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

PRESENT

Prime Minister
Mr. Butler

Chancellor Kohl
Mr. Teltschik

SPANISH ELECTIONS

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

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 He had worked hard for them for 4 years and had given financial help, although he had withdrawn some 18 months ago when he saw the direction in which things were going.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

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

THE FALKLAND ISLANDS

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

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

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

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

THE PIPELINE

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

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

ECONOMIC SUMMIT

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

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

/Herr Kohl

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

ECONOMIC ISSUES IN THE COMMUNITY

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

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

/The Prime Minister

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

FISHERIES

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

POLAND

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

EUROPEAN BUDGET

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

R.R.B.

29 October 1982