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RECORD OF A PLENARY DISCUSSION BETWEEN BRITISH AND FEDERAL GERMAN
MINISTERS HELD AT 10 DOWNING STREET AT 1200 ON FRIDAY, 22 APRIL 1983

PRESENT

The Prime Minister	H.E. Dr. Helmut Kohl
Secretary of State for Foreign and Commonwealth Affairs	H.E. Herr Hans-Dietrich Genscher
Chancellor of the Exchequer	Count Lambsdorff
Secretary of State for Industry	Dr. Stoltenberg
Secretary of State for Trade	Herr Bluem
Secretary of State for Defence	Herr Woerner
Secretary of State for Energy	Officials
Secretary of State for Employment	
Officials	

The Prime Minister said she and Chancellor Kohl had discussed the major issues including the prospects for Williamsburg, the European Council Meeting at Stuttgart and arms control and INF deployment in Europe. There were no bilateral problems between the UK and the FRG.

At the Prime Minister's invitation the Secretary of State for Foreign and Commonwealth Affairs described his talks with Herr Genscher. They had discussed, in the light of Chancellor Kohl's visit to Washington, East/West relations, INF (expressing confidence in each other's deploying as planned if necessary) and the CSCE. They had stressed the need for progress in Madrid and for Western unity to be maintained. Herr Genscher had felt that a CDE was a particularly important objective and that convening such a conference would help over INF deployment. They had also talked about Poland and other East/West matters. They hoped that the question of East/West relations would not be divisive at Williamsburg.

The Secretary of State for Foreign and Commonwealth Affairs said that he and Herr Genscher shared a similar assessment of the prospects for the Middle East. He had said that he felt the PLO had made a mistake not to work with King Hussein. Both the British
/and the Germans

and the Germans were concerned at Israeli immobility and increased Soviet interest in the area. A number of Arab governments were becoming more relaxed about their relations with the USSR. Altogether the prospects were not encouraging.

They had also discussed:

- (i) Central America, where European influence was marginal while the interests of the United States were great. The UK and the FRG might nevertheless be able to help stabilise the situation in some relatively minor ways;
- (ii) arms for Argentina, where the Secretary of State for Foreign and Commonwealth Affairs had stressed that the Argentine position made it particularly important that Britain's friends and allies should show restraint. He had given Herr Genscher a list of the particularly sensitive items which we hoped the Germans would refuse to supply;
- (iii) Namibia;
- (iv) the Community, where the remaining difficulties over the Solemn Declaration would be examined and the Budget question remained at the forefront of their minds. He hoped for progress at the Foreign Affairs Council on 25 April and agreement at Stuttgart;
- (v) Steel, where the German view that the present regime should be prolonged raised difficulties for the UK.

The Chancellor of the Exchequer said that he and Dr. Stoltenberg had begun with Community affairs and gone on to other matters. They had expressed concern at the level of CAP spending and agreed it was important to study together means of controlling such expenditure. The Agricultural Council ought to make clear that there was no commitment to spending in 1984 which might breach the one per cent ceiling. The Stuttgart meeting should look at ways of controlling spending: the Commission had to learn
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to live within its income. The long-term Budget solution might perhaps build on the safety net idea which merited study between officials with a view to it being endorsed at Stuttgart. He stressed the need for an interim solution for 1983. The trop paye was a matter for political negotiation. They had reached close agreement on the need to use the Williamsburg Economic Summit to put over a message of cautious optimism. The US Federal budget deficit was an issue on which it was better to adopt a helpful attitude than to attack the United States. He had stressed to Dr. Stoltenberg British hopes of progress on the insurance directive. They had agreed on the need to recognise the problems raised by protectionist pressures and for some acknowledgement at Williamsburg of the North/South problem in the light of the forthcoming UNCTAD meeting. They had also talked about world debt problems, with particular emphasis on Poland.

Count Lambsdorff said that in his talks he had covered:

- (i) Steel, where he had noted British reservations on extending the use of Article 58. He accepted that a crisis regime was unpleasant but thought there was no real alternative but to prolong it. Mr. Jenkin had pointed out the political problems that this would cause in the UK;
- (ii) Japan, where the two sides had reached the same conclusion by different routes. There was a need for caution in GATT but no need for Japan to be let off the delicate hook they were at present impaled upon. The important thing was to get them to open up their market;
- (iii) Williamsburg, where they had agreed on the need to combat US claims to extraterritoriality.

Mr. Jenkin said the discussions on steel had been useful. Count Lambsdorff had made German problems plain while he had pointed out that it was impossible for the UK to live with a completely unmodified regime. The key was to persuade our other partners of the need for a reduction in capacity. The UK and the FRG had taken
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measures which had yet to be matched by others. If it were possible to secure agreement to a more structured cut within an agreed time-scale he would be able to go along with Article 58 extension, but that was a necessary condition of such agreement. He and Count Lambsdorff had also accepted that industrial collaboration was basically a matter for individual British and German firms but had been pleased to note that good partnerships were developing. He was looking forward to the arrival of a high level mission from the FRG the following week. Lastly, they had agreed that the Airbus (A320) must not be a political aircraft and that financial support from governments would have to depend on evidence that it met a real commercial need.

The Secretary of State for Trade said he had little to add to what Count Lambsdorff had said. The escalating deficit in favour of Japan was a threat to the open trading system. He quite accepted that the main objective must be to force the Japanese to open up their market. Meanwhile we should keep up the pressure in GATT but not force the issue. Secondly, he was concerned about US protectionism and the need for pressure on the United States to keep their policies in line with their public protestations. Lastly, he wanted to thank the Germans for their help in the efforts being made to liberalise services. The UK attached very considerable importance to progress on the insurance directive. In general he felt that the talks had shown how deep the sympathy between the UK and the FRG now went, a comment the Prime Minister endorsed.

The Secretary of State for Defence said his talks with Herr Woerner had been particularly valuable. He had six points to make:

- (i) They had agreed on the need for preparations for Cruise and Pershing II to go ahead in order to convince the Soviet Union of the seriousness of Western intentions but were also alive to the need not to rush the timetable lest public opinion conclude that the West was not sincere in the Geneva negotiations;

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- (ii) he was grateful for German agreement to a Memorandum of Understanding which would enable the UK to take the lead in selling the products of certain joint ventures, especially Tornado, in sensitive areas, including Oman. He was the more grateful because he knew that German acceptance would expose them to criticism in the FRG;
- (iii) he had emphasised the sensitivity of arms sales to Argentina;
- (iv) he and Herr Woerner had expressed their concern about some issues which divided the Europeans and the Americans. US plans for a Rapid Deployment Force might, for example, pre-empt resources otherwise devoted to European defence, a possibility which needed further examination. He also felt that the recent statement by President Reagan on anti-ballistic missiles did not reflect normal consultative practice and wanted to make this clear to the Americans. So far as technological transfer and defence procurement were concerned he felt the Administration understood the European dilemma but that the European case was not always understood on the Hill. We had to keep together on this;
- (v) it had been agreed that Armaments Directors should prepare regular reports on defence equipment for Anglo-German Summits so as to bring to light opportunities for co-operation;
- (vi) both sides hoped the French would agree to reactivate the idea of British/German/French meetings which would discuss a wide range of topics and hoped to persuade M. Hernu that this was desirable.

/The Secretary of State for Energy

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The Secretary of State for Energy said the Council meeting on 21 April had made better progress on coal than he had expected thanks largely to German chairmanship. He hoped for further progress during the German Presidency, including a further Council meeting. If something concrete could be done this might help to convince those who were sceptical of the suggestion that specific Community policies could help to reduce the difficulties over the Budget. He wondered, however, what the attitude of the French might be. Secondly, he had explained that there was pressure in the United Kingdom to match subsidies given in some Community countries to produce artificially low electricity prices. The Germans apparently were phasing this practice out. He did not want an energy subsidy race. Again he wondered whether the French would change - their economic philosophy was rather different from that prevailing in the UK and the FRG. Lastly, they had discussed world oil and agreed that it would be useful to settle the energy security question before Williamsburg.

The Secretary of State for Employment said he had talked over the prospects for the Asbestos Directive which he understood presented difficulties for the FRG. He hoped for a compromise solution as all the other members of the Community seemed to be of one mind. Unemployment, especially among the young, had also been discussed, as had the Social Fund, where the British and German approaches seemed similar, and the possible Directive on part-time working where there were some differences to be reconciled.

The Prime Minister concluded that the talks had been extremely fruitful. We had agreed on the broad general objectives we should be pursuing and considered how to reach them. She thought they were the best bilateral talks in the recent series. She mentioned the problem of acid rain for the FRG and lead in petrol for the UK. Dr. Kohl said it was a good sign that the reports which had been presented were so much to the point. In his experience when things were going wrong more words were used. In general he felt that the progress achieved in Europe over the years had been remarkable. If one compared what had happened at this meeting with what might have seemed possible 20 years ago, one would recognise

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what had been achieved. It was in this general context that the Solemn Declaration was important. He knew we were still in an electoral period. He wanted the Prime Minister to know that he had appreciated her support during the same period in the FRG and that he felt her success would also be that of his Government. Political leaders had to keep the long-term view in mind. He was encouraged by the progress over the years. The Prime Minister said they would be able to give a positive message to the press conference after lunch.

A.S.C.

22 April 1983