



A-J.C. 26/4

h.a.

RECORD OF A DISCUSSION BETWEEN THE CHANCELLOR AND THE
FEDERAL GERMAN FINANCE AND ECONOMY MINISTERS AT NO.11

AT 11.15 A.M. ON 22 APRIL 1983

Those present: Chancellor of the Exchequer
Mr Unwin
Mr Kerr

Dr Gerhard Stoltenberg
Dr Otto Lambsdorff
Dr Muller-Thuns
Herr Schmitt
Dr Kudlich
Dr Bunger
Herr Alwes

FREE MARKET

The Chancellor raised the issue of the insurance services directive, and Count Lambsdorff confirmed that the Germans hoped to secure an agreement before the end of their presidency. More generally, they favoured the removal of restrictions on services. The GATT study would be important. The Chancellor thought that air travel would be an appropriate area in which to see a free market. There was no reason why the costs of air travel within the Community should be so very much higher than those of air travel within the United States; and to reduce them would be good for the Community. Count Lambsdorff agreed, and noted that the anti-trust cases starting in the United States might force some reductions.

Export Credit Consensus

2. The Chancellor expressed appreciation of Dr Stoltenberg's skillful handling of the 21 April ECOFIN discussion on the Consensus: he had given the Commission a basis for further negotiation, but it had entailed papering over some major disagreements. It would be necessary now, perhaps using US leverage, to bring the French further into line. Count Lambsdorff rejected the US call for increases in rates. Germany would settle for small decreases, in order to accommodate the French. Dr Muller-Thuns thought that the French would in the end settle for decreases ranging from $\frac{1}{4}$ -1 per cent.



3. It was noted that the existing Consensus would expire on 1 May. The clock could be stopped, but only briefly. So a very rapid agreement was necessary, if the issue were not to fetch up on the Williamsburg agenda, which would be unfortunate.

Protectionism

4. Count Lambsdorff said that he saw advantage in using the US-arranged meeting of Finance and Trade Ministers in Paris on 10/11 May to press the Administration to drop the proposed Export Administration Act, now before Congress, which amounted to a quite unacceptable threat to non-American exporters.

UNCTAD

5. Count Lambsdorff forecast political problems at UNCTAD. The Community's opening position would be very unwelcome to the Group of 77, and the EC Monetary Committee had, rightly, rejected all the UNCTAD Secretariat's proposals. It might in fact prove necessary to make some concessions, and the Williamsburg summit would be the right place to decide their nature. The Leeds Castle Conference on 30 April/1 May might produce some indications.

Rescheduling

6. Finally, Count Lambsdorff thought it essential to tackle the Americans again over the absurdity of their position on Polish rescheduling. Their refusal to permit any discussion of rescheduling was costly to Western Governments, and a boon for the Polish Government, who enjoyed a de facto moratorium on servicing and repaying their official debt. The Chancellor thought that this issue should come up in the G5/G7 discussions in Washington on 29/30 May.

Distribution

FST
EST
Mr Middleton
Mr Burns
Mr Littler
Mr Unwin
Mr Carey
Mrs Hedley-Miller
Mr Lovell
Mr Hawtin
Mr Hall

Mr Coles - No.10
PS/Secretary of State for Foreign
and Commonwealth Affairs
PS/Secretary of State for Trade
PS/Mr Rees, Department of Trade
Sir J Taylor - Bonn

J O KERR
26 April 1983