



PRIME MINISTER

PM/82/85

Informal Meeting of Foreign Ministers: 16/17 October

1. Three current Community issues were discussed by Foreign Ministers at the informal meeting in Denmark this weekend. You might find it useful to have a brief account before your meeting tomorrow with Chancellor Kohl.

The Budget Problem

2. At my prompting Thorn spoke about the budget problem. He began by appealing for a rapid solution to the problem of 1982 refunds and went on to give a rather lengthy account of the Commission's current thinking about 1983 and later. This followed the general lines that we have been expecting, ie that for the longer term there should be discussion of the Community's finances, including own resources, but that this should be backed up by measures to deal with our problem for the next two years, perhaps renewable for one more year thereafter. He did not talk about figures, and said that the Commission had not yet decided whether their proposal should include figures or should confine itself to discussion of formulae. He said that the Commission could not produce their proposals in writing before about the second week in November.

3. There was not much discussion. The Dutch spoke in favour of a two year plus one approach. I stressed the need to find a lasting solution, and I also regretted that Commission would not be producing their proposals sooner.

/EC/US Steel

EC/US Steel

4. I spoke to Genscher privately about EC steel exports to the US and the prospects for a negotiated settlement, which, as you know, the Germans are isolated in blocking. It also came up in the open session. Genscher acknowledged the importance of settling the issue and said he hoped to be able to persuade Chancellor Kohl of the need to get it out of the way before the 21 October deadline. In saying that a final German decision would probably not be taken until the Federal Cabinet met on Wednesday, 20 October, he expressed the hope that you would raise the issue when you saw Kohl tomorrow evening, 19 October. Sir Jock Taylor told Kohl, when he paid his first call this morning, that you would be raising it. Kohl was clearly aware of its importance, but was otherwise non-committal.

5. You already have a note setting out the essentials of the present position. It now looks unlikely that there will be a special meeting of the Council of Ministers before the 21 October deadline. Instead, the Commission and Presidency are aiming to use the so-called 'written procedure' which would allow the Germans until midday on 20 October to signify agreement. Your meeting with Kohl is thus ideally timed to bring home to him the importance for the UK and the Community of Germany not incurring the responsibility for the collapse of the deal, whether by refusing it or by asking the Commission to go back to the Americans to vary the terms.

/Common



Community Fisheries Policy

6. I pressed Ellemann-Jensen strongly on the need to reach early agreement on the CFP, as did Thorn and, I believe, some other Foreign Ministers. We must now hope that this concerted pressure will induce the Danes to move their position.

7. I am copying this minute to the Chancellor of the Exchequer, the Minister for Agriculture, Fisheries and Food, the Secretaries of State for Industry and Trade and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'FP', with a few dots below it.

(FRANCIS PYM)

Foreign and Commonwealth Office  
18 October 1982



*With the compliments of*

**THE PRIVATE SECRETARY**

**FOREIGN AND COMMONWEALTH OFFICE  
SW1A 2AH**

MIPT: INFORMAL MEETING OF NATO FOREIGN MINISTERS

FOLLOWING IS TEXT OF PAPER USED BY SHULTZ:

1. OUR GOVERNMENTS RECOGNISE THE NECESSITY OF CONDUCTING THEIR RELATIONS WITH THE USSR ON THE BASIS OF A GLOBAL AND COMPREHENSIVE POLICY DESIGNED TO SERVE OUR OWN FUNDAMENTAL SECURITY INTERESTS. THEY ARE PARTICULARLY CONSCIOUS OF THE NEED FOR A COMMON APPROACH IN THE ECONOMIC FIELD, WHERE ACTIONS MUST BE COORDINATED WITHIN THE FRAMEWORK OF THEIR GLOBAL STRATEGY. THEY ARE RESOLVED TOGETHER TO TAKE THE NECESSARY STEPS TO REMOVE DIFFERENCES AND TO ENSURE THAT FUTURE DECISIONS BY THEIR GOVERNMENTS ON THESE ISSUES ARE TAKEN ON THE BASIS OF AN ANALYSIS OF THE EAST-WEST RELATIONSHIP AS A WHOLE, WITH DUE REGARD FOR THEIR RESPECTIVE INTERESTS AND IN A SPIRIT OF MUTUAL TRUST AND CONFIDENCE.

2. THEY AGREE THAT THE FOLLOWING CRITERIA SHOULD GOVERN THE ECONOMIC DEALINGS OF THEIR COUNTRIES WITH THE SOVIET UNION AND EASTERN EUROPEAN COUNTRIES.

- THAT THEY WILL NOT UNDERTAKE TRADE ARRANGEMENTS WHICH HAVE THE EFFECT OF CONTRIBUTING TO THE MILITARY CAPACITY, ACTUAL OR POTENTIAL, OF THE USSR.
- THAT IT IS NOT IN THEIR INTEREST TO CONDUCT TRADE WITH THE USSR WHICH HAS THE EFFECT OF SUBSIDISING THE SOVIET ECONOMY.
- THAT THEY WILL TAKE NO STEPS THAT CONTRIBUTE TO THE STRATEGIC ADVANTAGE OF THE SOVIET UNION.

THEY AGREE TO EXAMINE THOROUGHLY HOW TO APPLY THESE CRITERIA, TAKING INTO ACCOUNT THE VARIOUS ECONOMIC AND POLITICAL PROBLEMS

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INVOLVED, WITH THE VIEW TO AGREEING ON A COMMON LINE OF ACTION. THEY WILL PAY DUE ATTENTION IN THE COURSE OF THIS WORK TO THE QUESTION OF HOW BEST TO TAILOR THEIR ECONOMIC RELATIONS WITH EASTERN EUROPEAN COUNTRIES TO THE SPECIFIC SITUATION OF EACH OF THEM.

THIS OVERALL ANALYSIS WILL TOUCH IN PARTICULAR ON THE FOLLOWING AREAS:

- STRATEGIC GOODS AND TECHNOLOGY OF MILITARY SIGNIFICANCE (COCOM):
- HIGH TECHNOLOGY OF STRATEGIC IMPORTANCE INCLUDING OIL AND GAS EQUIPMENT:
- OTHER TRADE, INCLUDING AGRICULTURE AND FOODSTUFFS:
- CREDIT POLICY:
- ENERGY.

IN THE FIELD OF ENERGY, THE EUROPEAN GOVERNMENTS, AS THEY ARE HEAVILY DEPENDENT ON IMPORTS OF ENERGY, WILL INITIATE A STUDY OF PROJECTED EUROPEAN ENERGY REQUIREMENTS OVER THE NEXT DECADE AND BEYOND AND POSSIBLE MEANS OF MEETING THOSE REQUIREMENTS. THE UNITED STATES WILL PARTICIPATE IN THIS STUDY. IT WILL BE PREPARED UNDER THE AUSPICES OF THE OECD.

3. AS AN IMMEDIATE DECISION AND FOLLOWING DECISIONS ALREADY MADE, THEY HAVE AGREED ON THE FOLLOWING:

(A) THEY WILL WORK TOGETHER WITHIN THE FRAMEWORK OF THE COORDINATING COMMITTEE (COCOM) TO PROTECT THE CONTEMPORARY SECURITY INTERESTS OF THE ALLIANCE. THE LIST OF STRATEGIC ITEMS WOULD BE EVALUATED AND, IF NECESSARY, ADJUSTED. THIS OBJECTIVE WILL BE PURSUED AT THE COCOM REVIEW MEETING BEGINNING OCTOBER 4 IN PARIS. THEY FURTHER AGREE TO TAKE THE NECESSARY MEASURES TO STRENGTHEN THE EFFECTIVENESS AND RESPONSIVENESS OF COCOM AND TO ENHANCE THEIR NATIONAL MECHANISMS AS NECESSARY TO ENFORCE COCOM DECISIONS.

(B) IT WAS AGREED AT VERSAILLES THAT THE DEVELOPMENT OF ECONOMIC AND FINANCIAL RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE WOULD BE SUBJECT TO PERIODIC EX-POST REVIEW. THE ALLIES ARE AGREED ON THE NEED TO ESTABLISH WITHOUT DELAY THE NECESSARY MECHANISM FOR THIS PURPOSE. HAVING IN

MIND THE OBJECTIVE OF NOT SUBSIDISING THE SOVIET ECONOMY, ALLIED GOVERNMENTS WILL ALSO ESTABLISH THE MEANS TO HARMONISE NATIONAL POLICIES WITH RESPECT TO THE EXTENSION OF CREDITS, COVERING INTEREST RATES, MATURITIES, DOWN PAYMENTS, AND FEES.

(C) DURING THE COURSE OF THE STUDY ON ENERGY, ALLIED GOVERNMENTS' WILL NOT ENTER INTO ANY NEW CONTRACTS WITH THE SOVIET UNION FOR THE PURCHASE OF NATURAL GAS.

(D) <sup>A/</sup> ALLIED GOVERNMENTS AGREE TO EXAMINE IMMEDIATELY WHETHER THEIR SECURITY INTERESTS REQUIRE CONTROLS ON THE EXPORT TO THE SOVIET UNION AND EASTERN EUROPE OF STRATEGICALLY SIGNIFICANT ADVANCED TECHNOLOGY AND EQUIPMENT, TO BE JOINTLY DETERMINED, BUT INCLUDING TECHNOLOGY WITH DIRECT APPLICATION TO THE OIL AND GAS SECTOR. ACTIONS WOULD BE AGREED UPON AND IMPLEMENTED WITHIN A FRAMEWORK ASSOCIATED WITH COCOM. /8

PYM

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H D / PLANNING STAFF  
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PS  
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