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SECOND SESSION OF ECONOMIC SUMMIT ON 22 JUNE, 1980 AT
1515 HOURS: DISCUSSION OF POLITICAL MATTERS

The meeting began by considering a number of statements which had previously been prepared by officials and discussed by Foreign Ministers at lunch immediately before the meeting of Heads of Government. The statement on refugees was agreed as submitted with the addition of a reference to Iran inserted at the suggestion of President Carter in the third sentence. The statement on hijacking was agreed as submitted. The statement on diplomatic hostages was agreed as submitted.

At the opening of the discussion on the fourth statement, that on Afghanistan, President Carter gave his colleagues a summary of the intelligence available to him about the announced Soviet withdrawals from Afghanistan. He said that the Soviet Union had scheduled the redeployment of a number of units for the period 22-24 June. The units were:-

Three FROG Rocket Units
An Artillery Brigade
A Tank Regiment
A Fighter Bomber Squadron
A Surface to Air Missile Unit

The total number of troops involved would be somewhat less than a division. The units had not been observed in combat recently and might be superfluous to Soviet operations at present. It was possible that they were being removed to permit improvements in Soviet logistic arrangements. Nonetheless, the move was significant. The Prime Minister asked why, if the troops were superfluous to Soviet requirements, the move was significant. President Carter said that it depended on what one meant by the word "significant". It was true that the units had not been used recently. Nonetheless, it was the American assessment that if the Soviet Union was to subjugate Afghanistan completely, the Soviet military presence would have to be greatly increased. It was therefore symbolically important that Soviet troops were, on the contrary, being withdrawn.

/ President Giscard

CONFIDENTIAL

CONFIDENTIAL

- 2 -

President Giscard said that he agreed with President Carter. It was important that events in South West Asia should not invariably be presented as defeats for the West. If it were the case that the Soviet invasion of Afghanistan had been a reverse, it could hardly also be argued that the withdrawal of some Soviet troops was a setback. Of course the West's reaction should be cautious and the situation should be analysed with care. But for months the West had been arguing for a Soviet withdrawal. The withdrawal which had now occurred would be regarded by the world as evidence of the difficult situation in which the Soviet forces found themselves. They had been compelled to reduce their commitment. Chancellor Schmidt said that he agreed with President Giscard's reasoning. The withdrawal should not be presented as detrimental to the interests of the West. On the other hand, it should not be welcomed too warmly. In the few hours since the news had broken, the debate on German participation in the Olympic Games had been renewed. He did not want the arguments of the opponents of the boycott to be strengthened unnecessarily. There were three aspects to the Soviet move:-

- (a) The Soviet Government faced a choice between doubling their forces in Afghanistan, in order to crush the opposition, and retreating. It was not yet clear which option they would decide upon;
- (b) They were hoping to influence the Heads of Government in Venice; and
- (c) They were hoping, above all, to influence potential participants in the Olympic Games. He expected that the announcement of the withdrawal would be followed by an intensification of the propaganda campaign against the boycott.

It followed that the West in reacting to the withdrawal should lay a great deal of stress on the follow-up to the withdrawal. The West should indicate that it intended to wait and see whether or not the withdrawal would be permanent and whether it would lead to further withdrawals.

/ The Heads

CONFIDENTIAL

CONFIDENTIAL

- 3 -

The Heads of Government then discussed the text of the statement on Afghanistan in detail and various minor amendments were agreed.

Mr. Trudeau said that he would welcome a discussion of the scope for economic action intended to bring home to the Soviet Union the West's condemnation of the invasion of Afghanistan. Canada had faithfully implemented the grain embargo. But his Government were wondering how long they could continue the embargo in the absence of action by their partners against other forms of trade. The grain embargo was hurting Canada. He was bound to ask what the other Heads of Government in the room were doing to show their disapproval of Soviet policy. Mr. Okita said that Mr. Trudeau had raised a major issue. A basic question about economic sanctions had yet to be resolved. A choice had to be made between the hard approach to the Soviet Union and the soft approach. The hard approach meant the isolation of the Soviet Union and assumed an effort to impede the development of the Soviet economy. It seemed likely to lead to a military build-up in the Soviet Union and to damage the economies of Western countries. The soft approach envisaged an effort to involve the Soviet Union more with Western economies and to encourage the Soviet Government to pursue peaceful policies. The choice between these two approaches faced Western Governments with a serious dilemma. Unless there was agreement on the policy to be pursued, the actions of Western governments would diverge and problems would arise.

The Prime Minister said that Mr. Trudeau was fully entitled to ask what his partners were doing. The United Kingdom had terminated a credit agreement - extremely advantageous to the Soviet Union - which had been entered into by a previous British Government. Credit would now only be extended on consensus terms. HMG were limiting the export of high technology. They were not applying for exceptions to COCOM's rules. They were arguing within the European Community for an end to the export of subsidised butter; so far they had been unable to get their partners to agree. They had argued strongly in favour of the

/ Olympic

CONFIDENTIAL

CONFIDENTIAL

- 4 -

Olympic boycott. President Carter said that the boycott of the Olympics had not been part of his Government's original plan of reaction to the Soviet invasion but having taken up the idea they had argued for it strongly and had had to cope with major domestic problems in doing so. They had prohibited Soviet fishing in US waters. They had cancelled 17 million tons of contracted grain deliveries. They had tightened up the guidelines for the export of advanced technology. They regarded this as in the long run the most effective means of penalising the Soviet Government. The ending of exceptions to the COCOM rules was important. The reaction of the Islamic world and the vote in the United Nations was of considerable significance. The cumulative effect of these various developments was what mattered. The US Government looked forward to the normalisation of relations with the Soviet Union, to the ratification of SALT II, to the resumption of trade and detente after Soviet troops had been withdrawn. Pending that withdrawal, it was important that there should not be "business as usual". He hoped and prayed that Western leaders would hold firm on this.

Chancellor Schmidt said that this seemed to him to be the moment to broaden the discussion. He wanted to review the question of Soviet expansionism from a global view point and to explain his Government's stand. He saw great danger in the possibility that three sources of conflict which were at present separate might be forced into a single East/West crisis: Afghanistan, Iran and the West Bank. It was important that Western Governments should not adopt policies which pushed matters in that direction. Simultaneously there was a danger of a new round of escalation in the arms race. SALT II had not been ratified, SALT III had not started and the MBFR talks were going nowhere. Since 1960 the Soviet Union had made little progress in Europe but had expanded its political and military influence outside Europe very considerably. They had, it was true, lost ground in Somalia and Egypt. But elsewhere e.g., Cuba, Ethiopia, South Yemen, Syria, Afghanistan, Indo-China and Angola they had made significant gains. The question now was whether the West had the means to contain the spread of Soviet influence, and if possible to get them out of some of the places where they were now established, without a world war.

/ As

CONFIDENTIAL

CONFIDENTIAL

- 5 -

As regards the policy of the Federal Republic, Chancellor Schmidt said that he had to remind his colleagues that of the total German population of some 80 million souls, 60 million were in West Germany, 16 million in East Germany, 2 million in Berlin and 2 million scattered through Eastern Europe and the Soviet Union. Short of reuniting the nation, which was not possible "for the time being", the Federal Government had two aims:-

- (a) To make it possible for as many Germans as possible to come to West Germany; and
- (b) To build as good a human relationship as possible between East and West.

The Federal Government, without any publicity, were succeeding in getting 30 to 40 thousand Germans out of Poland each year. The price, paid within the Helsinki framework and the framework of various bilateral agreements, was to have economic exchanges with Eastern European countries. These exchanges were, therefore, far more than a mere matter of trade. They made it possible for the German Government to get "their own people" out. They intended to pursue those exchanges. Given the history of the recent past (i.e., Hitler's war) the German Government considered it a moral and historical necessity to reach a better understanding with the East, and especially Poland, as well as with their partners in the West.

The Federal Government was therefore in an absolutely different position from that of their partners. Nonetheless they had always observed their agreements with those partners to the letter. They had not, incidentally, ever given a penny of Government credit to the Soviet Union or subsidised trade with that country in any way. In so far as they provided financial guarantees for exports, it was on a business basis. The German Government had consistently made a profit from the financial guarantees they had offered. The German Government therefore considered that in the present position contacts between East and West should not be interrupted. They did so for the national reasons he had already described. They also believed that there were international reasons for maintaining contacts. Hot lines and other channels of communication were for discussing problems not for Christmas greetings.

CONFIDENTIAL

/ Chancellor Schmidt

CONFIDENTIAL

- 6 -

Chancellor Schmidt said that in April the Soviet Government had asked him to pay a return visit to Moscow. He had made them wait six weeks for an answer, but in the end had agreed to go. There were five issues on which he intended to deliver a clear message to the Soviet Government. In doing so he would not primarily be addressing President Brezhnev and Mr. Kosygin, who were on their way out, but their successors. He intended to make it plain that:-

- (a) the Federal Government would offer the Soviet Government no opportunity for wedge-driving between either the Federal Republic and the other members of the European Community or between the Federal Republic and her North American partners;
- (b) the Soviet Government would have to reconcile itself to the certainty that the Federal Government would abide by a philosophy of military balance in Europe; would continue to contribute to the military strength of the Alliance through their manpower (based on a conscript army), through improved equipment and through the provision of territory and accommodation for the armed forces of their allies; and would continue to increase their military effort in line with the growth of their economic resources;
- (c) the same consistency would apply to the Federal Government's view of Euro-strategic issues. There would be no weakening in the Federal Republic's support of the 1979 decisions on LRTNF for which Chancellor Schmidt had fought for ten years;
- (d) the West would never acquiesce in the occupation of sovereign and independent nations;
- (e) in so far as the West adhered unconditionally to its Treaty obligations e.g., the Non-Proliferation Treaty and the Helsinki Agreement, so we expected the Soviet Government to stick to its obligations especially Helsinki and the Quadripartite Agreement on Berlin. The Federal Government remained extremely worried about Berlin.

/ Chancellor Schmidt

CONFIDENTIAL

CONFIDENTIAL

- 7 -

Chancellor Schmidt said that he believed the Russians would understand these five points. He did not expect to reach any agreements with them. He believed that the discussions would end by recording that each side had made their views plain to the other. He was grateful to President Giscard whose visit to Warsaw had made it easier for him to go through with his visit to Moscow.

Chancellor Schmidt said that it was because he was responsible for a divided nation that he had decided to go to Moscow. He would not speak for anyone else in the room but for his country and his own national interest. Although he had consulted his allies over a period of two months about the visit, he had sought no mandate and would accept none. On the other hand he would put forward no thought on which he had not asked for the views of his colleagues. He would not sever economic exchanges but would accept and obey the COCOM rules and the OECD consensus. Herr Genscher would inform his colleagues about the results of the visit as soon as he returned to Germany.

It was not easy for the German electorate to understand the complexity of the Federal Government's policy. Most of them had disagreed with the Government about the Olympic boycott and a great effort had been needed to secure agreement on the boycott. He hoped that the decision would stick. It had not been easy for the German electorate to accept an additional 400 nuclear warheads on top of the 6,000 already on German soil. The German Government had a difficult task in managing a divided nation and persuading the German people not to rebel against that division. The difficulties of the situation were not understood by some of Germany's neighbours and by some of her friends outside Europe.

Signor Cossiga said that Western solidarity, the sense of a global strategy, and the interests of the peoples of the West as a whole, were all important issues. Balanced solutions to internal problems should be sought. The strength of the West as a whole depended on its unity and the fair solution of the problems of individual nations. The Italians themselves were inspired by these principles. As President Carter had recognised in bilateral discussions, the Italian Government had made certain sacrifices in this field.

CONFIDENTIAL / Everyone

CONFIDENTIAL

- 8 -

Everyone had been interested in Chancellor Schmidt's exposition. It would be important to consult in advance on future steps, particularly on the Madrid Review Conference and on any action in the UN General Assembly on Afghanistan.

Mr. Okita raised Japan's relations with China. Japan did not like talk about 'playing the China card'. This was a serious matter for them. They had told the Chinese that there was no question of giving them military assistance, and they were not seeking a military alliance with China. If they did, the Russians would take the threat to their interests very seriously. Japan did not want to be involved in any form of Sino/Soviet conflict.

(There followed some discussion of the Political Communique.)

The discussion ended at 1810 hours.

And
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25 June, 1980.

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