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RECORD OF A MEETING BETWEEN THE NETHERLANDS PRIME MINISTER,
MR. VAN AGT, AND MRS. THATCHER, IN THE HAGUE AT 1530 HOURS
ON 6 FEBRUARY 1981

Present

The Prime Minister	Mr. A.A.M. van Agt
Sir Jock Taylor, KCMG	Dr. C.A. van der Klaauw
Mr. J.L. Bullard, CMG	Mr. D.F. van der Mei
Mr. M.D.M. Franklin, CMG, CB	Mr. R. Fack
Mr. M.O'D.B. Alexander	Dr. K.W. Reinink
Mr. B. Ingham	Mr. H.C. Posthumus Meyjes
Mr. R.B.R. Hervey, CMG	Mr. T. van de Graaf
Mr. C.R. Budd	Mr. P.C. Nieman
	Mr. H. de Ru
	Mr. J.W. Holtslag
	Mr. J.W. Bertens
	Mr. K.H. Birkman

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Mr. van Agt began by asking the Prime Minister to repeat for the benefit of those not then present the gist of what she had said earlier in the afternoon about restructuring of the EC budget and agricultural prices for 1981/82.

The Prime Minister said that the first imperative was that the Commission should be urged to go ahead with all speed in preparing their proposals about the restructuring of the budget. There was no advantage in delay, for the situation would not improve. The present timetable, under which the Commission were scheduled to present their proposals by June, must not be allowed to slip.

For the UK it was important that agricultural prices should not go up by too much. The Government were trying to hold wages down: their own employees had been told that a six per cent increase would be the maximum this year, and some private firms, faced with the task of surviving the recession, would be unable to agree to even as much as that. If the British people were now against that background to hear of agricultural price increases averaging, say, eight

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per cent they would find that difficult to bear. The British Government would therefore want to limit these increases to a reasonable level, most of all in the case of products which were currently in surplus (wheat and barley being the latest additions to the list). The UK would press for an average figure of less than the eight to ten per cent wanted by some other countries, and would find it helpful if the Commission's opening proposals could be pitched at a suitably low level.

The Prime Minister added that a third problem which at the moment concerned her greatly was the Community's failure so far to agree on a common policy on fisheries. This was not for any lack of resolve on the part of the UK. We were ready to settle, and had thought at the end of last year that agreement had been very close. Unfortunately France was now preventing further progress. The UK for its part continued to think it important, in the interests of all the fishermen of the EC, that an agreement should be achieved; there could be no question of waiting for the French elections and thus allowing fresh problems to develop. The British hope was that the Presidency would be able to use its influence to secure progress.

Moving on to other topics, the Prime Minister said that the UK was also keen to see matters moved forward in 1981 with regard both to the Commission's proposals providing for freedom of insurance services and the liberalisation of civil aviation in the Community. Another subject of importance was steel: the present quota arrangements would come to an end in June, and in view of the continuing recession appeared likely to require continuation in some form. The Germans seemed to think a voluntary agreement would be possible. If so, well and good, but if not then there would have to be further mandatory arrangements. The Community's overseas trade also raised certain difficulties. It was essential for the Member States to have a common policy vis-a-vis Japan,

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which as matters stood was noticeable only by its absence, and there was an urgent need for a common Community approach to the problem posed by energy underpricing in the US, which was imposing great pressure on all gas-using industries in Europe. Another subject causing concern was the seat of the European Parliament. Luxembourg was coming under great pressure from certain quarters in that connection, and was anxiously looking for support.

Finally, the Prime Minister turned to the North-South dialogue (a term which she had always disliked). The question of aid to developing countries had come up at the Venice Economic Summit, where concern had been expressed about the way in which some international aid was being distributed. The UK felt that not enough of its aid was given on a bilateral basis: too much was being channelled through international agencies, and not enough, to be frank, was going to countries with traditional links with the UK.

Mr. van Agt said that a number of messages were thus clear. The Commission should speed up its work on the Community budget, and the Presidency should keep them up to the mark with the June meeting of the European Council in mind. The UK position on agricultural prices was plain and well understood. A figure of between eight and ten per cent would be too high, in the light of the need to restrain wage claims. On this the Presidency could of course do no more than take note, since some other Member States wanted a larger increase, but from the point of view of the Dutch (this with a wry smile) the UK's attitude on this point could have been worse. As for fisheries, the Netherlands appreciated the constructive nature of the proposals recently put forward by the UK, and thought they were worthy of acceptance by all concerned, including France. The Dutch were ready to intervene with the French at all conceivable levels, to try to persuade them of the desirability of an early settlement. Turning to insurance, this had been included by the Presidency on the agenda for the ECO/FIN Council in March. On steel Mr. van der Mei said that the Presidency were pressing for an early Commission proposal, the first discussion of which was expected to take place in February or March.

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Mr. van Agt said that the Dutch too wanted a united EC approach towards Japan, with no bilateral steps or measures. The problems posed by Japan should be studied in conjunction with relations with the US. As for the Japanese, it was certainly necessary (as they had been told) for them to practise self-restraint. But the Netherlands - and they were not alone in this - were opposed to any revival of protectionism. The Belgians were currently urging the Dutch to agree to measures under the Benelux Treaty to restrain the unlimited import of Japanese cars into the Benelux area; the Dutch had replied that they preferred to approach the problem in the Community rather than Benelux context. Dr. van der Klaauw suggested that the Community would do well to look at relations with Japan in the round. The Europeans were worried about trade, while the Japanese were keen to develop much closer political relations with Europe. The aim should be to set in motion a discussion embracing both the economic and the political aspects of the relationship. The idea could perhaps first be discussed by the Political Committee, and then in Brussels; it might even be suitable for inclusion on the agenda of the March European Council. The Prime Minister argued that the matter might best first be examined by the Foreign Affairs Council. The key point was that the Member States should not allow themselves to be picked off singly by the Japanese; an agreed, united policy was essential. At present each Member State had separate arrangements, some for historical reasons. There was much to object to in Japan's current practices, with regard both to their trading methods (notably their use of uneconomic price-cutting in certain sectors to bring about the collapse of the European industries concerned) and their non-tariff barriers. The net result of their policies was that they were able to meet their energy costs through the export of manufactured goods - and were aided in this by the fact that they spent little on defence (which in itself was not necessarily to be regretted: any substantial increase in Japanese defence expenditure would have enormous repercussions in the Far East and be controversial in Europe). Dr. van der Klaauw then reverted to his earlier suggestion that it would be useful if the whole subject could be examined by the Political Committee.

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Mr. Posthumus Meyjes commented that it was also necessary to keep in mind the dual economic and political dimensions of relations with the US. The Americans had just told the Commission that any EC move to restrict imports from Japan would almost inevitably spark off a similar move by the US, and had asked to be consulted before any such move were taken by the Community. The Prime Minister agreed: it was no use the Community closing doors if by doing so it simply hurt its friends.

The Prime Minister then asked if there were any bilateral points which the Dutch side wished to make. Dr. van der Klaauw said that there was no problem of any significance. On Urenco matters there had been one recent difficulty (evidently an allusion to the question of the reprocessing contracts), but the Government now had that well under control in the Second Chamber.

Turning to foreign affairs Dr. van der Klaauw said that in the Second Chamber's foreign affairs debate on 4-5 February he had come under most pressure on the question of a possible oil boycott against South Africa. On Namibia, he had the impression that the front line states wanted another opportunity for discussion with the South Africans, with a view to finding a peaceful solution. The Prime Minister said that in the UK view it was essential to keep the discussions going and to maintain the search for a new approach, in order to avoid a further ventilation of the whole problem in the Security Council, which would present the UK (as well as, among others, some of South Africa's black neighbours) with acute difficulties. The use of sanctions was never effective, as the UK knew from experience. The Prime Minister said that when she had seen Mr. Pik Botha before Christmas she had told him that it was essential for South Africa to proceed with the Geneva conference. The fact that a general election was now in the offing in South Africa was inevitably acting as a brake on progress, but it was important that forward movement should continue. Further resort to the Security Council on the issue would result once again in the triumph of emotion over reason; the aim must therefore be to keep negotiations in train in order to prevent that being necessary.

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Dr. van der Klaauw commented that it would be helpful if Mrs. Thatcher could tell the Dutch press that sanctions did not work. Even that, however, would fail to meet the point made by many of his Dutch critics, who argued that sanctions would be useful even if they were not effective, because they would give an encouraging signal to the oppressed black population of South Africa. The Prime Minister said that for the UK another dimension of the problem concerned employment: if as a result of banning exports to South Africa unemployment were to increase, the Government would then be blamed for that too.

Mr. van Agt said that it was often suggested in the Netherlands that South Africa had been fully responsible for the collapse of the Geneva Conference. Did the UK agree with this analysis? The Prime Minister said that the South Africans had clearly decided to block progress until the views of the new US Administration had become clear. She had told Mr. Botha that in her view the US attitude would be no different from that of the UK, and had urged him to take a positive approach. One point to be borne in mind was the fact that the South African Prime Minister had difficulties in getting his people to move forward as fast as he himself wanted to.

Dr. van der Klaauw then reported on his recent talks with the Algerians about the North-South dialogue. There seemed unlikely to be much progress in New York on the new round of global negotiations. The Algerian view was that Chancellor Kreisky's proposal for a fresh summit would not get off the ground until agreement had been achieved in New York, and that without such agreement there could be no question even of discussing the procedural aspects of a new summit (on which the Dutch remained unhappy - since the Austrian/Mexican formula did not provide for them to attend).

Turning to the Middle East, Dr. van der Klaauw said that he had now started to arrange talks with the various interested parties, under the terms of the mandate he had been given by

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the January Foreign Affairs Council. He was due to meet Klibi, the Secretary-General of the Arab League, in The Hague next week. During his forthcoming (bilateral) visit to Washington with Mr. van Agt, which it was hoped would take place in early March, he would be taking time off to talk in his Presidential capacity to Mr. Haig, and before that he hoped to visit Iraq, Syria and Jordan. In addition he would be going to Israel, since with an eye to the Netherlands it was politically necessary for him to do so before contacting the PLO; he had had a discussion with Mr. Peres during the latter's recent visit to Holland, but in view of the coming Israeli elections it would of course have to be left to the UK to develop further and bring to a conclusion the Israeli part of the mission. Dr. van der Klaauw said that he would not finish his programme of Middle East contacts until the end of May; he would then present a report to the June European Council. The latter would, incidentally, have a particularly heavy agenda - restructuring and preparations for the Ottawa Summit, as well as the Middle East.

The agenda for the March European Council looked relatively light. It would no doubt include a discussion of economic and social problems, covering unemployment and inflation, and also East-West relations, with special reference to Poland and the Madrid CSCE conference. The Prime Minister commented that any debate on the economic situation would inevitably come to the conclusion, as before, that it would be impossible to pull out of the recession so long as the price of oil kept rising because of the OPEC monopoly. If anything could be done to resolve the Iraq/Iran conflict and thus enable those two countries to resume their traditional oil exports that would much improve matters. What influence could the Community bring to bear in this direction? Dr. van der Klaauw pointed out that Sheikh Yamani had recently forecast a cut in Saudi production in the event of Iranian and Iraqi supplies being resumed. Mr. Franklin commented that for the European Council to debate the economic situation would inevitably

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create expectations; it might therefore be a mistake to hold such a debate unless there were a reasonable chance of some constructive conclusion being reached. Dr. van der Klaauw noted that there were predictions of a demonstration during the March Council by the European trade union organisations; some reaction by the Council seemed likely to be politically necessary. Looking more widely, the proposed 'Jumbo' Council seemed unlikely to produce a constructive solution. Part of the answer might be to focus on the new round of global negotiations: if energy could be included in that framework then there might eventually be the makings of a mutually acceptable package - though there were of course great problems for the 'North' in the concessions being sought from them on the IMF/IBRD front.

The Prime Minister commented that the Arabs would certainly not be prepared to discuss oil in isolation from other issues. The possibility of another discussion of the economic situation by the European Council required very careful and precise examination: it would be no use simply following the old pattern of discussion followed by a collective shrugging of shoulders. Mr. van Agt noted that there would also be unattractive implications if it appeared to the public that the Community's leaders did not consider the subject worth discussing. The Prime Minister agreed that discussion would be necessary. What was needed was the preparation of a paper containing possible proposals. Dr. van der Klaauw said he would discuss the matter with Mr. Thorn. The Arabs and the Community had at least one thing in common - the wish to fight inflation inside the EC (which concerned the Arabs because of their investments there). The Dutch would be grateful for any UK ideas as to what the paper proposed by Mrs. Thatcher might contain.

Mr. van Agt concluded with a cri de coeur about the new round of global negotiations: the Dutch hoped very much that it could be started just as soon as possible. The Prime Minister said that this message had been received and understood.

The meeting ended at 1630 hours.

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