 2AH

4 October 1982

Dear John.

Visit by the Prime Minister of Denmark

Our letter of 30 September concentrated on the programme for Mr Schlueter's visit on 15 October. This letter deals primarily with the agenda.

The Danes have suggested a flexible agenda, beginning with a tour d'horizon and followed by discussion of EC topics. The tour d'horizon might include transatlantic and East/West relations, Defence and Arms Control, the Lebanon, the Middle East, and EC relations with Latin America following the Falklands crisis (and including UNGA). The main Community matters will be the Budget and fish.

The Prime Minister may wish to discuss Community topics in a tête-à-tête meeting with Mr Schlueter, leaving the wider international issues for disucssion in an enlarged grouping with officials present. Following so closely after the Foreign and Commonwealth Secretary's meeting with Mr Schlueter on 11 September, this further talk will give us a useful opportunity to emphasise our views to the Presidency.

We have written to the Cabinet Office suggesting that briefing for the Prime Minister's visit be coordinated on this occasion by the Foreign and Commonwealth Office. If agreed, this should save time. Coordination with other government departments will ensure that briefing prepared for individual Ministers is compatible and reflects common objectives. I should be grateful if you could let me know whether the suggested agenda is acceptable to the Prime Minister.

Yours ever.

Roger Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

Denmark

visit by PM of Denmark

July 82

cc CS
SG

Denmark

10 DOWNING STREET

From the Private Secretary

4 October 1982

PF

VISIT BY THE PRIME MINISTER OF DENMARK

John Holmes wrote to me on 30 September about this visit. The Prime Minister has considered the arrangements.

She would like to begin the visit with a tete-a-tete meeting with Mr. Schlueter from 1200 to 1230, with only a Private Secretary present on each side.

From 1230 to 1315 there will be enlarged talks in the Cabinet Room with officials present. Mr. Schlueter's wish to be accompanied by five officials at these talks presents no problems. I agree that Sir J. Bullard and Mr. Hannay should be present from the FCO. Since I am not yet aware of the main issues which we shall wish to raise with Mr. Schlueter, I should be grateful for your advice on which officials should be invited from other Whitehall Departments (we would have room for two or three). It may be that the Treasury and the Ministry of Agriculture should be represented.

From 1315 to 1430 the Prime Minister would offer a working lunch. This would include, on the Danish side, Mr. Schlueter and his five officials. On our side, the Prime Minister hopes that the Foreign Secretary, the Minister of Agriculture and Fisheries, Sir Julian Bullard and Mr. Hannay would attend.

I am copying this letter to John Kerr (HM Treasury) and Robert Lowson (MAFF).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

(1)

PRIME MINISTER

VISIT BY THE PRIME MINISTER OF DENMARK - 15 OCTOBER

The Danes would like to know how we propose to organise this visit.

I suggest that you begin with a tete-a-tete from 1200-1230, with a Private Secretary present on each side.

Then from 1230 to 1315, I suggest talks in the Cabinet Room with officials present. Mr. Schlueter wants to bring five officials with him and would like them to take part in the talks. On our side, if you agree, I will invite suitable officials from the FCO, Treasury and Ministry of Agriculture.

From 1315-1430 we could have a working lunch. This should include Mr. Schlueter and his five officials plus, on our side, if you agree, the Foreign Secretary, the Minister for Agriculture, Sir Julian Bullard, Mr. Hannay and myself.

Mr. Schlueter will be calling on the Chancellor and the Minister for Agriculture during the afternoon.

Are these arrangements satisfactory?

Yes

A.J.C.

1 October 1982

cc SG

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Foreign and Commonwealth Office

London SW1A 2AH

30 September 1982

Dear John,

Visit by the Prime Minister of Denmark

Thank you for your letter of 15 September. The Ambassador in Copenhagen put the Prime Minister's invitation to Mr Schlueter who welcomed the opportunity of a meeting on 15 October.

Mr Schlueter's office propose the adoption of a flexible agenda. A tour d'horizon followed by EC topics was suggested. I shall be writing to you separately on this. Mr Schlueter will be accompanied by the following officials:

Mr Peter Wiese	:Permanent Secretary Prime Minister's Office
Mr Henning Gottlieb	:Political Adviser
Mr Niels Joergen Nehning	:Head of European Section
The Danish Ambassador in London	
One MFA official	:yet to be named

(The Embassy have commented that the size of the delegation probably reflects Mr Schlueter's newness in office).

While the Danes would be quite content to fall in with the Prime Minister's wishes they have asked whether their officials could be present for at least part of the talks. Taking into account Danish views we would envisage a programme for the visit on the following lines:

1200-1230	Tête-à-tête meeting with the Prime Minister
1230-1330	Enlarged talks including officials
1330-1430	Working lunch
1500 (?)	Call on either the Chancellor of the Exchequer of the Minister for Agriculture
1600 (?)	Call on either the Chancellor of the Exchequer or the Minister for Agriculture

incl FCS.

/Apart from

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Apart from Prime Ministers, the four Danish officials already mentioned and the Danish Ambassador, we would suggest participation in the enlarged talks by Sir J Bullard and Mr Hannay from the FCO. Mr Pym held talks with Mr Schlueter in Denmark and there may therefore be less to be gained from a further separate meeting than from meetings with the Chancellor and the Minister for Agriculture but we are still considering this.

We are consulting separately the Chancellor of the Exchequer and the Minister for Agriculture about the possibility of meetings with Mr Schlueter which he has asked for. There is obvious advantage to us in meeting the new Danish Prime Minister's wish to call on Sir Geoffrey Howe and Mr Walker.

I should mention that Mrs Schlueter and Mrs Wiese will also visit London. A separate programme is being arranged by the Danish Embasy during the day, but the entire party have expressed a wish to visit the theatre during the evening. Mr Schlueter is expected to leave London by chartered aircraft on the morning of 16 October. His flight will probably depart from Northolt.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

Denmark

Visit by PM of Denmark

July 82

vb

bc: Caroline Stephens

15 September 1982

Possible Visit by the Prime Minister of Denmark

Thank you for your letter of 15 September.

It is indeed the case that diary commitments prevent the Prime Minister from paying a bilateral visit to Denmark in the near future. But she would welcome a visit by Mr. Schluter to London. Unfortunately, we have very few free dates before the European Council. By far the most convenient day for the Prime Minister would be Friday, 15 October when she would be delighted to have talks with Mr. Schluter at 1200 and offer him lunch thereafter. I should be grateful if you could put this proposal to the Danish Government and let me know their reaction.

AJC

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

cc Denmark, visit of PM of Denmark, July 1982.

CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

15 September 1982

Dear John.

Fri 15 Oct
Talks 1200
lunch

Possible Visit by the Prime Minister of Denmark

When the Foreign and Commonwealth Secretary met Mr Poul Schlüter, the new Danish Prime Minister, in Copenhagen on 11 September, the latter emphasised how pleased he would be if the Prime Minister were able to visit Denmark during the Danish Presidency.

You will recall that the Prime Minister was earlier this year invited to visit Denmark by Mr Anker Joergensen, Mr Schlüter's predecessor. Your letter of 26 July conveyed the Prime Minister's decision to decline the invitation because of diary difficulties and reluctance to visit Copenhagen before agreement is reached on a Common Fisheries Policy. To accept an invitation now would look inconsistent and would offend Mr Joergensen, who is likely to remain a force in Danish politics.

It would, however, be possible to overcome this problem by saying in reply that while diary commitments prevented the Prime Minister from paying a bilateral visit to Denmark, she would welcome a visit by Mr Schlüter to London. The arguments in favour of a favourable response are strong. Mr Schlüter heads a politically sympathetic government. A meeting with him in the next month or two would provide an excellent opportunity to follow up the Foreign and Commonwealth Secretary's meeting with Mr Schlüter and to exchange views with the Danish Presidency in advance of the next European Council, where our budget problem is likely to figure prominently. In addition, the incoming Danish Government appear to want to conclude the Common Fisheries Policy quickly. If, however, it has not been resolved, the visit would also enable the Prime Minister to impress on the Danish Presidency the importance of reaching a settlement without delay.

I should be grateful if you could let me know the Prime Minister's views on this proposal and, if she agrees, let me have one or two convenient dates before the European Council on 3/4 December.

/HM Ambassador,

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HM Ambassador, Copenhagen, could convey an oral reply. (I note that Mr Schluter has already explained that he would find it impossible to attend the Conservative Party Conference in October as had been suggested in Christopher Tugendhat's letter of 9 September, about which I am writing separately.)

You should know that Mr Schluter also expressed his hope that Mr Hurd will be able to visit Denmark in October or November. We are looking into this separately.

Yours ever,

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

cc Denmark, Visit of HM of Denmark, July 1982

FILE

cc: FCO

10 DOWNING STREET

THE PRIME MINISTER

29 July, 1982

My dear Ambassador,

Thank you for your letter of 8 July conveying the kind invitation to me from your Prime Minister to visit Denmark.

When I discussed this with Mr Jørgensen in Brussels I very much wanted to visit your country. But I now find that the pressure on my diary this year is such that, with the greatest reluctance, I have to decline. The September dates suggested in your letter are unfortunately not possible because I shall be in the Far East between 16 and 30 September. I have been looking at various possibilities in October but have concluded with regret that I am not able to add to my programme of foreign visits this year. I shall, however, very much look forward to the meeting of the European Council in Copenhagen in December.

I should be most grateful if you would convey this message to Mr Jørgensen, together with my warm thanks for his invitation and my great regret that I am not able to take it up at this time.

Yours sincerely

Margaret Thatcher

His Excellency Mr Tyge Dahlgaard

cc DENMARK, Visit of PM of Denmark July 1982 RM

FILE

10 DOWNING STREET

From the Private Secretary

26 July, 1982

POSSIBLE VISIT BY THE PRIME MINISTER TO DENMARK

We have discussed this question on several occasions on the telephone. The Prime Minister has now decided that she cannot accept the invitation from Mr. Jørgensen in the foreseeable future. The dates in September suggested to us by the Danish Ambassador are all unsuitable. We have not been able to identify a wholly satisfactory date in October. In any case, the Prime Minister feels that she cannot visit Copenhagen until agreement has been reached on a Community Fisheries Policy.

The Prime Minister will be replying accordingly to the Danish Ambassador, though of course without referring to the question of fisheries.

I have separately informed Sir Robert Armstrong of the situation - he was approached by the Danish Ambassador on 9 July.

F N Richards, Esq,
Foreign and Commonwealth Office

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