

THE PRIME MINISTER'S VISIT TO THE NETHERLANDS, 19-20 SEPTEMBER 1983

STEERING BRIEF

INTRODUCTION

1. This will be the first bilateral visit to the Hague by the Prime Minister since February 1981. The Prime Minister last had talks with Mr Lubbers in London on 2 March 1983. Since then the Netherlands Government have been particularly helpful on Community matters. On 19 September with more than two hours of formal talks, preceded by the informal talks over lunch, there will be time for the Prime Minister to consolidate her already good working relationship with Mr Lubbers, and to set scene for Anglo-Dutch co-operation this autumn.

2. The present Christian Democrat (CDA)/Liberal (VVD) Government has been in power since November 1982. By Dutch standards the coalition is a strong one. The Cabinet is a young, harmonious and energetic team with a strongly technocratic flavour; they have done well, but in the Second Chamber there has been increasing friction between the coalition parties. Economic and defence policies are the most controversial issues for the Government. Despite a relatively strong currency, a healthy balance of payments and low inflation, the Netherlands is suffering from declining industrial investment and stagnant production and consumption; an unemployment rate of over 17% of the labour force; and a financial deficit of over 12%. The 1983 budget, introduced at the end of 1982, proposed substantial cuts, but these proved inadequate due to lower projected gas revenues and over-spending, and the shortfall has to be made up by more cuts in the Spring budget. These cuts fell heavily on social security allowances and the housing programme. Retrenchment is proving a painful process, with little relief so far in sight, but Lubbers takes the view that the economy will start to recover later this year, in the wake of an economic upturn in the USA, FRG and UK.

3. UK/Dutch relations are in excellent health. The Prime Minister's visit will be the first of a series of Ministerial contacts scheduled to take place this autumn. Others in the pipeline are meetings in London of Mr van Aardenne and Mr Parkinson, of Mr Deetman and Sir K Joseph, and of Mr van Eekelen and Mr Rifkind. In the non-political field the US/UK/Netherlands Infra-Red Astronomical Satellite recently recorded an outstanding first when it identified the first solar system around a star (Vega) other than the sun.

UK OBJECTIVES IN THE TALKS

4. East/West and relations, and in particular INF, and Community issues are likely to dominate discussion. East/West relations in the aftermath of the Korean airliner disaster are likely to provide the framework for discussion of INF (Brief B). The Prime Minister will want to rehearse the UK position on INF and underline the importance of a united NATO approach to the negotiations. In the light of the recent defence debate in the Netherlands Second Chamber, it seems that Lubbers may be hoping that the Russians will come forward with a new proposal after the initial deployments and before the Dutch decision which could provide an acceptable basis for further Dutch postponement. While making clear our concern at recent developments in the Netherlands on INF, the Prime Minister may find Mr Lubbers very sensitive to criticism. The topic might best be raised first in the more intimate context of lunch.

5. On Community matters (Brief A(i)) the Prime Minister will want to express her appreciation of the constructive attitude the Dutch have taken both at and after Stuttgart. They have not however supported the safety net and she will want to urge on Mr Lubbers the absolute need for some such scheme if a fair and lasting solution to our problem, which will avoid the continual arguments of recent years, is to be found and the Community "relaunched". She will want to welcome the paper tabled by the Dutch calling for a strict financial guideline to control CAP expenditure on lines similar to our own paper; and to urge them to continue to resist objectionable features of the Commission's proposals for CAP reform such as the idea of a tax on oils and fats.

Safety net

See notes on CAP

6. On external trade issues (Brief A(ii)), the Prime Minister may want to emphasise the need to maintain a firm Community response to recent measures taken by the US to protect their steel industry while not overreacting to the US sales of subsidised dairy products to Egypt. She could also stress the need to maintain pressure on the Japanese to reduce their trade surplus.

7. In view of continuing uncertainty about the Dutch attitude to a draft resolution on the Falklands question at the General Assembly, the Prime Minister will wish to make clear that we expect our partners not to vote diametrically opposite to us on a matter so directly affecting our interests.

DUTCH OBJECTIVES

8. Dr Lubbers too has said he would wish to concentrate on Community questions and security and defence policy, in particular INF. He is anxious to develop a closer personal relationship with the Prime Minister, hence his desire for lunch alone with just the Netherlands Foreign Minister in attendance.

9. INF stationing remains a politically difficult problem for the Dutch Government. Mr Lubbers' tactic has been to postpone a decision in the hope that the climate within the Netherlands would improve. Brief B also describes particular Dutch concerns on the current NATO stand on short range nuclear weapon stocks.

10. In the Community, British and Dutch thinking is very similar, notably about future financing. Mr Lubbers may also be interested in discussing prospects for world economic recovery and energy matters. The Middle East, and possibly Central America and Hong Kong, could also come up.

PROGRAMME

11. The Prime Minister's programme allows time for a number of events outside the formal talks. The visit to the European Space and Technology Centre (ESTEC) (Brief K) the first by any EC Prime Minister, will give Mrs Thatcher an opportunity to demonstrate the

/UK's

UK's interest in promoting European co-operation in the high technology industrial fields.

12. A personality note on Queen Beatrix is included at Annex M. Prince Claus has now completed his course of treatment for a nervous complaint at a Swiss clinic. He has not however been fully able to resume his duties but he did play a full part in Queen Beatrix's very successful State Visit to Britain, 16-19 November 1982. Crown Prince Willem Alexander has recently started a two year course at the Atlantic World College in South Wales. Queen Beatrix came across to Britain at the start of term to see the Crown Prince settled in.

13. At the working breakfast for businessmen, the Prime Minister will be able to stress the importance the UK continues to attach to one of its leading trading partners in the development of trade within the Community.

AMBASSADOR'S RESIDENCE

14. HM Ambassador might raise the problem of the continued leasing of the Residence. FCO Ministers ^{have decided} ~~are considering whether or not~~ to end the lease on the Ambassador's Residence. Despite good reasons on grounds of prestige for staying where we are, there would be economic advantage in purchasing a smaller house which is now on the market (Brief L).

BRIEFING

15. A list of briefs is attached to the Steering Brief. Personality notes on Mr Lubbers, Mr van Aardenne and Mr van den Broek are included with those for Queen Beatrix at Annex M.



LIST OF BRIEFS

Steering Brief (Lubbers)

Steering Brief (Kohl)

Brief A(i) : The Stuttgart Negotiation

Brief A(ii) : European Community (External)

Brief B : European Security including INF

Brief C : East/West Relations other than INF

Brief D : Middle East

Brief E : Prospects for the World Economy

Brief F : World and European Energy Scene

Brief G : UNLOSC

Brief H : Central America

Brief I : Hong Kong

Brief J : Argentina/Falklands

Brief K : European Space and Technology Centre

Brief L : Possible Change of Ambassador's Residence,
The Hague



PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL:
19-21 SEPTEMBER 1983

LIST OF BRIEFS

- A (i) The Stuttgart Negotiation
- (ii) European Community (External)
- B European Security including INF
- C East/West Relations other than INF
- D Middle East
- E Prospects for the World Economy
- F World and European Energy Scene
- G UNLOSC
- H Central America (defensive)
- I Hong Kong (defensive)
- J Argentina/Falklands
- K European Space and Technology Centre
- L Possible Change of Ambassador's Residence, The Hague
- M Personality Notes (Netherlands)



SUGGESTED PLAN FOR WORKING BREAKFAST

1. The Prime Minister may like to open with some words about the prospects for the British economy. The guests will be very interested both because of their connections with British firms, but also because of the effects of developments in Britain on the Dutch economy.
2. There has been some successful Dutch investment in Britain; there could be more. The Dutch are big investors overseas. Boskalis Westminster have important construction and manufacturing interests in the UK and have completed successful projects in e.g. Nigeria from their British base. Mr. Kraaijeveld von Hemert (No.6) is the Chairman and could speak about these operations.
3. There is continuing British investment in the Netherlands. British subsidiaries employ considerable numbers of Dutchmen. (At the Maastricht Council in April 1981 the Prime Minister saw the Chairman of Sphinx, a ceramics subsidiary of Reed International which is the biggest employer in Maastricht.) Gazelle is a wholly owned subsidiary of Tube Investments employing 575 people in the east of the country. They produce high quality bicycles and make a profit. Mr. Hancock (No.3) is the Managing Director whose success has enabled him to give an interesting talk to the Institute of Directors in London on how to run a factory in this country.
4. Invisibles play a considerable part in Anglo-Dutch trade. Mr. Bayliff (No.2) of an Anglo-Dutch law firm in Amsterdam is active in work connected with the legal side of subsidiaries, joint ventures and investment. Mr. Smith (No.8) of Ernst and Whinney, the major firm of international accountants, also plays an important indirect role in Anglo-Dutch trade.
5. Several of the other guests have identified obstacles to increased Anglo-Dutch trade and have suggested ways of making it

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more successful or have concentrated on particular areas. Amongst these ideas are -

- (a) Harmonisation of standards, on which the European Community is working slowly - Mr. King of GEC (No.4).
- (b) Development of pharmaceutical research in the Netherlands - Mr. de Voogd (No.10), Managing Director of Glaxo BV, a most important subsidiary of the Glaxo group.
- (c) North Sea oil and gas - Dr. Kleijn (No.5), Business Development Director of Mathew Hall, Keynes Engineering BV, a firm which has secured some valuable contracts in this sector.
- (d) Trade promotional use of Embassy facilities - Mr. Tax (No.9), General Manager of British Leyland (Nederland). Jaguars are selling well in the Netherlands; the Maestro will be launched in the autumn.
- (e) Japanese competition - Mr. Allan (No.1), Managing Director of Lansing Bagnall. His firm is suffering badly.
- (f) Computer software - Mrs. Ward (No.11). She is Managing Director of a successful company here in a rapidly growing sector.
- (g) Training of export managers - Mr. Olman (No.7). He has many dealings with British companies.

British Embassy
The Hague

Working Breakfast at the Residence
Tuesday, 20 September, 1983
8.30 a.m.

Mr. D'Ath

Mr. de Voogd

Dr. Kleijn

Mr. Tax

Mrs. Ward

Mr. King

Mr. Kraaijeveld
van Hemert

Mr. Hancock

Mrs. Thatcher

Host

Mr. Smith

Mr. Bayliff

Mr. Allan

Mr. Wilson

Mr. Olman

Mr. Butler



LIST IN ALPHABETICAL ORDER OF GUESTS
ATTENDING WORKING BREAKFAST WITH THE PRIME MINISTER

<u>NAME</u>	<u>COMPANY</u>
Mr R W Allan OBE	Lansing Bagnall BV Postbus 140, 2810 AC HILLEGOM Tel: 02502-7791
Mr P Bayliff	Clifford-Turner, van Doorne & Sjollema De Lairesstraat 131-135, 1075 HJ AMSTERDAM Tel: 020-641681
Mr M W Hancock	Gazelle Rijwielfabriek BV Wilhelminaweg 8, 6951 BP DIEREN Tel: 08330-19000
Mr J A King	GEC Group Antwerpseweg 1, 2803 PB GOUDA Tel: 01820-35222
Dr H R Kleijn	Matthew Hall Keynes Engineering BV Gerrit Verboonstraat 14, SCHIEDAM Tel: 010-260140
Mr J Kraaijeveld van Hemert	Royal Boskalis Westminster Group NV Postbus 75, 3360 AB SLIEDRECHT Tel: 078-111922
Mr S S Olman	Olman Handelsmij BV Postbus 84, 2400 AB ALPHEN A/D RIJN Tel: 01720-31631
Mr G R Smith	Ernst & Whinney Nederland Kon Julianaplein 10, 2595 AA DEN HAAG Tel: 070-814981
Mr G P J Tax	Austin Rover Nederland BV Postbus 204, 2800 AE GOUDA Tel: 01820-11122
Mr J N de Voogd	Glaxo BV Parklaan 6-8, 2132 BN HOOFDDORP Tel: 02503-15961
Mrs B I Ward	CMG (Computer Management Group) BV Leidseplein 1-3, 1017 PR AMSTERDAM Tel: 020-267720
Mr Colin Wilson	Counsellor (Commercial), British Embassy
Mr Malcolm D'Ath	First Secretary (Commercial), British Embassy



NOTES OF THE GUESTS AND THE FIRMS THEY REPRESENT

Mr R W Allan OBE

Managing Director, Lansing Bagnall BV since 1973 when the Company was established. One of five European subsidiaries the Dutch company sells battery electric forklift trucks imported from the UK and West Germany. The Company employs 84 people and has an annual turnover of Dfl 23 million.

Mr P Bayliff

Partner in the law firm of Clifford-Turner, van Doorne & Sjollemma since 1979. The firm specialises in company and commercial law and has international associated offices. Clients include British firms with subsidiaries in the Netherlands.

Mr M W Hancock

Managing Director, Gazelle Rijwielfabriek BV (wholly owned subsidiary of Tube Investments plc) since 1976, before which he was the Works Director. The Company employs 575 people and annual sales are worth about £25 million.

Mr J A King

Regional Manager, GEC Groups (Exports) to the Benelux since 1981. Joined the Company straight from training 20 years ago. The Company's main activities in the Netherlands are concentrated in power engineering (turbines, switchgear etc). There is also a separate branch of the Company concerned with information technology.

Dr H R Kleijn

Business Development Director, Matthew Hall Keynes Engineering BV since 1982. The Company which is a subsidiary of the UK firm of contractors, is engaged in engineering design and project management mainly for the energy and chemical process industries. The Company employs about 600 people and has an annual turnover on services of Dfl 50 million.

Mr J Kraaijerveld van Hemert

Chairman of the Board of Royal Boskalis Westminster BV since 1970. Company is one of the world's largest dredging companies, a major international construction company and a firm recognised as being a leading expert in the field of offshore contracting and pipelaying work. The Group includes several British companies.



Mr S S Olman

Managing Director, Olman Handelsmij BV since the Company was formed in 1966. The Company represents 12 British companies producing equipment for packaging industry on an exclusive sales basis and this business forms more than 70% of the Company's annual turnover.

Mr G R Smith

Partner in charge of Ernst & Whinney Nederland since 1976 before that in a similar position with the firm in West Germany. The firm, which is part of an international group of accountants, includes amongst its clients in the Netherlands, BP, Burmah Oil, Thorn-EMI, and Time Life.

Mr G P Tax

General Manager, BL Nederland BV since 1982. For each of the past few years the Company has sold about 1600 Minis and next month it will launch the Maestro in the Netherlands. Sales of Jaguar cars are increasing. This year they expect to sell 400 Jaguar cars.

Mr J N de Voogd

Managing Director, Glaxo BV, since 1975. Company ranks No.4 in the pharmaceutical branch of industry in the Netherlands and has a turnover of £12 million. Glaxo BV is one of the most important subsidiaries of the Glaxo Group.

Mrs B I Ward

Group Director, Computer Management Group BV in Amsterdam. CMG is a computer service bureau and software house offering services in the areas of Information management, consultancy and processing. Now employs some 650 spread through the UK, the Netherlands, Belgium and Germany. CMG has twin head offices, one in Amsterdam and one in London.



PRIME MINISTER'S BREAKFAST MEETING WITH BUSINESSMEN

Tuesday, 20 September 1983 at 8.30 am

Introduction

The first six months of this year show the Netherlands to be UK's fourth largest export market (£2601m), with a visible trade surplus in the UK's favour of £154m. Increased oil exports have kept our bilateral trade in surplus since 1980 and have maintained our position as one of the Netherlands' largest suppliers. Although our non-oil exports (principally machinery and vehicles, chemicals, manufactures and food) increased by 4% over the first half of 1982, our non-oil deficit worsened to £805m. Dutch figures indicate that imports from UK fell by 8%, whilst those from our principal competitors improved by at least 4% and total imports rose by 2%.

Apart from oil, UK's best export performance is in the following sectors:

Food (up by 8.5%)

Specialised industrial machinery - includes agricultural and food processing machinery (by 16%)

Office machinery & computers (the fastest-growing sector of Dutch imports - UK exports are up by 60%, and we were the second largest supplier in 1982)

Medical and pharmaceutical preparations (by 30%)

Clothing (by 25%)

Our principal imports from the Netherlands are food, machinery and vehicles (especially cars: the Volvo 340 series, made in the Netherlands is the ninth best-selling model in UK), refined oil, chemicals and bulbs and plants.

NB All figures refer to January-June 1983, except where indicated.

Comment

In addition to any general discussion the Prime Minister may wish to have, it is believed that the group may be interested in discussing the following points:

1. Improving UK firms' export performance:

UK firms often criticised for slow delivery and the problem is seen by some Dutch businessmen as one of weak management.



2. Artificial barriers to export:

Lack of a proper harmonisation of standards seen by major British firms in the Netherlands as an inhibiting factor to a greater flow of trade within the Community.

3. Support for British firms exhibiting overseas:

The British Engineering Exhibition to be held in Amsterdam from 22-24 November is not receiving BOTB joint venture support because it is not deemed to be an international exhibition, but some British businessmen feel that BOTB support should be provided for such important exhibitions

4. Co-operation between British and Dutch firms:

Valuable opportunities are thought to exist in third countries for British and Dutch firms to co-operate. Some firms such as Boskalis Westminster with its British interests are already active in such projects.

5. Value of the pound:

Importers claim the pound is overvalued. British goods uncompetitive.

6. Japanese competition:

A need is seen by British firms in the Netherlands for a cohesive European Community policy to overcome the effect on European industry of the Japanese continuing to sell at marginal prices.

7. Pharmaceutical products:

Dutch Government faced with the need to make substantial health care savings, is concerned at the high cost of pharmaceutical products in the Netherlands. The Government would like an increase in Dutch activity in this field and more acceptable price levels.

8. Collaboration in exploitation of North Sea oil and gas:

The UK and the Netherlands have strong industrial capabilities in the offshore sector and it has been shown collaboration can be to mutual advantage. BP chose the Grootint Yard of Dordrecht to construct some of the largest modules ever built for installation at its Magnus Field. Matthew Hall, one of Britain's largest engineering groups, and their Dutch subsidiary were associated with the project.

9. Trade promotional use of Embassy facilities:

Successful presentations have been held at the Residence to promote British offshore capabilities and Jaguar cars.



PRIME MINISTER'S TALKS WITH CHANCELLOR KOHL AND MR LUBBERS:

19-21 SEPTEMBER 1983

BRIEF A (i): THE STUTTGART NEGOTIATION

POINTS TO MAKE (LUBBERS)


1. Very glad that we have been able to work so well together both at and since Stuttgart and that our positions are so close. Must continue this in the run up to Athens.

2. Opportunity to break out of sterile pattern of recent years must not be wasted. The British Government are fully determined to seize that opportunity. The General Election has given the Government a mandate to work for the development of the Community in a dynamic way and that is what we shall do. We have indeed recently circulated a paper setting out our views on the development of the Community.

3. If we are to break the back of the negotiations by Athens talking must begin soon and must concentrate on the key issues.

4. As I said at Stuttgart, I would be prepared to consider an increase in own resources provided that we reached agreement on an effective control of the rate of agricultural and other expenditure and provided that it is accompanied by an arrangement to ensure a fair sharing of the financial burden so that no country has to pay a share disproportionate to its relative national wealth.

5. To take future financing first, we have as you know put forward proposal for a safety net. Basic principle is self-evidently fair: that there should be a limit on net contribution any Member State can be expected to bear, related to its size and relative prosperity. If a Member State's net contribution in one year was above its limit, their VAT contribution in the following year would be reduced accordingly Our safety net proposal provides the basis for a fair and lasting solution to the budget problem; would free Community from annual squabbles about refunds in a way which is both simple and involves the least dislocation of the Community's existing financial arrangements; and would enable those Member States bearing the heaviest budgetary burdens to look at proposals for new Community policies on their merits.



Agreement on these lines essential if we are to succeed at Athens. No other proposal on table would solve the problem.

6. Turning to the CAP, I find it encouraging that the Dutch and British approaches to the CAP are so close and in particular that we are both advocating a strict financial guideline which would provide a legally binding financial framework for decisions of agriculture ministers. Sure this is the only way to get them to take the hard decisions which are needed on individual commodity regimes.

7. Must continue to work together on this. Major priority is to persuade the Germans to swing behind the idea. I will work hard on Chancellor Kohl when I see him later in the week.

8. Believe you also share our concern about external aspects of Commission's proposals on CAP. Wrong to try to shift the burden of controlling CAP expenditure onto third countries: we have not been surprised by the reaction from US and other 3rd countries. We must try to convince our partners that:

a) A major row over export subsidies and market access would jeopardise the EC's industrial trade.

b) The Commission's ideas fly in the face of Article 110 (on the progressive reduction in barriers to international trade) and of Williamsburg undertakings.

9. The oils and fats tax is an especially bad proposal which has rightly been rejected on numerous occasions in the past:

a) it would damage the interests of our major trading partners and the developing countries. The US would be able to argue plausibly that it was contrary to our international obligations. This would lead to major international difficulties which are not acceptable.

b) it would represent not a "saving" but a tax which would bear hardest on the poorest consumers.

c) it would reduce the pressure for price restraint, which must be the first priority.

Our two countries share a particular interest in these products and we hope you will maintain your traditional strong opposition to this proposed tax.

10. On Milk, the key must be price restraint, and the effective



implementation of the guarantee threshold. We are awaiting the Commission's detailed proposals on the super levy, but in any event it would be essential to avoid discrimination against large farmers - we should stand together on this as we did after Lancaster House in the 30 May mandate negotiations.

11. One other matter which is harming the negotiations is problem over 1982 risk sharing refunds. We were dismayed at the decision of the Budget Council to put in the draft budget a figure for our 1982 risk-sharing payment which did not match up to our entitlement under the 26 October agreement. This is not acceptable. Community really must honour its commitments.

12. We oppose further restrictions on the import of cereals substitutes: hard to reconcile with GATT and would invite retaliation; and would also hit livestock producers, who already suffer under the CAP price structure.

Defensive Material

13. [If the question of linkage between Athens and our 1983 refunds is raised] Text of Stuttgart Conclusions make it perfectly clear that the decision on UK refund for 1983 was taken in the context of the adoption not the implementation of Stuttgart Declaration on negotiations on future financing. There was no link to the outcome of these negotiations and I could not and will not agree to such a link, whatever unilateral interpretations some of our partners may choose to make.

14. [If argued that the solution should be found through the development of Community's policies] We share the view that the Community should develop its policies away from excessive concentration on CAP. But it is simply not realistic to suppose that the imbalances problem can be solved by this means in the foreseeable future. For example would involve increasing ERDF by about double whole Community budget.

15. [If the Dutch say they could not accept a mechanism which would reduce the existing German net contribution.] The precise figures to be attached to the safety net scheme would be a matter for negotiation. Who would benefit and by how much would depend on these.

16. [If the Commission's proposal for modulated VAT is raised]



This would only reduce the UK's net contribution by about a quarter. So would not be a substitute for a safety net.

17. [If the Danish proposal for a convergence fund is raised] Welcome Danish recognition of need for the UK to be compensated for its excessive budgetary burden. But their scheme has serious defects and would not solve the problem. Not really a convergence fund since it does nothing for the poorer Member States and would leave the UK with an unacceptably high net contribution. Moreover, mechanism would last for 5 years only. Bound to cause continuing difficulties with the European Parliament over additional expenditure required. For these reasons, we do not consider it provides a basis for a settlement at Athens.


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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF A (ii): EUROPEAN COMMUNITY (EXTERNAL)

POINTS TO MAKE (Lubbers and Kohl)

EC/US Steel

1. We have taken every opportunity to make clear to US our disappointment at their measures. (For Chancellor Kohl: the Germans have been equally vigorous with their protests). Welcomed the tough conclusions of the July Foreign Affairs Council. Important for Community to maintain united front. Hope that EC/US consultations under GATT auspices will prove productive.

EC/US Agriculture

2. Important that Community should not make it harder for the US Administration to sell restraint to Congress, eg by encouraging the view that outcome of Commission/US talks was an American defeat or by countenancing Commission's proposals to increase external protection. Continuing bilateral talks, the best way to resolve EC/US agricultural trade disputes. However, US subsidised sales of dairy products to Egypt regrettable. Community should not over react. International Dairy Products Council best forum to tackle the problem.

EC/Japan

3. Community cohesion has been effective in persuading the Japanese of need to do something about their rising trade surplus. Must continue to speak with one voice in impressing on them that it is in their interests to find a solution. Recent import liberalisation package and export restraint measures in sensitive sectors welcome but not enough: more

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fundamental Japanese measures to increase imports of manufactures are required. Community must keep up pressure and continue to identify areas where we can legitimately expect movement: UK playing active role in this.

4. (If raised) UK paper on possible Japanese measures to promote manufactured imports was cleared with Commission and presented to the Japanese entirely in the context of the EC's approach. We thought it sensible to proceed on this basis because of the danger otherwise (over the holiday season) of missing the chance to influence Japanese Budget decisions. Important for the Community to follow up urgently.

Rollback on Protectionist Measures (if raised)

5. We will participate constructively and encourage the Community to do likewise in giving substance to the OECD and Williamsburg commitments. Informal protectionist measures have arisen to meet specific needs, and their dismantling will be a delicate business. But we are ready to advance realistically, in step with everyone else.

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF A (ii): EUROPEAN COMMUNITY (EXTERNAL)

ESSENTIAL FACTS (Lubbers and Kohl)


EC/US Steel

1. The Foreign Affairs Council on 18 July agreed satisfactorily tough conclusions on President Reagan's decision of 5 July to grant import relief to the US special steel industry for 4 years. The Prime Minister described the decision as 'deplorable', Mr Parkinson wrote and spoke to US Trade Representative Brock, and the Secretary of State spoke in Washington to Vice President Bush and Secretaries Shultz and Regan. The ruling is contrary to the Williamsburg commitment to halt and turn back protectionism, particularly as the decision was within the President's discretion. At initial EC/US consultations in the GATT, the Commission requested adequate compensation from the US, who affirmed their intention of meeting their GATT obligations and promised a thorough analysis of the EC case. Consultations are continuing. The US have accepted in principle the EC case for compensation, but is still examining the details of the EC proposals, including the possibility of exemptions for some special products.

2. The Germans have also made forceful representations: Herr Genscher spoke to Mr Shultz on 11 July and Count Lambsdorff has sent a message to USTR Brock. They have argued that the Community must force the US to abandon the measures: failing this, they must insist on compensation under the GATT.

EC/US

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EC/US Agriculture

3. US farmers, whose export earnings have seriously declined, have singled out EC subsidised exports (among many contributory causes) as scapegoat. EC/US consultations concluded in June with a joint report including a few general promises to curb EC surplus production and providing for an informal bilateral Working Group for 'the better definition and clarification' of GATT rules on direct or indirect subsidies. This modest outcome has been widely interpreted as a defeat for the US Administration and will be hard to sell to Congress as a satisfactory settlement of US grievances on the CAP. The US have additionally made demarches to the Commission and in EC capitals to protest against the Commission's proposals for CAP economies, which include features highly objectionable to the Americans, including an oils and fats tax and other measures designed to promote "Community preference", i.e. exclude imports, and which we also find very unsatisfactory.


4. The US decision (in August) to sell dairy products to Egypt at subsidised prices following their earlier sale of highly subsidised wheat flour, is a provocative attempt to deprive the EC of that market, at a time of delicate EC/US agriculture trade relations. The Commission have responded by requesting an extraordinary meeting of the Dairy Products Council and announcing the EC's intention to pursue the matter in the GATT. We have argued against a tit-for-tat response to a sale that furthers US interests little. We continue to support bilateral talks as the best way of resolving disputes and avoiding open hostilities, although privately our view is that multilateral solutions in GATT are best in the long term.

EC/Japan

5. Despite promises of best intentions and some small scale though welcome measures to improve access to their market, the Japanese visible trade surplus with the EC in the first six months of 1983 was nearly 11% up on the same period in 1982, and the current account surplus worldwide this year is

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expected to reach \$20 billion. The yen is still undervalued. The Japanese Government and the Commission agreed in February export restraint arrangements in some sensitive EC market sectors. They have also announced three import liberalisation packages. But these measures have not so far improved the trade figures. Under EC and US pressure, they are now considering further import incentives.

6. We strongly support the Commission's efforts to influence the expected Japanese import liberalisation package. We have prepared a list of suggested proposals as a contribution to the Commission's thinking. These have been shown to the Japanese, so that they are taken into account before their planning is too far advanced. The Japanese were made well aware that they are to be seen entirely in the context of the EC's overall representations.

7. If no progress is achieved, the Community is likely to consider reactivating its request (under Article XXXII.2 of the GATT) for a GATT Working Party to investigate its complaint that it has not received from Japan the trade benefits to which it is entitled from several rounds of tariff cuts. We may also seek Council discussion of the general trade problem in the autumn.

8. Building on similar language in OECD Ministerial Communique, the Williamsburg Declaration included a commitment to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers; and to consult on ways and means of doing this. The OECD Secretary General has produced some ambitious ideas of phased dismantlement, so far unpublicised, and the GATT Director-General is at work in the same field.

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A concerted EC approach has not yet been agreed. The Germans and probably the Dutch are generally positive, but the French very negative. We intend to combine a constructive attitude with a realistic assessment of what UK industry will accept, in the absence of sustained economic recovery.

Foreign and Commonwealth Office
13 September 1983

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF B: EUROPEAN SECURITY INCLUDING INF

POINTS TO MAKE (Lubbers)

INF

1. We are resolute in basic principles of NATO's negotiating position, (US and Soviet right to parity and the global approach), but remain ready to consider changes on secondary issues, and to consult rapidly within the Alliance, especially amongst the basing countries, as and when President Reagan wishes to make recommendations.
2. Crucially important for us all to convince public opinion of our sincerity at Geneva during count-down to first deployments. But we need to maintain steady nerve and calculate balance of advantage in any move between short term presentational advantage and long term security interests.
3. Dutch Parliamentary resolution of 6 September, about including British and French nuclear forces in arms control negotiations, not helpful. NATO has agreed since 1979 that in no circumstances should British and French systems be taken into account in the INF negotiations. Nor should they be placed on agenda of START talks which are about the search for superpower parity. Superpowers' strategic arsenals vast in comparison with very small British and French forces. If there were to be enormous cuts in these arsenals, and the strategic picture to change radically as a result, then we have always said we would look at the arms control question again. But that is probably a long way off.

/M Class

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M Class Frigates for the Netherlands (if raised)

4. Very much hope for substantial British co-operation in your frigate programme. Our Ministry of Defence have suggested talks on our mutual off-set requirements.

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF B: EUROPEAN SECURITY INCLUDING INF

ESSENTIAL FACTS (Lubbers and Kohl)

INF

1. The zero option remains NATO's goal. Ambassador Nitze, the US negotiator, is also offering an interim agreement - the right to equal numbers of missile warheads for the United States and Soviet Union.
2. The Russians are seeking to maintain a monopoly of long-range INF missiles. They claim an existing balance in long-range INF and that Pershing II and Cruise missiles are therefore unnecessary. They have offered to reduce their long-range INF missiles in Europe to 162, to match British and French missiles. In August Andropov clarified this offer by announcing a willingness to liquidate (rather than just remove to Asia) the excess missiles, including some SS20s.
3. The Americans have completed a review of possible changes in secondary issues in the agreed US negotiating position but, following the Korean airliner massacre, the President has not taken the final decisions. The Germans have brought pressure to bear in Washington for immediate moves on secondary issues in the negotiating position. Most recently Kohl argued for such moves to Nitze in Bonn on 5 September. The Chancellor may also lobby the Prime Minister. The Germans may have been told by the Americans that the UK has been cautious about an early and major move. We have argued, in NATO consultations and in a meeting between Sir G Howe, Herr Genscher, M. Cheysson and Signor Andreotti,

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that we have an open mind about moves on the secondary issues (such as a regional sub-ceiling, within the global total, for missiles within range of Europe, and the inclusion of some INF aircraft) but should choose carefully the best time for our move and not rush Alliance consultations.

4. The Chancellor and Herr Genscher have recently made strong and unambiguous statements about the need for INF deployment to begin this year and the Chancellor has confirmed publicly that some Pershing II missiles would be deployed even if an interim agreement were reached in Geneva.

5. Nuclear defence policy is a highly contentious issue in domestic Dutch politics. The current coalition parties, including Mr Lubber's Christian Democrats, are internally divided. His party could split on the nuclear issue and the coalition fall as a result.

6. The Government has postponed for as long as possible decisions on the outstanding issues of whether Cruise missiles should be deployed in the Netherlands and a possible reduction in the number of the current Dutch nuclear tasks. They are due to deploy 48 Cruise missiles by the end of 1986, which requires a positive decision by mid-1984. They have announced the most suitable site (Woensdrecht) but no construction work would begin before a positive decision. Decisions about the numbers of Dutch nuclear tasks are likely to await the outcome of NATO's review of its shorter range nuclear forces, to be announced by NATO's Defence Ministers at the end of October.

7. Against this background, Mr Lubbers said in a recent magazine interview that if in the end the current nuclear arms control negotiations are blocked by Soviet insistence on taking account of British and French forces, then those forces would have

/'to play

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'to play a special role'. On 6 September, the Dutch Parliament passed a motion asking the Government to press the US and other allies to take account of British and French forces in the INF negotiations or in START. The Foreign Minister undertook to raise this with the Alliance. When Sir G Howe talked to the Foreign Minister about this question informally on 7 September the latter suggested that we should find a formula on British and French systems which, without selling the pass, would be more credible. The line to take suggested in the brief is based on the Trident Open Government Document of March 1982 and does not really meet the need as our Allies see it. The Department will be submitting recommendations separately on this point, in the light of discussions at Chequers on 9 September and in the context of a draft reply to Mr Andropov's message to the Prime Minister.

Commitment to Common Defence

8. A Times leader of 17 August entitled 'Rethink on the Rhine', argued that there was no operational logic to a strategy of forward defence; that UK forces should be positioned as a tactical reserve; and that if the Germans wanted to maintain forward defence, they should fill our current role themselves. This caused concern in Bonn. Our commitment under the Brussels Treaty to maintain BAOR at 55,000 men was reaffirmed in this year's Defence White Paper.

Future Combat Aircraft

9. Major future prospect for European collaboration is a combat aircraft for the 1990s. UK, France and Germany (along with Italy and Spain) appear to have very similar requirements. UK and France have launched experimental aircraft programmes to explore technologies. Germany will not decide until late this year whether to undertake any programme. The subject will be a

/major

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major item for discussion at the trilateral (UK/FRG/France) Defence Ministers meeting in Paris on 21 September. We hope this will agree initial steps towards establishing the feasibility of a European collaborative programme.

Non-Combatant Evacuation Operation (NEO)(if raised)

10. During the Anglo/German summit in April, Chancellor Kohl expressed his concern about BFG plans to brief service dependants and other non-combatants on contingency plans to evacuate them to the UK in times of tension. The Commanders in Chief had wanted to start a briefing programme in January, along similar lines to one begun by the Americans in Europe in 1978 (the Germans are also sensitive about the American programme) but it was postponed until after the German elections in March.

11. Following Chancellor Kohl's remarks to the Prime Minister, the Defence Secretary postponed the programme indefinitely. In so doing, he was mindful of domestic considerations (eg providing CND with 'evidence' that the Government was planning for "warfighting" and not deterrence) as well as German difficulties. In these circumstances, there would be little point in giving further consideration to the programme until the current high level of public interest in defence issues has subsided.

M Class Frigates for the Netherlands

12. Prospects for wide range of British equipment, notably Rolls Royce Spey engine, for Dutch M Class frigate programme. But Dutch seeking linkage with RN purchase of Goalkeeper (Dutch-built close in weapons system). We have told them that we cannot commit ourselves until the technical and commercial merits of the proposals of the various contenders have been evaluated. US of S (DP) has written to his Dutch opposite number suggesting Anglo/Dutch

/talks

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talks on mutual offset requirements. Preliminary discussions between national armaments directors will take place on 12 September. Briefing will be updated as necessary.

Foreign and Commonwealth Office
13 September 1983

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PRIME MINISTERS TALKS WITH MR LUBBERS AND CHANCELLOR KOHL:

19-21 SEPTEMBER 1983

BRIEF C: EAST/WEST RELATIONS OTHER THAN INF

POINTS TO MAKE (LUBBERS)

AIRLINER

1. Our views and reactions very similar. Clearly vital that West should send strong signal of condemnation to Soviet leadership. Ban will have this effect. For longer term, aim should be to ensure this sort of incident can never happen again.

EAST/WEST POLITICAL

2. Airliner incident serious in its own right. Important that free world (not only West) should make emphatic statement of condemnation. Symbolic of a deeper problem - the attitude of mind and outlook of the Soviet Union. Clear echoes of Afghanistan, repression of dissidents and policy towards Eastern Europe.

3. Illustrates need for a firm and coordinated Western policy. Russians accept tough negotiating tactics and understand direct criticism. Firmness has been instrumental in pushing Russians to point of admitting that they shot down airliner. But West has been sensible to avoid intemperate measures (eg suspending arms control talks) which would have damaged longer term interests.

4. We must continue to expose Soviet leaders to clear and well prepared statement of Western values. Sir G Howe spoke plainly to Gromyko at Madrid. Must take care not to compound the isolation which the Soviet leaders impose on themselves and their own people.



POLAND

Lifting of Martial Law and Subsequent Developments

5. Some developments around 22 July positive: lifting of martial law, partial amnesty, relaxation of foreign travel restrictions, withdrawal of military commissars from civilian enterprises. However new laws, if implemented in full, will be repressive.

6. Scale of disturbances on Solidarity anniversary (31 August) apparently much smaller than last year. Government seemed firmly in control. Solidarity ideals no doubt still strong, Walesa personally popular. But people's will to violent protest/resistance seems to be declining.

UK Position/Review of Western Policy Towards Poland

7. Recent developments contain some positive elements. Should be prepared to consider review of Western policy. We need consistent strategy for the long term not tied to day to day fluctuations.

8. Inappropriate to consider formal bilateral exchanges at ministerial level until at least 1984, but could consider gradual resumption of bilateral contacts at senior official level. Aim not to show favour but to state Western views on developments, gradually reengage Western influence in Poland. But important that Alliance move together on these points.

Rescheduling of official debts

9. Have always felt resumption of negotiations a Western interest. But here too Western solidarity important.



AFGHANISTAN

10. Vital to maintain international concern and pressure on Russians to withdraw. Keep issue in forefront of world attention.

UNGA 38

11. Aim to secure another strong UN vote. Significantly reduced vote would give Russians propaganda advantage. Important to stress global rather than than East/West aspects of issue.

12. Continue to keep in close touch with Pakistanis, whose firm stand essential.

UN Mediation

13. No sign Russians will break deadlock by agreeing to crucial timetable and termination date for withdrawal. Need to ensure that Russians take blame for any breakdown in talks.

MADRID/CDE

14. Has given useful impulse to Helsinki process. Exposed Soviet abuse of human rights internally and standards of behaviour (Poland, Afghanistan and Korean Airliner) externally. Forced Soviet Union to defend its policies. Must now maintain pressure, in particular over human dimension. Essential to be able to demonstrate real progress when Follow-up Meeting convenes in Vienna in 1986. Ten can be effective reliable for representations to Russians in individual cases.

15. Attach importance to CDE. West has achieved considerable success at Madrid in getting its four essential points into the mandate - military significance, verifiable,



politically binding, and covering the whole of Europe. We must keep up the pressure on the East and, where possible, cooperate with NNA.

16. Important to get over to public opinion the role which CSBMs can play in reducing tension through increased openness about normal patterns of military behaviour.

17. Look to NATO as appropriate forum to work at spread positions on CSBMs proposals as we did before Madrid.

EAST/WEST ECONOMIC RELATIONS

18. Our views on this subject have been, and remain, close.

19. Completion of post-pipeline studies a major contribution to Western harmony in this field. Alliance has emerged from Williamsburg much more unified and clearer headed. Major success in managing Alliance, which now has guidelines which should help us to avoid past pitfalls in formulating national policies. Must maintain system of close consultation, especially in COCOM where work is now focussed.

20. Believe it important to deal with problem of technology leakage to East. We are re-inforcing our COCOM enforcement efforts, and very much hope that our partners will be able to make similar moves.



PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL:

19-21 SEPTEMBER 1983

BRIEF C: EAST/WEST RELATIONS OTHER THAN INF

ESSENTIAL FACTS

AIRLINER

1. The Russians have now admitted that they shot down the airliner, but have gone no way towards meeting the Korean demands (explanation, apology, compensation, punishment of those responsible, measures to prevent repetition). They continue to assert (without any evidence) that the US was using the aircraft for intelligence purposes.
2. Action falls under the following heads (corresponding to US non-paper circulated in Washington on 5 September):
 - (a) vigorous action in UN Security Council and in ICAO (on 15 September):
 - (i) to press the Russians for a full account of the incident; and
 - (ii) to seek agreement on international procedures to prevent repetition;
 - (b) a claim to Soviet Government on behalf of the relatives of the one UK national and the 14 Hong Kong residents who died. (We are reserving our rights as to compensation for loss of property in incident.)
 - (c) efforts to secure significant international agreement on civil aviation measures as a protest against the Soviet Union's behaviour. With effect from 15 September shall be suspending;



- (i) all Aeroflot flight to and from UK;
- (ii) all British airline flights to and from USSR;
- (iii) all Soviet overflights of UK territory.

Both the Netherlands and the FRG will be taking parallel action.

- (d) support for private action by the British Airline Pilots' Association (BALPA) to impose ban on flights to Soviet Union.

Circumstances of Shooting-down

3. We have no reason to doubt the detailed account of the incident which has been made public by the Americans. It appears that the Korean 747 entered Soviet air space above Kamchatka at approximately 1630 GMT on 31 August and then followed a 'great circle' route which took it above the Sea of Okhotsk (where it briefly returned into international air space) and then over the Island of Sakhalin. The aircraft was attacked by a Soviet fighter aircraft above Sakhalin, and was hit by an air-to-air missile at 1826 GMT. There is no evidence to suggest that the Soviet aircraft moved sufficiently close to the 747 to establish whether it was a civil or military aircraft. Likewise there is no evidence to support Soviet claims that their fighters took effective steps to attract the pilot's attention and to instruct him to land at a Soviet airfield.

EAST/WEST POLITICAL

Soviet Policy

4. The Soviet Union's main short term objective continues to be to undermine the Western commitment to the 'double decision'. The Russians have used every East/West contact



this year as an opportunity for maintaining the propaganda over INF, and they have persisted in the tactic of appealing to public opinion behind the backs of Governments.

5. In the longer term the main Soviet objectives are:

(a) to weaken the Western Alliance politically and militarily by exploiting transatlantic differences;

and (partly in support of this)

(b) to establish a more substantial relationship both in political and economic terms with Western Europe.

NETHERLANDS/SOVIET UNION

6. Dutch usually take firm and principled line on East/West issues (including human rights). Relations with the Soviet Union had however been improving gradually, and were about to reach a relative peak with the first post-Afghanistan ministerial contacts between Agriculture Minister Braks to Moscow in September and Soviet Foreign Minister Komplektov to the Hague in October. The Dutch have postponed both visits. A Parliamentary delegation of the leaders of the three main parties in the second chamber has also cancelled a visit, the purpose of which was to discuss security and disarmament issues.

7. The Dutch will welcome HMG's decision to postpone the visit by Soviet First Deputy Foreign Minister Kornienko.

FRG/SOVIET UNION

8. Chancellor Kohl's purpose in visiting the Soviet Union (4-7 July) was to demonstrate Alliance firmness, while at the same time signalling (in part to domestic German opinion) that the FRG remained ready to work for a less strained East/West relationship. He was helped by his



strong domestic position, and the German media commented in glowing terms on his performance.

9. The Russians kept the accent on INF, but registered the visit as an important and serious East/West occasion, albeit in terms which gave prominence to Soviet "peace loving" policies.

10. Kohl surprised both his hosts (and even his own supporters in the FRG) by his forthright reminder to the Russians on the ultimate goal of conditions of peace in which the German people will regain their unity in free self-determination. He also emphasised Bonn's desire to normalise relations with the GDR. The Russians appear to have hinted that inner-German relations might suffer if INF deployment went ahead, but the main (implicit) message which Kohl brought away was that in the longer term the Russians would not wish to upset the "sensible and reasonable relations" between the FRG and Soviet Union.

11. Herr Kohl gave the Prime Minister a detailed account of the visit on his return to Bonn.

POLAND

Recent Developments

(i) Lifting of Martial Law

12. After events of 22 July, could be argued that 2½ out of 3 NATO criteria (lifting of martial law, release of political prisoners, resumption of dialogue with Church and Solidarity) have been met. Sole exception - dialogue with Solidarity. But separate new legislation, if fully applied, will mean that most repressive controls of martial law are preserved. Also difficult to argue that there is any substantial sign of greater dialogue or cooperation between Government and governed (although Church/State contacts

seemed somewhat improved after Pope's visit, Glemp recently spoke highly critically of Government policy).

(ii) Amnesty

13. Large number of political and other prisoners benefited under partial/conditional amnesty law introduced 22 July. We estimate that probably hard core of 60-70 persons, who could be described as "political" offenders, remain in prison. Americans have reservations about authorities' implementation of amnesty and quote (questionable) Polish Church sources as suggesting that possibly 600 political offenders still detained (with perhaps 1000-1500 released under amnesty).

(iii) Solidarity Anniversaries in August

14. 31 August disturbances on anniversary of signing of the Gdansk Agreements (between Solidarity and Government in 1980). Seem to have been on much smaller scale than in August 1982. Government showed ability to control situation and contain protests after lifting of martial law. Also indicates that although Solidarity ideals still command widespread support, there has been perceptible decline in popular enthusiasm for violent protest and demonstrations against the regime.

UK Position/Review of Western Policy Towards Poland

15. UK Ministers have agreed our objective should be to seek gradual reengagement of Western influence in Poland. Need to avoid risk of becoming trapped in event-orientated, short term policy. General agreement that resumption of formal bilateral ministerial exchanges in capitals not appropriate until at least 1984. But some divergence of view amongst EC partners about whether a gradual resumption of senior official contacts is yet appropriate. Also clear that the Americans have yet to make up their minds on whether recent developments in Poland merit any adjustment of policy.



16. We do not regard bilateral contacts (even at ministerial level) with Poles in margins of international conferences as constituting resumption of regular formal political exchanges eg in capitals. As a result of Polish initiative, Secretary of State informally and briefly met his opposite number (Olszowski) in margins of recent Madrid Conference on Secretary of State indicated our continuing anxieties about situation in Poland and confirmed that resumption of formal ministerial political contacts was inopportune.

Rescheduling of official debts

17. UK has consistently considered resumption of negotiations a Western interest. Paris Club meeting on 29 July reached agreement in principle to resume rescheduling negotiations but Americans made their agreement provisional and have explained elsewhere that it depends on whether 'the vast majority' of political prisoners are released. We hope that meeting of Creditors' Group on 15 September will have agreed to undertake detailed preparation of technical issues and draft a letter to the Polish authorities proposing resumption of negotiations. But UK will need to follow carefully evolution of US thinking. Preservation of public unity among members of NATO remains an important objective.

AFGHANISTAN

UNGA 38

18. The General Assembly has so far passed four resolutions with overwhelming majorities calling for the immediate withdrawal of foreign (ie Soviet) troops from Afghanistan; preservation of Afghanistan's independence and non-aligned status; the right of the Afghan people to choose their own government and the voluntary return of the refugees in safety and honour. The Pakistanis will again take the lead



in sponsoring the resolution this year, but we (and our allies) will lend discreet lobbying support. The recent unrest has not so far affected Pakistan's firm stand.

19. It is important that neither the resolution nor the vote is weakened. We have asked the Pakistanis informally to consider strengthening this year's draft resolution by specific references to the Afghan people's right of self-determination and to the involvement of the refugees in the negotiations, with the aim of enhancing the political status of the refugees (and resistance). The Pakistanis have shown initial interest and we await a substantive response.

UN Initiative

20. The mediation effort by Cordovez, the Secretary-General's personal representative, remains deadlocked on the crucial question of a precise timetable and termination date for Soviet withdrawal. The latest round of "indirect talks" in Geneva in June produced disappointing lack of progress. The Soviet position is unyielding.

21. Perez de Cuellar has postponed Cordovez's September visit to the area, as the Pakistani and Afghan Foreign Minister will be in New York. Both he and Cordovez have been less optimistic about the UN mediation since June. In talks with the Secretary of State on 31 August, the Secretary-General admitted that progress depends on Soviet agreement to a specific timetable, but said that he will pursue his efforts so long as the Pakistanis and Afghans remain interested.

22. Further talks are planned in the margins of the General Assembly. So far, Cordovez has not approached the US and Soviet Union about their possible role as guarantors of a settlement. Wide disagreement remains on the nature and



scope of these 'guarantees', in particular, whether they should apply to the whole settlement.

Situation on Ground

23. Military stalemate continues. Some 105,000 Soviet troops remain vital prop to Karmal regime. Increasing brutality of Soviet and Afghan offensives fail to break resistance spirit and civilian support. Up to 3 million refugees in Pakistan and a further million registered in Iran.

MADRID/CDE

A 24. CDE mandate approved in Madrid confines first stage of conference to Confidence and Security Building Measures (CSBMs). Mandate subject to review in 1986. Conference begins 17 January 1984 in Stockholm; preparatory meeting in Helsinki in October.

B 25. Preparations already underway in NATO although still at early stage. FRG determined to play leading role for domestic political reasons (INF and Hesse elections). Our general approval similar. NATO draft package (CM (80) 83) likely to be basis of proposals which NATO will table.

EAST/WEST ECONOMIC RELATIONS

26. UK policy on East/West trade is in line with that agreed with our Western partners at Williamsburg, NATO, and elsewhere. It is unlikely to be affected by the Korean Airliner incident.

27. In COCOM, the next round of the current List Review begins this month. The Americans are continuing to press for tighter controls on technology transfer to the Soviet bloc, but within the framework of the existing COCOM strategic criteria. Action is now under way in Whitehall to

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implement the Recommendations of the Working Party on Enforcement, which were endorsed in the summer by OD Ministers. But this entails tighter implementation of existing COCOM policy, rather than a change in COCOM policy itself.

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A

Conference on Confidence- and Security-building Measures
and Disarmament in Europe

The participating States,

Recalling the provisions of the Final Act according to which they recognize the interest of all of them in efforts aimed at lessening military confrontation and promoting disarmament,

Have agreed to convene a Conference on Confidence- and Security-building Measures and Disarmament in Europe.

1. The aim of the Conference is, as a substantial and integral part of the multilateral process initiated by the Conference on Security and Co-operation in Europe, with the participation of all the States signatories of the Final Act, to undertake, in stages, new, effective and concrete actions designed to make progress in strengthening confidence and security and in achieving disarmament, so as to give effect and expression to the duty of States to refrain from the threat or use of force in their mutual relations.
2. Thus the Conference will begin a process of which the first stage will be devoted to the negotiation and adoption of a set of mutually complementary confidence- and security-building measures designed to reduce the risk of military confrontation in Europe.
3. The first stage of the Conference will be held in Stockholm commencing on 17 January 1984.
4. On the basis of equality of rights, balance and reciprocity, equal respect for the security interests of all CSCE participating States, and of their respective obligations concerning confidence- and security-building measures and disarmament in Europe, these confidence- and security-building measures will cover the whole of Europe as well as the adjoining sea area^{*/}

^{*/} In this context, the notion of adjoining sea area is understood to refer also to ocean areas adjoining Europe.

- 12 -

and air space. They will be of military significance and politically binding and will be provided with adequate forms of verification which correspond to their content.

As far as the adjoining sea area^{*/} and air space is concerned, the measures will be applicable to the military activities of all the participating States taking place there whenever these activities affect security in Europe as well as constitute a part of activities taking place within the whole of Europe as referred to above, which they will agree to notify. Necessary specifications will be made through the negotiations on the confidence- and security-building measures at the Conference.

Nothing in the definition of the zone given above will diminish obligations already undertaken under the Final Act. The confidence- and security-building measures to be agreed upon at the Conference will also be applicable in all areas covered by any of the provisions in the Final Act relating to confidence-building measures and certain aspects of security and disarmament.

The provisions established by the negotiators will come into force in the forms and according to the procedure to be agreed upon by the Conference.

5. Taking into account the above-mentioned aim of the Conference, the next follow-up meeting of the participating States of the CSCE, to be held in Vienna, commencing on 4 November 1986, will assess the progress achieved during the first stage of the Conference.
6. Taking into account the relevant provisions of the Final Act, and having reviewed the results achieved by the first stage of the Conference, and also in the light of other relevant negotiations on security and disarmament affecting Europe, a future CSCE follow-up meeting will consider

^{*/} In this context, the notion of adjoining sea area is understood to refer also to ocean areas adjoining Europe.

ways and appropriate means for the participating States to continue their efforts for security and disarmament in Europe, including the question of supplementing the present mandate for the next stage of the Conference^a on Confidence- and Security-building Measures and Disarmament in Europe.

7. A preparatory meeting, charged with establishing the agenda, time-table and other organizational modalities for the first stage of the Conference, will be held in Helsinki, commencing on 25 October 1983. Its duration shall not exceed three weeks.
8. The rules of procedure, the working methods and the scale of distribution for the expenses valid for the CSCE will, mutatis mutandis, be applied to the Conference and to the preparatory meeting referred to in the preceding paragraph. The services of a technical secretariat will be provided by the host country.

N A T O S E C R E TORIGINAL: ENGLISH/FRENCH
9th December, 1980DOCUMENT
C-M(80)63(Final)PREPARATION FOR THE CSCE FOLLOW-UP
MEETING AT MADRID IN 1980DRAFT PACKAGE OF CONFIDENCE BUILDING MEASURES
IN CONNECTION WITH THE DRAFT MANDATENote by the Secretary General

Attached is a draft package of Confidence Building Measures in connection with the draft mandate.

2. This draft package of CBMs has been prepared by the Political Committee at the request of the Council with a view to the preparations for the CSCE Follow-up Meeting at Madrid in 1980.

3. On 8th December, 1980, the Council approved this document, by the silence procedure, and I am now circulating a final version.

(Signed) Joseph M.A.H. LUNS

NATO,
1110 Brussels.

This document consists of: 1 cover page + 6 pages

N A T O S E C R E T

PACKAGE OF CONFIDENCE-BUILDING MEASURES IN CONNECTION WITH THE DRAFT MANDATE

<u>Chapter</u>	<u>Title</u>	<u>Description</u>
I. Measures of Information designed to improve knowledge of military forces	1. Exchange of military information	1. Periodic exchange of military information on: - command organization; - the stationing, designation and composition of major ground and air forces formations and main combat units(1)
II. Measures designed to enhance stability notably by making clear a pattern of normal military behaviour, in particular by indicating according to precise rules, the size and scope of specific military activities	2. Exchange of forecasts of activities notifiable in advance.	2. List of pre-notifiable activities to be included: (a) Out-of-garrison land activities, whether these are independent or combined with air and/or amphibious support. (b) Mobilization activities including recall of reservists. (c) Amphibious activities The exchange will be annual, containing information on a quarterly basis, with the possibility of changes. The list does not replace or overrule the notification requirement as defined for measure 3

(1) If a measure related to military budgets were to be proposed by other Participants, there is Alliance understanding that Western participants then would make the following counter proposal: "The CSCE participants agree to participate actively in the UN pilot study with a view to preparing the ground for meaningful negotiations in the field of exchange of information on the main defense budget appropriations and financial resources for military purposes."

<u>Chapter</u>	<u>Title</u>	<u>Description</u>
II. (contd.)	3. Notification of military activities	
	(a) <u>Prior notification of:</u>	3(a)(1)
	(i) Out-of-garrison land activities whether these are independent or combined with air and/or amphibious support	<p>Participating states will notify out-of-garrison land activities, whether independent or combined with air and/or amphibious support, involving one or more ground force division formations(2). A division will be considered to be conducting a notifiable out-of-garrison activity whenever a majority of its major combat elements and the command and control element are out-of-garrison at the same time.</p> <p>The requirement to notify out-of-garrison activities also will apply to a formation which is organized temporarily into a structure comparable to a notifiable Division formation as defined above.</p> <p>For those combat elements of ground forces not organized into Division formations, an out-of-garrison activity would be notifiable under this measure when carried out either by (three) brigades or equivalent sized formations(3) including their command and control element and operating under a single command(4) or by 10,000 or more men operating under a single command(4).</p>

- (2) It is the understanding of the Allies that this measure would also apply to movement of ground force divisions out-of-garrison to ports of embarkation for sealift operations.
- (3) The term "equivalent sized formations" will need further elaboration within the Alliance.
- (4) The term "under a single command" will need further elaboration within the Alliance before negotiations start.

3(a)
(contd.)

<u>Title</u>	<u>Description</u>
	<p>3(a)(i)(contd.)</p> <p><u>Definition of out-of-garrison</u></p> <p>A formation will be considered out-of-garrison when it is away from its normal fixed peacetime location.</p> <p><u>Time of notification</u></p> <p>45 days in advance</p>
<p>3(a) (ii) Mobilization a activities including recall of reservists</p>	<p>3(a) (ii) <u>Threshold</u></p> <p>25,000 troops</p> <p>or substantial augmentation with personnel of 3 or more divisions(5)</p> <p><u>Time of notification</u></p> <p>45 days in advance</p>

The term "substantial augmentation" will need further elaboration within the Alliance; meanwhile it is the Alliance understanding that the additional structural parameter does not mean a lowering of the threshold of 25,000 troops.

<u>Title</u>	<u>Description</u>
3(a) (iii) Amphibious activities	3(a) (iii) Notification of all landings of amphibious troops in the area 45 days in advance. In case the area of landing is decided upon at a later time, as soon as the landing area has been determined but no later than the time of commencement of landing. In case these same troops have embarked in the notification area, the date and place of embarkation shall be included in the text of the notification(6)
3(b) Notification of Alert Activities as soon as they are initiated.	3(b) When a notifiable out-of-garrison land activity, mobilization activity including recall of reservists or amphibious activity is carried out at short notice as an <u>Alert Activity</u> it will be notifiable at the time of its actual commencement.

The definition of the threshold remains the subject of discussion in the CBM Working Group.

<u>Chapter</u>	<u>Title</u>	<u>Description</u>
III. Measures for the observation and verification of compliance with commitments undertaken.	4. Extension of facilities granted to Accredited Military Personnel	4. Extension of the facilities for Accredited Military Personnel by reduction of certain restrictions on their activities
	5. Observation of certain pre-notified military activities	5. This measure contains two elements: (a) Obligation according to a regime to be defined to invite observers to the following pre-notified activities: - out-of-garrison land activities - routine peacetime mobilization training activities including recall of reservists - Amphibious activities (b) Definition of the modalities for the treatment of observers.
	6. Verification of implementation	6. The verification measure would include three elements: (a) Commitment that each participant shall use national technical means of verification at its disposal in a manner consistent with generally recognized principles of international law. Each participant undertakes not to interfere with the national technical means of verification of the other participants operating in accordance with this measure. (b) Procedure for request for information, consultation and/or clarification.

<u>Chapter</u>	<u>Title</u>	<u>Description</u>
III. (contd.)		6(c) Inspection according to arrangements to be agreed for example, through military personnel with the right to monitor compliance with CBM agreements(7)
	7. Development of means of communication	7. Facilities for enhanced communications between governments for: - the exchange of information - notifications - requests and answers in the verification procedures.

(7) It is the understanding of the Allies that this provision protects the right to submit further monitoring/verification measures, should Allies agree to do so.



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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF D: MIDDLE EAST

POINTS TO MAKE (Lubbers)

1. Lebanon. Most useful role for Ten to support efforts of President Gemayel/US/Saudis to promote political agreement. Best route to national reconciliation.

2. Fully intend to maintain MNF contribution, as long as force can play useful role. But no intention of expanding size or role of contingent. RAF Buccaneers in Cyprus will be able to provide support for MNF as necessary. Important to deter deliberate attacks on forces. But no intention of getting involved in inter-communal conflict. Your views on future peacekeeping arrangements?

3. Arab/Israel. Important for Ten to remain actively involved in search for peace. Moderate Arab frustration growing at stalemate. Ten can help prevent polarisation until better prospects for progress.

4. Iran/Iraq. No major fighting since Iranian offensive in Northern and Central sectors in July/August. But recent reports indicate Iranians preparing for further offensives.

5. Threat to Shipping in the Gulf. We are concerned at the danger of the conflict spreading to other parts of the Gulf. French decision to sell Super Etendard aircraft to Iraqis will not help.

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6. Mediation. Most mediation attempts appear to be in abeyance. UN General Assembly may be useful opportunity for both sides to meet UN Secretary General.

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF D: MIDDLE EAST

ESSENTIAL FACTS (Lubbers and Kohl)

1. Netherlands and German Attitudes. The Dutch at present have a battalion with UNIFIL in Southern Lebanon but have declared their intention to withdraw them when the present mandate expires in October, barring entirely new circumstances, which would enable the Force to fulfil its original mandate. Neither the Dutch nor the Germans have been closely involved in the political activity over Lebanon. Chancellor Kohl postponed his visit to Israel at very short notice when Mr Begin announced his intention to resign. He is due to visit Cairo, Riyadh and Amman in early October but no new date for his visit to Israel has yet been agreed. At a recent press conference Chancellor Kohl reaffirmed his commitment to a balanced policy involving close relations with both the Arab world and Israel.

Lebanon

2. Fighting in the Shouf between Christian and Druze (Muslim) militias following Israel's partial withdrawal on 3-4 September is likely to continue for several days. The Druze, with Syrian and Palestinian support have had some initial success: their capture of the Christian town of Bhamdoun on the Beirut/Damascus road and their advance further west to Aley has greatly disturbed the Christian population. The Druze and Syrians may only be willing to consider a ceasefire and negotiations once they have pushed Christian militias completely out of Druze territory. The Lebanese Army has managed to capture and hold the important Khalde road junction south of Beirut airport and is cautiously

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extending its operations on the edge of the Shouf. The army is holding together and performing more effectively than many had expected. But in absence of a political agreement it is unlikely to be able to deploy into the central Shouf or enforce a ceasefire.

3. US and Saudi efforts at mediation continue. The Saudis, having briefly disengaged are in touch again with the Syrians through Prince Bandar. Mr McFarlane, initially encouraged by his talks in Damascus on 7 September now has doubts about Syrian willingness to take seriously a US/Lebanese/Saudi formula involving a ceasefire, restraint on operations by the Lebanese army and political negotiations between Lebanese confessional leaders, including Syrian and Saudi representatives, but without US participation. These negotiations would decide on future security measures in the Shouf and presumably formation of a new government with greater Druze participation. Mr McFarlane suspects that the Syrians may be playing for time, hoping that military pressure alone will persuade the Lebanese Government to accept all Syrian demands. He told MNF representatives in Beirut on 8 September that he intended to recommend to President Reagan a public statement by MNF governments placing responsibility for continuing violence in Lebanon solely on Syria, backed up by a threat to use force against Syrian subversion in Lebanon. The Administration's reaction to this idea is likely to be cautious.

4. There have been a number of attacks on MNF contingents, some of them apparently deliberate. All (except BRITFORLEB so far) have suffered casualties. The US have responded with artillery and naval gunfire and will shortly have an additional 2000 marines offshore. The French have threatened retaliatory air strikes. BRITFORLEB HQ came under small-arms fire on

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/6 September



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6 September (no casualties and no fire returned), probably an attempt by Shia gunmen in nearby Beirut suburbs to provoke a response.

5. There is little scope for action by the Ten. Political Directors discussed the possibilities in Athens on 5 September (Athens telno 296 attached). Presidency undertook to contact McFarlane to ask what the Ten could usefully do, but may not have done so before 12 September. We suggested the Presidency might follow up, on behalf of the Ten, representations made to the Syrians by the US, Italy and UK, urging Syria to give political reconciliation in Lebanon a chance. Most of our partners were in favour of some form of public expression of the Ten's support for efforts to achieve national reconciliation and restore Lebanon's independence, which would certainly be welcome to the Lebanese and the Americans.

6. At the UN the Lebanese have floated the idea of a new Security Council mandate to put a UN force into Beirut and the Shouf to replace the MNF. The UN Secretariat think that agreement on a mandate for such a force is not impossible, though Syrian/Soviet support must be doubtful. Much will depend on the outcome of mediation efforts in Beirut and Damascus. An early meeting of the Security Council is unlikely. The Secretary General is starting consultations with the USSR, MNF contributors and the Syrians but is anxious not to cut across McFarlane's efforts.

7. The Ten are aware of the need to maintain their Arab/Israel diplomacy at a time of growing US absorption in the problems of Lebanon. But there is no disposition to mount a major new initiative. The Arabs are increasingly disillusioned with US policy. The next Arab Summit is to be in Riyadh in November. Although the PLO are now more self-confident and the split with

/Syria

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Syria is less acute, there seems little prospect of an advance beyond Fez.

8. Iran/Iraq. There has been no major fighting reported since the Iranian offensives in the northern and central sectors in late July/early August. The Iranian offensive in the north captured 85 square miles of Iraqi territory, including Haj Omran and some strategic heights in the area. The offensive in the central sector (which ended with an Iraqi counter-attack from 6-9 August) was inconclusive but Iranians succeeded in retaining some initial gains. Both sides are now reinforcing in these areas.

9. Threat to Shipping in the Gulf. The French decision to sell Super Etendard aircraft equipped with Exocets to the Iraqis has led to fears that the conflict will spread to other parts of the Gulf. The Iraqis have said openly that the new aircraft will be used to attack shipping and Iranian oil installations. The Iranians have responded with threats to block the exports of oil from the Gulf. [If raised: Both we and the Americans have made representations to the French about the sale. The French response was that in their view the sale might help to re-establish a military balance in the area and that Iraqi possession of the weapons would act as a deterrent. We disagree with this assessment by the French and continue to hold the view (unlike the French) that the Gulf States have strong reservations about the proposed sale].

10. Mediation. There has been no recent progress on mediation and most efforts seem to be in abeyance. Attempts to develop on the UN Mission of Enquiry's report failed when the two sides could not agree on the text of a Presidential statement.

Foreign and Commonwealth Office

13 September 1983

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF E: PROSPECTS FOR THE WORLD ECONOMY

POINTS TO MAKE (Lubbers (and Kohl, if necessary))

1. Task of policy over the coming months is to turn the opportunity for sustainable growth into reality. This opportunity for growth at a rate sufficient to halt in the short or medium-term the rise in unemployment is now better than for some time. This increases the importance of continued pursuit of the right responsible policies which create a favourable climate for growth without a resurgence of inflation.
2. Recovery in North America has begun strongly. Given importance of US economy in world as a whole, pursuit of appropriate policies there is more important than in other countries. During my forthcoming visit to North America, I will be expressing to President Reagan my concerns that US policies should not choke off recovery. Particularly important that US should live up to Williamsburg commitments of reducing budget deficit and protectionism. Conversely European ability to persuade US depends, at least in part, on our willingness to live up to Williamsburg commitments.
3. Also important to ensure that recovery contributes to resolution of developing country debt problems. Recovery is the single most important contribution developed countries can make to solving this problem. Important that this is seen to be true. But continued flows of official and private finance to developing countries will continue to be necessary; it is important therefore that the IMF quota increase goes through. It is also important that developing countries' own adjustment efforts already substantial, should continue.



PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF E: PROSPECTS FOR THE WORLD ECONOMY

ESSENTIAL FACTS (Lubbers and Kohl)

1. Since about the turn of the year a strong recovery in activity has been apparent in the US and Canada. In both countries declining (though still historically high) interest rates and declining inflation have stimulated consumer spending and housebuilding; the stock cycle has provided a further temporary boost to growth; and an expansionary fiscal policy has contributed to recovery. In neither country is there any strong evidence that business investment is yet beginning to grow again.

2. In other OECD countries recovery has been slower to come - indeed in some it has not started - despite the same broad experience of declining interest rates and inflation. North American recovery has provided a stimulus to exports but private domestic demand has remained depressed and unemployment has continued to rise in Europe and Japan.

3. Major forecasters see recovery as being slow relative to past experience. The IMF forecast completed in the summer, and broadly in line with our own internal forecast, anticipated year-on-year GNP growth in the major seven economies of 2.2% this year and 3.5% next year. The outlook remains pretty gloomy for Europe: the IMF put European countries' growth at only 0.6% this year and 1.9% next year, and unemployment higher in 1984 than in 1983 in all four major European economies.



4. If US growth does continue faster than in major trading partners the strains on current balances of payments will increase. IMF foresaw US current deficits of \$29 billion this year and \$54 billion in 1984, with large offsetting surpluses in Japan and Germany. These sorts of deficits will create strong pressures for currency realignments.

5. For OECD countries much depends on the continuation of steady growth and stable or falling interest rates in the United States. Even on the IMF's encouraging assumption of growth of 2.9% this year, 4.3% next in the US the recovery in Europe looks set to be half-hearted at best. It could be choked off if US interest rates rose sharply on evidence/market fears of either competition for funds between Federal Government and private borrowers or excessive monetisation of deficit. It could conversely be strengthened if the US authorities demonstrated resolve to reduce the fiscal deficit and if as a result interest rates worldwide fell significantly.

6. World trade, which fell last year, is probably now beginning to recover. This will allow developing countries to increase their exports and perhaps to cut further, but not eliminate, their current deficits. The stock of debt looks set to continue growing, and further extensive capital flows to debtor countries will be necessary.

Foreign and Commonwealth Office
13 September 1983



PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF F: WORLD AND EUROPEAN AND ENERGY SCENE

POINTS TO MAKE (Lubbers)

World : Oil

1. At Williamsburg, agreed that more predictability and less volatility in oil prices would be helpful to world economic prospects. That remains our aim.

EC : Solid Fuels

2. We are keen to see balanced and comprehensive solid fuels policy. The Commission's proposals therefore very welcome. Coal a valuable indigenous resource in the Community with a major and growing role to play in meeting the Community's energy needs, thus increasing its self-sufficiency. We want to see a Community solid fuels policy which supports the development of a viable industry by measures to encourage economic production and use to coal. (Such a policy could also help in a small way to achieve better balance in the Community between agriculture and other policies).

3. We hope for Dutch understanding and support on broad political and budgetary grounds. The solid fuels package is an earnest of our willingness to work together for new Community policies and a test of the Community's ability to solve common problems.

4. (If raised:) The Commission's proposals give the strictest safeguards against aids for uneconomic production. They would also help the basic restructuring necessary to ensure a viable industry in the long term.



PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF F: WORLD AND EUROPEAN ENERGY SCENE

ESSENTIAL FACTS (Lubbers and Kohl)

World : Oil

1. Use of other fuels, greater efficiency in energy use and recession have caused a fall in world oil demand over the last three years. Non-OPEC oil production (Mexico, Norway, UK) has shown a small but steady increase. The result is a dramatic fall in demand for OPEC oil (from 30 mbd in 1979 to less than 16 mbd this Spring). OPEC members agreed at a meeting in London in March to set a ceiling of 17.5 mbd for their own production, and to cut the price of the Saudi light marker crude from \$34 to \$29. BNOC proposed prices for UKCS crudes that were in line with OPEC's. These prices were accepted in the market, with the result that the oil price structure held. Demand for OPEC oil is now estimated at 18.3 mbd and could conceivably increase to around 19.0 mbd at its winter peak. Spot prices for light crudes are currently about \$0.70 per barrel above term prices. It is too early to be certain that the upturn in oil demand will continue.

2. UK Oil production averaged 2.2 mbd in the first half of 1983 (2.1 mbd in 1982). We do not expect any marked change in output for the remainder of the year. Thereafter, oil production may increase slightly in 1984 and 1985 but decline in the latter part of the 1980's. We remain committed to policies that maintain the incentive for companies to continue their exploration and development activities on the United Kingdom Continental Shelf.

/EC : Solid Fuels



EC : Solid Fuels

3. UK Supplies to EC Countries

The UK is the major supplier of oil (ahead of Saudi Arabia) to the FRG, France and Denmark.

EC Energy Questions

4. As the largest coal producer in the Community, the UK stands to gain significantly from any Community solid fuels package. Financially, there would be a modest but useful net benefit. Politically, in supporting the idea of a solid fuels policy, we are demonstrating a willingness to work for new Community policies which will contribute to the future development of the Community. Such an approach fits in well with the Stuttgart Declaration on relaunching the Community. If, on the other hand agreement on a package is blocked by other Member States we shall be able to cite this as further evidence that a permanent solution to the budget problem can only be achieved by some such means as the 'safety net' and not, in the foreseeable future, by structural changes.

5. The Department of Energy have been careful to ensure that our approach to the EC solid fuels strategy has been consistent with objectives agreed by Ministers with the NCB. It is for this reason that we have called for support linked to economic investment.

/6.



6. The present Commission proposals provide for modernisation of the most promising mines, the development of new production capacities which can operate economically with current technologies and the closure of high-loss and non-economic production capacities.

7. Many Member States, including the Dutch, believe that the Commission proposals are too heavily weighted in favour of production and do not offer enough for consumption. The Germans may be able to accept the strategy as a vehicle for reducing budgetary imbalances.

8. Although not on the formal agenda, the topic will no doubt be discussed at the forthcoming Informal Energy Council in Athens on 23 September.

Foreign and Commonwealth Office
13 September 1983

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PS/Prime Minister

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REPLACEMENT BRIEF G (UNLOSC)

Points to Make

1. In my recent message I underlined our concern that early signature by so important a country as the FRG would undermine our joint efforts to secure changes in the mining regime.
2. Now that the recent preparatory Commission has confirmed that observers will retain an effective voice, there is no need to contemplate early signature on that score.
3. I understand that the German Cabinet is now unlikely to consider this question for some time and we were grateful for Herr Genscher's assurance that no decision will be taken by your Government without prior consultation. This is an important subject on which we shall need to keep in close touch.

Essential Facts

FRG Attitudes Towards the Convention

1. During August we became concerned by reports from the German press and FRG officials that FRG policy on signature was changing. (We had been aware for some time that the FRG Ministry of Foreign Affairs favoured signature for fear of losing credit in the Third World on this issue.) The Economics Ministry, having stood out against signature of the Convention appeared to be moving towards acceptance of the Convention as a quid pro quo for signature of the proposed exploration agreement, involving us, Italy, France, Belgium, Netherlands, Japan, UK and FRG, the aim of which is to prevent overlapping in sites licenced for exploration under national sea-bed mining legislation. At their meeting on 30 August Herr Genscher assured the Secretary of State that the FRG would not take a decision without consulting us. When the Prime Minister's message was delivered to the Chancellor's Office on 14 September, officials commented that there was little likelihood of an imminent decision on German signature, but there is still some uncertainty as to when the subject will be considered by the Cabinet. When Herr Mertes met Mr Rifkind on 13 September, he confirmed that the ruling CDU and Count Lambsdorff, the Economics Minister, were still opposed to early signature. However given the attitude of the Ministry of Foreign Affairs and their concern that continuing FRG non-signature might jeopardise Hamburg's candidature as the site for the International Law of the Sea tribunal, we need to keep underlining to the Germans the importance we attach to maintaining our common front.

/European

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European Community

2. The European Community would, under the UNLOS Convention, be eligible to sign the Convention if a majority of member States signed. At present five of the ten have done so. The European Commission has urged non-signatory members States to sign so as to facilitate Community signature, and the German MFA may well be sensitive to such pressures. If the FRG were to sign and thus create a majority the other non-signatories would be likely to follow and we might become the only member State to hold out against Community signature. We argue that Community signature, like member State signature, would give a wrong signal to the G-77 implying that we had dropped our objections to the mining regime.

Preparatory Commission

3. The Preparatory Commission was set up in March this year with tasks which included formulating rules for deep seabed mining. As signatories of the final act of the UNLOS conference, we and the FRG may participate fully in the Commission's work, although without the right to vote. One of the arguments which had been influencing the German MFA was that observers' rights to participation might be curtailed. However, at the resumed session from 15 August - 9 September the rights of observers were successfully defended.

British Embassy
Bonn

20 September 1983

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF G: UNLOSC (If raised)

POINTS TO MAKE (Lubbers)

1. Look forward to continuing cooperation with Netherlands over finalising the Exploration ('Reciprocating States') Agreement.
2. Grateful for Netherlands' help over defending rights of observers at Preparatory Commission.
3. Netherlands shares some of our concerns about unsatisfactory nature of deep seabed mining regime. Hope we can continue to work together in the Preparatory Commission to try to obtain improvements.

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND
CHANCELLOR KOHL: 19-21 SEPTEMBER 1983

BRIEF G: UNLOSC

ESSENTIAL FACTS (Lubbers and Kohl)

1. Since the UN Law of the Sea Convention opened for signature on 10 December 1982, it has been signed by 129 delegations, including the Netherlands and 4 other EC countries (Ireland, Greece, France and Denmark). Non-signatory states, now totalling 38, include the UK and FRG. The Convention will not come into force until 1 year after 60 ratifications or accessions have been deposited. So far there have been only seven.

FRG Attitudes to the Convention

2. During August we became concerned by reports from the German press and FRG officials that FRG Government policy on signature of the Convention was changing. Within the FRG the Economics Ministry has stood out against signature of the Convention, but it too may now be moving towards acceptance of signature as a quid pro quo for signature of an Exploration ('Reciprocating States') Agreement (see para 7 below). We **A** prepared a message from the Prime Minister to Chancellor Kohl urging the FRG not to sign. At a meeting with Herr Genscher on 30 August, the Secretary of State was told that the FRG would not take a decision without consulting us.

International Law of the Sea Tribunal

3. Hamburg is a strong candidate for the International Law of the Sea Tribunal which will be set up by the Preparatory Commission. There is some concern in the FRG that this will be

/jeopardised

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jeopardised by continuing FRG non-signature, and this may well be another factor influencing the Germans in favour of signature.

European Community

4. Under the Convention, the European Community would be eligible to sign if a majority of member States had signed. At present the position is balanced between the 5 signatories and 5 non-signatories. The European Commission earlier this year urged non-signatories including ourselves to sign so that the Community could sign in its own right. We resisted this. If the FRG were to sign and thus create a majority, we would then be the only member State holding out against Community signature. Furthermore, the other non-signatories (Italy, Belgium, Luxembourg) would be likely to follow if the FRG signed.

Netherlands attitudes to the Convention

5. The Dutch were among the first signatories of the Convention. But they have expressed their misgivings about its deep seabed mining provisions particularly those relating to mandatory technology transfer and the prohibitive cost of the Authority. They are also seeking to obtain improvements.

Preparatory Commission

6. The Preparatory Commission was set up in March this year with tasks which include formulating rules for seabed mining. As signatories of the Final Act of the UNLOS Conference, we and the FRG may participate fully in the Commission although without the right to vote. There was concern among the observer members that our rights might be curtailed and we know

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that this is one of the arguments in favour of signature which have been influencing the German MFA. However, at the resumed session (15 August - 9 September) in Kingston, the observers' efforts to defend their rights have been successful. So far PrepCom has confined itself to procedural matters and it is not expected to get down to the substance of seabed mining until some time next year.

Deep Seabed Mining

7. Both German and Dutch (and UK) companies have shares in consortia which are developing sea-bed mining techniques. In order to provide government recognition for licences issued under national seabed mining legislation, the FRG, Netherlands, and ourselves together with five other countries (US, Italy, Belgium, Japan, France) have during the past nine months been involved in talks aimed at an Exploration ('Reciprocating States') Agreement, to follow on from the Conflict Resolution Agreement signed by ourselves, the FRG, US and France on 2 September last year. It is hoped that an agreement will be finalised by the end of this year.

Foreign and Commonwealth Office
13 September 1983

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OUT TELEGRAM *PF*

JA Stephen

Classification and Caveats

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6 FM FCO SEPTEMBER 83
7 TO IMMEDIATE BONN
8 TELEGRAM NUMBER
9
10 INFO PRIORITY KINGSTON, WASHINGTON, ROME, BRUSSELS, LUXEMBOURG
11 MIPT: UNLOSC CONVENTION: FRG
12 1. Following is text of message referred to in MIPT
13 BEGINS:
14 I am writing to you about the United Nations Law of the
15 Sea Convention as I understand that you and your colleagues
16 may at some time in the near future be giving consideration to
17 the possibility of signature.
18 I know that you are already aware of the basic arguments
19 against signature of the Convention as it stands at present.
20 Its provisions relating to deep seabed mining set unsatisfactory
21 precedents for compulsory transfer to technology and limitation
22 of production. The structure proposed for the International
23 Seabed Authority is disproportionately elaborate for the nature
24 and number of operations it would oversee and would require
25 unacceptably high financial contributions from States.
Furthermore, the powers of the Authority go beyond what is

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Drafted by (Block capitals) JOHN HOLMES		
Telephone number		
Authorised for despatch <i>John Holmes 13/9</i>		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL :
19-21 SEPTEMBER 1983

BRIEF H : CENTRAL AMERICA (defensive)

POINTS TO MAKE (Lubbers and Kohl)

1. Concerned at continuing tensions in region. Could affect stability of whole area, including our major interest Belize.

Peace Initiatives

2. Welcome Contadora Group's efforts, which have worldwide support. Useful safety valve. Also welcome efforts by the US Special Envoy (Senator Stone) to bring together opposing factions in El Salvador.

UK support for President Reagan's policy

3. Important to understand what US is trying to do. President Reagan grappling with very serious problems. Trying to help governments whose attempts to tackle deep-seated political and economic problems are threatened by Soviet and Cuban-backed guerrillas.

4. We endorse basic US aims: to encourage democracy, political and economic reform, dialogue and negotiations. US should be given more credit for substantial economic assistance to area. Three quarters of all US aid to the area is economic, not military. Concerned that US not putting its case well enough in Europe.

US military activity

5. Not an end in itself. Attention given to it out of proportion. Americans see it as 'security shield' to help Central American governments combat terrorism and insurgency, disowned by majority of

/population



population. Appears to have had moderating effect on Nicaragua and Cuba.

EC/Central America

6. Must continue to work together towards an EC policy which is based on an agreed assessment of the common interests of the Ten in the area and does not unnecessarily irritate the United States. Should work to support development of democratic process in Central America.

EC initiatives (if raised)

7. But scope for practical Community support for current peace initiatives very limited. Next step should be meeting between EC and Contadora Group in New York. Not in favour at present of sending Community emissaries to Central America. Could be counterproductive, interpreted as signalling new dimension to European concerns about area. Central American situation has its own dynamic.

EC aid (if raised)

8. Not in favour of increased aid. Competing higher priorities. Central American countries better off, in strict economic terms, than much of Third World. Aid alone cannot solve problems anyway.

Nicaragua

9. Concerned about sustained leftward authoritarian drift. Unions powerless, press heavily censored, private sector, church and ethnic minority groups harassed. Military buildup, aided principally by Soviet Union and Cuba, alarming.

El Salvador

10. Hopeful of political solution. Welcome next Presidential election as indication that people desire peace and democracy. Will
/continue



continue to express concern to Government of El Salvador about violations of human rights.

Cuba

11. President Castro opportunistic mischief-maker, surrogate for the Russians. His declared support for current peace initiatives encouraging, but reluctant to believe his sincerity while he continues to encourage growth of Nicaraguan armed forces and export revolutionary terror.

Belize/Guatemala (if raised)

12. Would welcome resumption of talks. We are willing to participate as observers if both sides wish. Still taking stock of new Guatemalan Government.

British Garrison in Belize (if raised)

13. When Belize became independent in 1981 it was agreed that garrison would remain for an appropriate period to help defend Belize against external threat. This is still the case.



PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL :
19-21 SEPTEMBER 1983

BRIEF H : CENTRAL AMERICA (defensive)

ESSENTIAL FACTS

Peace Initiatives : Contadora Group

1. Full meeting of 4 Contadora Group members (Mexico, Venezuela, Colombia, Panama) and 5 Central American Foreign Ministers held in Panama on 7/8 September. Agenda included discussion about agreements on cessation of arms deliveries, withdrawal of military advisers, timetables for elections in Nicaragua and El Salvador, etc. US fully supports, as do European Community, Soviet Union, Cuba, China and others.

Senator Stone/Salvadorean opposition contacts

2. US roving Ambassador Senator Richard Stone met FDR/FMLN guerrilla representatives twice, at end July and early August. Salvadorean Peace Commission and representatives of guerrilla movements also held talks in Bogota, Colombia, 30 August - 2 September. Should be seen as preliminary probing to test possibility of concessions by either side. Prospect of significant progress at this stage slim, although Senator Stone described these initial contacts as 'positive'.

US Exercises in Central America

3. Exercise Big Pine 2 now in full operation in Honduras. Will involve up to 6000 US ground troops over 6 months. Publicly welcomed by Honduran Defence Chief. Naval exercises involving Task Force of about 25 US ships also underway in Pacific and Caribbean off Honduran/Nicaraguan coasts.

/4.



4. US Defence Department spokesman said on 25 July US had no plans to intercept any arms shipments in international waters. At press conference on 26 July, President Reagan said US Administration had no plans for military intervention. On 5 August, Secretary of State Mr Shultz outlined to Senate Foreign Relations Committee aims of joint exercises: a) to improve training and readiness of US and Honduran forces; and b) 'to provide credible assurance to all parties that the US has capability to muster a protective shield in the face of any challenge to the Inter-American system and our international legal obligations'.

EC policy on Central America

5. EC economic and commercial links with Central America relatively slight, as are historical and cultural connections. The Stuttgart Communiqué contained a clear statement of the European position, emphasizing need for regional solutions to regional problems. Scope for practical EC support for current peace initiatives very limited; collective action or statements could be counterproductive and run risk of cutting across US and Latin American efforts to promote internal and international negotiations. Further public EC statements risk being seized on as support for particular objectives of one side or the other.

EC initiatives

6. The Greek Presidency have been pressing to mount an initiative by sending a Greek Minister to visit Central America in the name of the Ten as positive expression of Ten's interest in Central American problems and to give moral support to regional peace initiatives. It was agreed at Political Directors' meeting on 5 September that Ministers should discuss proposed mission further on 12 September. Majority view was that Ten should seek a meeting between Foreign Ministers of the Troika (FRG, Greece, France) and their Contadora counterparts in the margins of the UNGA at New York first.

/EC

EC aid to Central America

7. The March 1982 European Council conclusions stated that 'aid given by the Member States of the Community and by the Community itself for development in Central America and the Caribbean should be coordinated and increased within the limits of their possibilities'. The Commission subsequently proposed a programme of 65 mecu extra aid this year for all countries of the region.

8. After discussion at two further Foreign Affairs Councils on 22 November the Council decided that beneficiaries of this special programme should be limited to Costa Rica, Honduras and the Dominican Republic. We successfully opposed the inclusion of Nicaragua. But Nicaragua continues to receive both food and project aid from regular EC programmes.

9. At the Political Directors' meeting on 5 September the Commission pointed out that any increased allocation to Central America during the current year would be at the expense of other non-associates. Moreover the 1984 budget would call up all resources for the first time. In 1982 it had been possible to reallocate an undrawn margin. But this year it will be very difficult to find more money.

UK aid to Central America

10. We give some technical assistance to Costa Rica and Honduras. Half of a capital aid loan of £5 million to Honduras has been disbursed. Substantial financial aid to El Salvador and Nicaragua out of the question in present unstable circumstances. Britain contributes to Red Cross and INCHR appeals for humanitarian aid and to EC aid budget.

Nicaraguan/Honduran Border

11. The US is giving financial and material support to groups of anti-Sandinista counter-revolutionaries ("contras") operating in /northern



northern Nicaragua, almost certainly from bases in Honduras (although Honduras denies it). The US say that the purpose of their support is not to destabilise Nicaragua but to exert pressure to stop arms shipments from Nicaragua to guerrillas in El Salvador. They claim to have some success in this. But most EC partners (and many others) believe these tactics are counter-productive: driving the Sandinistas deeper into Soviet/Cuban hands and giving them excuses to increase their grip on the internal situation and to import more arms.

Build-up of Nicaraguan forces

12. Nicaragua now has largest combined Army/militia in the region (100,000). This will be increased as a result of the new law introducing direct conscription. These forces are supported by 2000 Cuban military advisers and 100 or more Soviet and East European personnel. Cuban experts have trained many Nicaraguan recruits in the State security apparatus responsible for maintaining Sandinista control over the population. Over the past 18 months shipments of Soviet manufactured military equipment have amounted to over 13,000 tons and are currently running at twice the 1982 level. Deliveries include 45-50 tanks, armoured personnel carriers, mobile rocket launchers, helicopters, military ferry boats, howitzers and transport aircraft. 800 trucks have also arrived in Nicaragua over the past 12 months, obviously capable of military use. Although the airforce is still small, several airfields are being constructed or improved which could service military jet aircraft. For example, a new 3.600 metre runway is nearing completion at Punta Huete near Managua which will be the largest military airfield in Central America. It remains to be seen whether the MIG fighters based in Cuba will be sent to Nicaragua.

El Salvador

13. Some indications that arms shipments from Nicaragua may have decreased as result of pressure on Sandinistas by US, by "contras" and Contadora Group. Salvadorean armed forces' morale has risen, /and



and increased mobility by government troops now permitting rapid reinforcement of units under attack. Major effort underway to secure important agricultural areas in San Vicente department and rebuild economic infrastructure. Guerrillas maintain tactical and propaganda advantage in other areas with hit-and-run raids, avoiding set-piece battles. Question remains whether army can sustain present offensive operations long enough to damage severely FMLN war effort.

14. Seems likely Presidential elections will be postponed until first quarter of 1984. US hope that election will return a strong moderate Government with a sufficient mandate to press ahead with reforms, stamp out human rights abuses and improve military effectiveness. This would help restore domestic and international credibility and strengthen the Government's hand in any negotiation with the guerrillas. But it may not work that way; the right-wing may win. Even if elected, the moderate Christian Democrat leader, Napoleón Duarte, may not be able to impose his will as he and the US wish.

15. Human rights abuses continue but there are some signs that the military are responding to US pressure to improve their record. Killings by right-wing death squads are likely to increase as the election approaches.

Developments in Guatemala

16. President Rios Montt was forced to resign on 8 August. General Oscar Humberto Mejia Victores, the Minister of Defence, became Chief of State. The new government continues to consist mainly of military personnel, to pursue more traditional right-wing domestic policies, and to uphold Guatemala's claim to at least part of the territory of Belize. There is no indication of an immediate threat of military action against Belize.

17. We have no indications that Rios Montt's downfall was related to his attitude to the Belize question. The main elements which led /the



the opposition to move definitively seem to have been his autocratic conduct of affairs, his attitude to tax reform, his suppression of corruption, and bringing his brand of evangelical Christianity into public affairs. Insofar as Rios Montt appeared to be prepared to contemplate a form of agreement acceptable to Belize, his removal must be regarded as a setback. We now have to begin again to explore the attitude of the new government, and to assess the possibility of promoting contacts between them and the Government of Belize.

18. General Mejia has said that he will not take the title of President. He has said that the campaign against subversion will continue and has pledged to lift the restrictions on press freedom and the right of assembly. He has also said he will continue the process of democratisation, and that elections will be held by July 1984, the precise date being set by the Electoral Tribunal.

Belize: British Garrison

19. The garrison comprises 1500 men, a flight of 4 Harriers and a Rapier anti-aircraft missile system. Separately 13 British service personnel are on loan to the Belize Defence Force to help with training and organisation.

Belize/Guatemala talks (not for use)

20. Talks scheduled for 15 August between Belize and Guatemala, with UK observer participation, were postponed on account of the military coup. The talks have now been rescheduled provisionally for 26 September in Miami. We expect little progress at this stage.

9 September 1983

Mexico and Central America Dept

SECRET

PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL :
19-21 SEPTEMBER 1983

BRIEF I : HONG KONG [DEFENSIVE]

POINTS TO MAKE (LUBBERS)

1. Talks through diplomatic channels between Britain and China agreed last September. Meetings held in Peking with common aim of maintaining Hong Kong's stability and prosperity.
2. Second (ie more detailed) phase of talks began in July. Will reconvene 22/23 September after seven week recess. Chinese delegation led by Vice Foreign Minister Yao Guang, British delegation by HMA Peking. Governor of Hong Kong participating as appropriate on British side.
3. Content of talks confidential. Atmosphere generally friendly though Chinese line on substance tough throughout. We have given nothing away.
4. Our aim is to seek a settlement acceptable to Britain, China and people of Hong Kong. Their views being taken fully into account. Made known to us and Governor through many channels. We are in close consultation, through the Governor, with Hong Kong's Executive Council (EXCO). Mr Luce to visit Hong Kong 24-29 September.
5. Chinese propaganda has floated idea of Hong Kong as (Special Administrative Region(SAR) under Chinese constitution, with considerable autonomy and functioning essentially as it does now. Propaganda campaign aimed at undermining our position. Party General Secretary, Hu Yaobang, told Japanese reporters on 15 August that China would recover sovereignty over Hong Kong on 1 July 1997. He gave erroneous impression. We have conceded nothing.
6. Most people in Hong Kong sceptical of this SAR idea. Evidence suggests Chinese have not thought through most detailed issues involved. They seem to assume that by saying Hong Kong will continue to be financial/commercial centre or that currency will

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PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL :
19-21 SEPTEMBER 1983

BRIEF I : HONG KONG

ESSENTIAL FACTS

1. Neither the Dutch nor the Germans have been kept regularly abreast of developments in our talks with the Chinese on the future of Hong Kong but Lady Young/Mr Rifkind did give Dr Mertes (Minister of State, FRG Ministry of Foreign Affairs) a general briefing when he visited London 12-13 September.

2. Both the Dutch and the Germans have some interest in this subject. The Netherlands is Hong Kong's 9th and the FRG its 3rd largest market for domestic exports. There is a strong German business community in Hong Kong, and considerable German investment there.

Future of Hong Kong

3. The Prime Minister is aware of the background. The second phase of Sino-British talks began in Peking on 12 July 1983 and will resume on 22/23 September after a seven week recess.

SECRET



PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL:
19 - 21 SEPTEMBER 1983

BRIEF J: ARGENTINA/FALKLANDS

Points to Make (Mr Lubbers)

- 1 Grateful for abstention last year on General Assembly Resolution 37/9.
- 2 Attach importance to our Community partners not voting against us on a matter so directly affecting our interests.
- 3 Argentine attitude remains menacing. They refuse to recognise the right of the Islanders to live in peace and freedom under a Government of their own choosing. They have not renounced the use of force and they have made no adequate response to initiatives, such as the Community offer of talks about economic restrictions, aimed at restoring a more normal bilateral relationship. And in speaking of 'negotiations' they continue to believe that these must inevitably lead to a transfer of sovereignty. See no prospect therefore that negotiations about the Falkland Islands could serve any useful purpose.
- 4 Hope our partners will urge the Argentines to work for a restoration of a more normal relationship, to build trust, and to demonstrate convincingly that they renounce the future use of force and recognise the rights of the Islanders.

PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL:
19 - 21 SEPTEMBER 1983

BRIEF J: ARGENTINA/FALKLANDS

Essential Facts

1 Both the Netherlands and the FRG, together with our other Community partners except Greece, abstained last year on General Assembly Resolution 37/9. We have been lobbying in both capitals to urge that they maintain that position on any similar resolution to be voted on at this year's General Assembly.

2 Neither from The Hague nor from Bonn have we had a clear indication that we can rely on an abstention at the General Assembly. Concern about the impact of a vote against negotiations on their relations (including in the Dutch case air traffic rights) with Argentina and with other Latin American countries clearly exercises a strong influence on their consideration of their attitude at this year's General Assembly. We have in the course of our lobbying made clear that it would be unacceptable, in the context of Political Cooperation, for any of our partners to vote diametrically opposite to us on a question of such importance to Britain.

Arms Sales (Chancellor Kohl)

3 At the time of the Falklands conflict the FRG put an embargo on the export of arms to Argentina. Arms exports under contracts pre-dating the conflict were resumed in the autumn of 1982 and have included several 'high profile' items attracting much attention, notably the first two (of four) MEKO 360 destroyers which are powered by Rolls Royce engines. Work is in hand on a series of TR1700 submarines. Reluctantly we have had to accept the FRG argument that it would be difficult to prevent exports under pre-existing contracts. There is clearly strong

/pressure



pressure from the German arms industry for new contracts. Chancellor Kohl has stood by his undertaking given to the Prime Minister last April to prevent the export of certain torpedoes for the TR1700 submarines. He has recently written indicating that the French and Italians may be seeking to supply these torpedoes. The Prime Minister has replied saying that we should be glad to discuss any information about this which the FRG may have and agreeing with the proposal that the wider aspects should be discussed by Defence Ministers at the Anglo-German Summit on 9 November.

PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL:
19-21 SEPTEMBER 1983

BRIEF K: EUROPEAN SPACE AND TECHNOLOGY CENTRE

ESSENTIAL FACTS

1. The European Space and Technology Centre (ESTEC) at Noordwijk near The Hague is the major establishment of the European Space Agency (ESA) which was formed in 1975 by Belgium, Denmark, France, West Germany, Ireland, Italy, The Netherlands, Spain, Sweden, Switzerland and the United Kingdom. The Agency was set up to promote co-operation in space research and technology for peaceful purposes.
2. Member States contribute to the budgets for its mandatory activities (i.e. the general budget and the scientific programme budget) on the basis of their average national income calculated over the past three years. But many of the Agency's major programmes are optional and Member States contribute to these to the extent that they are interested. The total budget for this year is approximately US \$811 million of which the UK will contribute 12.5%; France and West Germany providing 21.0% and 17.8% respectively. Participation in ESA programmes is on an understanding of 'fair return' and Member States expect to receive for their national industries contracts of a value roughly proportional to their original contributions. The concept of 'fair return' is seen to help the development of a competitive European space industry. There is little private financing of space exploration or exploitation in Europe and all space ventures so far have been the concern of governments or government-controlled companies.
3. The Agency works on a principle of 'no profit, no loss' and therefore does not handle the commercial exploitation of the programmes whose design and development it has financed. However, when a clear and continuing future need is seen for products of its research and design, exploitation is entrusted to a selected industrial entity. An example is the Ariane launcher which is being produced by Arianespace, a private company founded by



European industry. Projects of the future are likely to prove expensive and where they are not within the budget constraints, the Agency will undertake such projects in co-operation with other agencies, for example, NASA.

4. The Space and Technology Centre is responsible for the design and development of spacecraft and for applied research in space technology. Europe's contributions to the NASA Space Transportation System, Spacelab, which is expected to be launched on 28 October, has been one of the Agency's major programmes over the past 10 years. The Director of the establishment and technical director of ESA is Professor Massimo Trella, who is an Italian national. At the Centre he has a staff of about 780 of which 200 are British nationals.

5. In securing development contracts at ESTEC, British firms have done better in the last two years than the size of our contributions would warrant. The most consistently active British company has been the British Aerospace Dynamics Group. Others have secured useful business including Marconi, Ferranti, Logica, Plessey and ICL. The Centre has a relatively small department concerned with information technology, and attempts only to compliment what is being done by each Member State. All of the Agency's communications satellites including OTS, ECS, Marecs and L-Sat have been primed by British Aerospace.

ESTEC VISIT PERSONALITIES

Director General of ESA - Mr Eric Quistgaard (Denmark)

Graduated as a Mechanical Engineer. Spent 3 years with the Chrysler Corporation, USA, and was a General Manager for Volvo in 1965 and Director in 1969. In 1972 became Managing Director of the Danish shipbuilding firm Odense-Lindo. His 4-year contract at ESA ends on 15 May 1984. He will be replaced by Professor Lust, now president of the German Max-Planck-Gesellschaft. Mr Quistgaard has little charisma, but showed his mettle in dealing with the Ariane failures including the mechanical problems of the third stage turbo pump gears.

Technical Director (and Director ESTEC) - Professor M Trella (Italy)

A scientist who was in the Italian delegation before joining the Agency as a Director in 1975.

Director of Applications Programmes - Mr E S Mallett (UK)

A physicist who has been in industry, in Royal Aircraft Establishment (Farnborough), Director, Space Department of Industry (1976), UK delegate to the ESA Council and Chairman of the Joint Communications Board, and then Director of the National Maritime Institute. His 4 year appointment as Director of Applications Programmes began on 1 February 1981.

Director of Scientific Programmes - Dr Roger Bonnet (France)

A young and respected French space scientist, appointed Director Science in May. He was Chairman of ESA's Space Science Advisory Committee from 1978 to 1980.

Head of Space Science Department - Dr Edgar Page (UK)

An Irishman ; worked at SERC's Appleton Laboratory for 5 years before moving to the ESTEC's Space Science Department in 1965. A physics graduate, he was appointed to his present position in 1975.

19 September 1983

1. ESTEC at Noordwijk, Netherlands is the largest technical establishment of the European Space Agency (ESA). The others are the European Space Operations Centre (ESOC) in Darmstadt, Germany, which is responsible for operational control of satellites; and ESRIN, a small establishment at Frascati, Italy which is responsible for Information and Data services. The Agency's administrative headquarters is in Paris; there is no ESA establishment in the UK.

Background

2. ESA was formed in 1975 by Belgium, Denmark, France, West Germany, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom and was set up to promote co-operation in space research and technology for peaceful purposes. The initiative came from Mr Michael Heseltine who in 1973, as the junior DTI minister responsible for space, proposed reforming ESRO to improve the competitiveness of the European space industry. ESA also subsumed ELDO, taking over its satellite launcher role. ESA is governed by a Council of which Professor Curien of France is currently Chairman and Dr H H Atkinson (SERC) Vice Chairman.

3. ESA's total budget for 1983 is about 1000 MAU (equivalent to £550 million) and it employs 1380 staff. The only mandatory programme is that for science. Member States must subscribe to this and to the general budget, according to their GNP. The science programme at present costs about £65 million a year. Other programmes are optional and all are "applied". They range from the development of space transportation systems (Ariane and Spacelab) to R & D satellites for telecommunications and meteorology. The latest applications programme is for remote sensing.

4. Participation in optional programmes is on the basis of interest. According to the Convention, Member States expect to receive for their national industries contracts of value roughly proportional to their financial contributions (the principle of "juste retour"); UK industry has no difficulty in achieving its fair share. Of the Agency's total budget this year, France will contribute 21%, West Germany 17.8% and the UK is next at 12.5%. For the UK, DTI pays the major part, for the applications programmes, the SERC pays for the science programme and the overheads are shared.

5. The most consistently active British company regarding ESA has been British Aerospace, but Marconi, Ferranti, Logica, Plessey, and ICL have all done well. All of the Agency's communication satellites, including OTS, ECS, Marecs, and Olympus (L-Sat) have been produced by consortia led by British Aerospace as the prime contractor. France has paid the major fraction of Ariane, and Germany of Spacelab. By leading on the spacecraft side, we believe that the UK has done well in ESA with limited applications money.

6. The Agency works on a principle of "no profit; no loss" and therefore does not handle the commercial exploitation of the programmes whose design and development it has financed. However, when a clear and continuing future need is seen for products of its research and design, exploitation is entrusted to a selected industrial entity. An example is the Ariane launcher which is being produced by Arianspace, a private company in France founded by European industry. In the UK, private enterprise has been encouraged to take over as soon as possible in commercially viable areas.

Main Activities at ESTEC

7. ESTEC - with a staff of 780 (200 British) - is responsible for the study, development, control and testing of satellites and their payloads, as well as for the general research programme for the preparation of future missions. The major areas of activity include telecommunications, earth observations, scientific missions, spacecraft power supplies, orbit controls, structures, and thermal controls. For each mission there is a Project Team reporting to the appropriate Programme Director (Science - Dr Bonnet; Applications - Mr Mallett; Space Transportation - M Bignier).

New Facilities at ESTEC

8. Major new satellite test facilities are being constructed over the period 1982-4 costing £13 million. These consist principally of a large solar simulator and an electro-dynamic multi-shaker system; they are needed to support the payloads for the larger Ariane III and IV launchers. Updating of ESA's test facilities is important to the UK which is more reliant on them than is France or Germany.

Scientific Programme

9. The science budget allows a new mission every one to two years, some purely European and others in association with NASA. They are chosen by the Science Programme Committee, a delegate body. The science community of Member States plays a very active role in determining the programme and here the UK has been particularly influential because of the expertise developed when it had its own national space programme. The scientific return to the UK, measured in terms of the number of experiments with UK principal investigators, is about twice that expected on the basis of our financial contribution. Thirteen scientific satellites have been launched by ESA since 1968; all were successful (but for one which a US launcher failed to put into orbit). There are a further five at various stages of preparation.

10. One of the most successful scientific satellites, the International Ultra-violet Explorer - a space telescope produced jointly by ESA, NASA and SERC, and still going strong after five years - was proposed by a British Scientist (Professor Bob Wilson, UCL) and the UK built the cameras. The most recent mission, an X-ray astronomy satellite, EXOSAT, was launched on 26 May this year; this was also proposed by a British scientist (Professor Ken Pounds, Leicester University) following the great success of the UK's Ariel V satellite.

11. With EXOSAT, Europe takes the initiative in X-ray astronomy from the Americans in one of the most important and vital fields of modern astronomy, which came of age this year - the X-ray source SCO X-1 in the constellation Scorpio was discovered in 1962. EXOSAT has now started its scientific programme and is already producing high quality data. UK scientists have won the largest share of observing time for the first six month period, on scientific merit. (The next mission in this field will be ROSAT - a German project with NASA in which the UK (SERC) has a small but significant share. The UK-German agreement for this will be signed in Bonn on 17 October by Professor Kingman, with Mr Peter Brooke, MP, present; ESA is not directly involved in ROSAT.)

12. The Director General may say that Germany and other countries would like to increase the mandatory Science Programme. The UK (SERC) delegation has had to resist this firmly because of financial constraints at home. The UK puts continuing pressure on the Agency to improve efficiency and cut staff, so as to get more science and applications for the same money. We also encourage collaboration with USA/NASA, partly for the same reason. Note that, partly under our lead, ESA has a 15% share in NASA's Space Telescope mission.

Future Applications Missions

13. Following Olympus, which is particularly suited for direct broadcasting TV, the most important new applications programme is that for Remote Sensing. The first mission in this programme, known as ERS-1, will study the oceans and coastal areas. The payload will include instruments to measure sea surface temperature, sea state using synthetic aperture radar, and a radar altimeter to measure ocean surface and ice cap profiles. In the UK exploitation of this data will centre on a national remote sensing programme sponsored by DTI, MOD, NERC and SERC. Professor Houghton of Oxford and the Rutherford Appleton Laboratory - soon to be Director General of the Met Office - took the lead with a European group in defining this mission. Note also that studies are being made of future space transport schemes, including of NASA's proposed space platform.

To John Coles ✓

Handwritten initials and a date: "11/9" with an arrow pointing to the right.

Briefing for the Prime Minister's Visit to ESTEC

I enclose notes on ESTEC provided by the Science and Engineering Research Council. Of special interest are the notes on personalities (cover page) and the scientific programme (para 9 onwards). You will note that paras 1 to 6 duplicate almost exactly the existing briefing, so either this note could be used instead of that briefing, or I suggest you remove those paragraphs.

Handwritten signature of Elizabeth Ransom.

ELIZABETH RANSOM

Science and Technology Secretariat

Apologies for the lateness + length of this contribution. If you feel it is unavoidable for inclusion in the PM's brief, perhaps you yourself might find it useful!

ER.

BRIEF: VISIT TO EUROPEAN SPACE RESEARCH AND TECHNOLOGY CENTRE (ESTEC)

19 September 1983

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A physicist who has been in industry, in Royal Aircraft Establishment (Farnborough), Director, Space Department of Industry (1976), UK delegate to the ESA Council and Chairman of the Joint Communications Board, and then Director of the National Maritime Institute. His 4 year appointment as Director of Applications Programmes began on 1 February 1981.

Director of Scientific Programmes - Dr Roger Bonnet (France)

A young and respected French space scientist, appointed Director Science in May. He was Chairman of ESA's Space Science Advisory Committee from 1978 to 1980.

Head of Space Science Department - Dr Edgar Page (UK)

An Irishman ; worked at SERC's Appleton Laboratory for 5 years before moving to the ESTEC's Space Science Department in 1965. A physics graduate, he was appointed to his present position in 1975.



PRIME MINISTER'S TALKS WITH MR LUBBERS AND CHANCELLOR KOHL
19-21 SEPTEMBER 1983

BRIEF L: POSSIBLE CHANGE OF AMBASSADOR'S RESIDENCE, THE HAGUE

ESSENTIAL FACTS

1. The Residence, at Westeinde 12-14, is leased from the St Bonificius Foundation of 'Stichting' (Roman Catholic Church authorities), and has housed successive British Ambassadors since 1861. The lease expires in December 1999, HMG having the right to break it in December 1984 and every 5th year thereafter. We are presently responsible for all repairs. The house is conveniently located, has imposing public rooms, and is a considerable diplomatic asset. But it is also excessively large by today's standards, and expensive to run. In early 1980 the FCO Minister of State decided that this Residence should be retained, but since 1981 the house has suffered serious subsidence. This has prompted us to look again at other options, and although the landlord has offered to pay for repairs consequent on the subsidence, Ministers are now being asked to agree to purchase another suitable and conveniently located house in a good part of town (at Plein 1813), and to break the lease of the present Residence in December 1984. Financial appraisals show this to be distinctly the most economic option in the longer term (showing a net saving to HMG in present day terms of some £700,000).

2. HM Ambassador has argued in favour of staying at 12-14 Westeinde, for the following reasons:

- a) historical connections, prestige, distinction;
- b) possible resentment by influential Dutch with whom the landlord has close links;
- c) convenience for entertainment;
- d) security - Sir R Sykes was murdered by Irish terrorists as he was leaving 12-14 Westeinde in 1979 and the Dutch police have now mastered the local security problems.

/However,



However, the proposed house would be distinctive, secure and operationally effective. The balance of pros and cons (attached) points strongly in the direction of a move. The economic advantage is clear, and would more than offset the political disadvantages of moving.



WESTEINDE 12-14

PLEIN 1813

Pros

- i) Associated with HMG since 1861.
- ii) Excellent entertaining areas.
- iii) Favoured (just) by Dutch police.
- iv) Strongly favoured by HM Ambassador.

Pros


- i) More economic.
- ii) Freehold.
- iii) Excellent and convenient area of town.
- iv) Detached house with representationally more useful garden.
- v) Closer to space guideline.
- vi) Structurally sound.

Cons

- i) Uncertainty over structural stability.
- ii) Leasehold.
- iii) Deteriorating area of town.
- iv) Probability of nearby redevelopment.
- v) Three times the space guidelines.

Cons

- i) Purchase price of £666,700 hard to finance.
- ii) Some initial further capital outlay necessary, including for security.
- iii) Possibly difficult negotiations with Westeinde landlord (who has some influential Dutch friends).



CONFIDENTIAL

HM QUEEN BEATRIX OF THE NETHERLANDS

Born 31 January 1938, the eldest child of HRH Princess Juliana and Prince Bernhard. Succeeded to the throne when Queen Juliana abdicated on 30 April 1980.

In Canada during the Royal Family's exile after the German invasion, she returned to the Netherlands in 1945. Studied at Leiden University and obtained a degree in Law in 1961.

Has travelled widely outside Europe, including the Soviet Union (1973) and China (1977).

Paid official visits to Luxembourg and Belgium in 1981 and State Visits to West Germany and the USA in 1982. Made a successful State Visit to Britain in November 1982.

Very hard working, she takes a keen interest in national and international affairs, particularly social problems involving young people. Fond of riding, sailing, swimming, skiing and sculpture.

Married in March 1966 to Klaus von Amsberg as he then was (now Prince Claus). Despite harsh criticism of this marriage with a German while memories of the occupation were still fresh, the conduct of Prince Claus and the birth of a son, Prince Willem Alexander, in April 1967, enhanced the popularity of the Princess and her Consort and the controversy has now been largely forgotten. Two more sons were born to her in 1968 and 1969.

The Queen has a strong will and is less diffident than her mother. She is poised and intelligent, though her manner may nevertheless mask some shyness. The long period of waiting to succeed to the throne was difficult, but she has settled quickly into her new role, which she performs with skill and dignity. She plays an active role in the life of the Netherlands within the constraints of a constitutional monarchy, particularly in connection with the formation of a new coalition government. She takes any opportunity on State Visits to make speeches with political content.

Speaks excellent English.



CONFIDENTIAL

LUBBERS, DR RUUD F M (CDA)

Prime Minister since November 1982.

Born 1939. Studied economics at Rotterdam University, and became managing director, jointly with his brothers of the family engineering firm in 1965.

Was Chairman of the Catholic organisation of employers in the engineering industry and member of the Rijnmond Regional Council 1970-3 for the Catholic Party (KVP). Appointed Minister of Economic Affairs in the den Uyl Government 1973 but declined a ministry in the van Agt Government in 1977. He served as Deputy floor leader of the CDA until the resignation of Aantjes in November 1978. CDA floorleader, Second Chamber 1978-82.

Belongs to the radical wing of the KVP and is regarded as progressive in Labour Party circles. One of the youngest members of the den Uyl Cabinet and widely regarded as one of the most successful Ministers of that government. Decided not to join van Agt government, possibly because he disagreed with the decision to form a coalition with the Liberals (VVD). Charges that he continued to benefit financially from the family engineering firm during his time as Minister did not prevent his election as floor leader.

A man of ability and charm, though his quickfire style of talking makes him hard to follow in either Dutch or English (which he nevertheless speaks well). His public speeches, delivered in the same style, tend to be long, diffuse and somewhat Delphic.

Married with two sons and a daughter.



BROEK, HANS VAN DEN, GCMG

Minister of Foreign Affairs since November 1982.

Born 1936.

Studied law, Utrecht. 1965-68 solicitor in Rotterdam; 1969-76 company secretary and accountants manager with ENKA in Arnhem; 1970-74 Rheden town councillor; 1976 elected to Second Chamber where he was a member of the Foreign Affairs Committee and reserve member of the Defence Committee. Played an active role in the debate within the CDA on nuclear weapons (he then supported INF stationing). State Secretary for Foreign Affairs 1981-1982.

Pleasant and friendly. On the right wing of his party. Known to be on good terms with Lubbers.

Married. Two children. Speaks excellent English and is generally anglophile: he spent some time at school in the UK.



AARDENNE, DR GIJSBERT (GIJS) M V van (VVD)

Minister of Economic Affairs and Deputy Prime Minister since November 1982.

Born 1930.

Studied natural sciences at Leiden University. Director of family steel manufacturing company 1957-70. Alderman of Dordrecht 1964-72. Liberal member of Second Chamber 1971-72. Minister of Economic Affairs 1977-81. Member of Second Chamber 1981-82.

He was spokesman for the VVD opposition on economic and financial matters from 1971-77, but was rather overshadowed by his party leader Wiegel (qv). His term as Minister was not unsuccessful, considering that his responsibilities were extremely broad (covering the British Departments of Trade, Energy and Industry). Not a good speaker. A robust defender of Dutch industrial interests.

Married with four children. His English is not up to the usual Dutch standards. His extremely pleasant wife is a keen student of English though far from fluent.



VISIT OF THE PRIME MINISTER, THE RT HON MARGARET THATCHER MP
TO THE NETHERLANDS 19-20 SEPTEMBER 1983

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AARDENNE, DR GIJSBERT (GIJS) M V van (VVD)

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Married with four children. His English is not up to the usual Dutch standards. His extremely pleasant wife is a keen student of English though far from fluent.

BACHRACH, PROFESSOR ALFRED, CH CBE

President Netherlands-England Society since 1980.

Born 1914. Taught in Netherlands East Indies before the war. Served in army 1942-46, and spent several years as a POW. Nominated by Netherlands Government in 1962 as a member of Anglo-Netherlands Mixed (Cultural) Commission, and chairman of its Dutch side. Hon Litt D Leeds University 1963. Sabbatical year at All Souls College, Oxford 1973-74. CBE (1970).

As a professor of English Literature at Leiden University 1953-80, Professor Bachrach has been a key figure in English studies in the Netherlands (a leading authority on both Shakespeare and Turner) and in Anglo-Dutch cultural relations. A moving force behind the Shock of Recognition exhibition held at the Mauritshuis and the Tate Gallery in 1970-71 to commemorate the fiftieth anniversary of the Society. His sixtieth birthday was the occasion for a book on Anglo-Dutch studies prepared by scholars of both countries in his honour. He is passionately interested in all things nautical, and is an expert yachtsman.

Married to a wife rather less ebullient than himself, he speaks almost faultless English.

5

BARTH Mr Dirk

Deputy Director of General Affairs, Ministry of Defence.

Aged 40. Joined Ministry of Defence in 1970 after Air Force Service. One of the main experts on INF on the civilian side of the Ministry. Active member of the (protestant) church and keen amateur historian.

Two children. His wife died of cancer earlier this year.

BEEK, RELUS ter (PvdA)

Member of the Second Chamber since 1971. Chairman of its Foreign Affairs Committee.

Born Coevorden 1944.

Studied general and social sciences at Amsterdam University where he was active in student politics. Presented his thesis on the foreign policy of South Africa which he visited in 1969. In 1968 and 1969 he was Chairman of the Federation of Youth group of the PvdA. From 1970-71 he worked for VARA, the (left-wing) broadcasting company.

Friendly and approachable but sometimes lets his instinctive sympathy for the underdog undermine his judgement. A committed opponent of apartheid.

Speaks good English.

BEELAERTS VAN BLOKLAND

Jhr Mr Eduard Seger Bernhard

Director of Protocol, MFA since 1982.

Born 1926. Studied law, Leiden. 1946-54 Air Force. 1954-56 MFA; Leopoldville 1956-58; Bonn 1959-62; Saigon 1962-64; Paris 1965-67; Khartoum 1967; Berne 1967-70; Washington 1970-74; Belgrade 1974-76; Sao Paulo 1977-79; Kuwait 1980-82.

Married. Generally thought to be agreeable if rather superficial and not always entirely reliable.

Minister of Agriculture since November 1982.

Born 1933 at Odiliapeel. Studied at Agricultural University, Wageningen 1958-64. Joined Ministry of Agriculture 1964. Agricultural Attache in the Dutch Permanent Representation to the Community, 1966. Secretary of the Christian Farmers Union of North Brabant (ie the provincial branch of the Dutch Catholic Farmers Union) 1967-69. Agricultural Counsellor in the Dutch Permanent Representation to the Community 1969-77. Member of the Second Chamber 1977-80; Chairman, Standing Committee for Agriculture and Fisheries 1979-80. Minister of Agriculture and Fisheries 1980-81.

Returned to Second Chamber and Chairmanship after his exclusion from the second van Agt cabinet: he still resents this exclusion.

A stolid but fairly cheerful man, he is approachable, knowledgeable on agriculture and reasonable in his approach: he has for some time shown an appreciation of the need to reform the CAP in spite of the benefits it currently brings Dutch farmers. He has many friends in Brussels and other capitals (including London) from his days on the Special Committee for Agriculture.

Married, with two sons and three daughters.

Speaks good English.

BROEK, HANS VAN DEN, GCMG

Minister of Foreign Affairs since November 1982.

Born 1936.

Studied law, Utrecht. 1965-68 solicitor in Rotterdam; 1969-76 company secretary and accountants manager with ENKA in Arnhem; 1970-74 Rheden town councillor; 1976 elected to Second Chamber where he was a member of the Foreign Affairs Committee and reserve member of the Defence Committee. Played an active role in the debate within the CDA on nuclear weapons (he then supported INF stationing). State Secretary for Foreign Affairs 1981-1982.

Pleasant and friendly. On the right wing of his party. Known to be on good terms with Lubbers.

Married. Two children. Speaks excellent English and is generally anglophile: he spent some time at school in the UK.

CANNEGIETER, Petrus

Burgomaster of Voorschoten since 1980.

Born 1941 in Groningen. Read law at Groningen. 1966-75 Clerk to the County Council, Administrator and Deputy Chief of the Cabinet of the Queen's Commissioner in Gelderland. Burgomaster of Zuidlaren 1975-80.

Married with one daughter.

DAVIDSON, Brian Donald

Headmaster, the British School in the Netherlands

Born 1935.

Studied German and French, Oriel College, Oxford; 1958-60

Outward Bound Mountain School, Cumbria; 1958 Assistant Master

Institut "La Clairiere", Switzerland; 1959 Temporary Assistant

Master, Harrow School; 1959-62 Assistant Master, St Albans

School; 1962-68 Assistant Master, Merchant Taylor's School;

1968-71 Head of House, The Grammar School, Whitehaven; 1971-78

Head of Modern Languages Department, Royal Grammar School,

Newcastle Upon Tyne; 1979 Headmaster, the British School in

the Netherlands.

Married. Four children.

DEKKER, DR W

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● President of Philips since January 1982.

Born Eindhoven 26 April 1924.

Studied economics at Tilburg.

Joined Philips in 1948 and worked in South East Asia and Far East until 1972 when he was appointed to the Board and shortly thereafter as Chairman and Managing Director of the British Philips organisation.

Appointed to the Board of the Dutch parent organisation in 1976 and became Vice-President in 1979.

Highly intelligent and articulate, with a good sense of humour. Walks with a slight limp.

Has definite ideas about the need for European industry to respond to the challenge from Japanese and US competitors and plays an active role in promoting collaboration between European firms.

Married. Both speak excellent English.

DOLMAN, DIRK (PvdA)

Speaker of the Second Chamber since July 1979.

Born July 1935.

Studied Economics at Amsterdam University. After working with the Ministries of Social Affairs and Economic Affairs respectively, he became a member of the Second Chamber (1970). Until his election to the speakership he was his party's main spokesman on economic and financial affairs in parliament.

He is married with a son and a daughter. Rather puritanical and reserved in outlook but much respected in the Second Chamber. Put a lot of effort into organizing very successful visit to the Netherlands in 1982 of the Speaker of the House of Commons.

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DREES, Mr W

First Deputy Secretary General, Ministry of Defence since 1983.

Ex regular naval officer in the Administration Branch. After twenty years active service, transferred in 1973 to the civilian part of the Ministry.

DUISENBERG, DR WIM F (PvdA)

President of the Netherlands Bank since January 1982.

Born 1935.

Studied at University of Groningen and took his doctoral degree in 1965 with a thesis on the economic consequences of disarmament.

Joined International Monetary Fund, Washington, 1965 and as desk officer for the United Kingdom handled discussions about the devaluation of the pound. Returned to the Netherlands in 1969, and became adviser, Netherlands Bank, under Dr Zijlstra (qv). Professor of Macro-Economics at Amsterdam University 1970-73, Minister of Finance, 1973-77. Appointed Vice Chairman of the Rabobank in January 1979, to the KLM Supervisory Board in August 1979, and as Managing Director of the Netherlands Bank in May 1981.

Widely regarded as the great discovery of the den Uyl Cabinet and an outstanding Finance Minister. Although standing to the right of his party, he earned the respect of a broad cross-section of political opinion. In Parliament he showed himself to be a skilful politician. He was of course lucky in presiding over the Dutch economy while the guilder and balance of payments were strong, while all about him were losing money. Nonetheless, he managed the economy skilfully and showed the necessary courage and originality in initiating new moves and injecting new purchasing power when necessary. On leaving to be a Minister he took a seat in the Second Chamber, but resigned to join the Rabobank not long afterwards, a decision which was strongly criticised by his Labour Party colleagues.

He has a relaxed and pleasant manner and talks freely and expertly on public affairs. He is a water sports enthusiast (sailing and rowing). Included in Time Magazine's list in 1974 of "Leaders of the World Tomorrow".

He hoped to succeed Dr Witteveen as chairman of the IMF but was unsuccessful in this.

ECONOMOU H.E. Panayotis (Taki)

Greek Ambassador to the Netherlands.

Born 1930. Foreign Service since 1955. MFA Chief of Protocol in Athens 1975-80, when good friend to British Embassy. He met Mrs Thatcher in 1980 and showed her round the Acropolis/Parthenon.

EEKELEN, DR WILLEM F VAN (VVD)

State Secretary for Foreign Affairs since November 1982.

Born 1931. Studied at Utrecht (doctorate in law) and Princetown. Joined Diplomatic Service in 1957 and served at New Delhi, London, Accra, Paris and Brussels (Netherlands delegation to NATO). Director for NATO and WEU Affairs in Foreign Ministry 1971-7.

Elected member of Second Chamber for Liberal Party (VVD) in May 1977. State Secretary for Defence (Material) 1978-81. VVD member of Second Chamber 1981-82.

Able and articulate with a good sense of humour, van Eekelen has always been friendly and helpful. Was a success at the Ministry of Defence, where he ~~has~~ tackled with zest many of the equipment and materiel decisions outstanding from the long period of government formation in 1977.

Married with a cheerful and hospitable wife. Has a daughter working in the Foreign Ministry and a teenage son.

Speaks good English.

EENENNAAM Mr B J van

MFA Deputy Director NATO Affairs

Born 1946. MFA since 1973, covering NATO affairs throughout. Nuclear weapons specialist.

EIJKELENBURGH, Stephanus J van

Chairman of the Netherlands Christian Employers Federation (NCW)

Born 1922.

On leaving school van Eijkelenburgh obtained a diploma in construction; he joined his father's construction company in 1943, of which he is now Director. He looks considerably older than his 58 years and appears largely to delegate the running of the Federation to his energetic Secretary-General.

Married with five children. Speaks relatively little English. Rather colourless.

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EVENHUIS, ALBERT JAN (VVD)

Chairman of the Defence Committee of the Second Chamber since November 1982.

Born 1941. Studied history. 1966-73 history teacher; 1973 assistant headmaster. 1970 member of Provincial States of Drenthe becoming VVD floorleader in 1975. 1971-76 Member of the VVD Executive. 1982 Vice-Chairman VVD Parliamentary Party.

His appointment as Chairman of the Defence Committee came as a surprise as he had not previously specialised in defence affairs, concentrating instead on education, internal affairs, the arts and culture.

Married with two children.

GROOTH, G B de

Director General of External Economic Affairs in the Ministry of Economic Affairs.

Born 1921. Present Ministry since 1952. Present job since 1975.

HAITINK, Bernard Johan Herman

Conductor of the Concertgebouw Orchestra since 1961 and conductor and artistic director of the London Philharmonic Orchestra since 1967.

Born 1929 in Amsterdam. Studied the violin at the Amsterdam Conservatorium. 1954-55 conductor's course; 1955 deputy conductor Nederlands Radio Unie. 1957 US debut with the Los Angeles Symphonic Orchestra.

Married. Lives permanently in London with a pied à terre in Amsterdam. Has made recent headlines in Dutch and British press when he threatened to resign from the Concertgebouw orchestra if threatened Dutch government cutbacks reduced the strength of the Concertgebouw.

HASSELMAN, Mr Dirk Robert

Head of the Western European Department, MFA since 1981.

Born 1942 in Surabaya. Studied law, Leiden. MFA 1968; Bonn 1969-70; Jakarta 1970-73; East Berlin 1973-74; Paris 1974-78; New York 1978-81.

Married.

HOLTSLAG Drs J W

No 2 Private Secretary to Lubbers for Defence/Foreign Affairs

Slim. Glasses. Light brown hair. Intelligent and incisive. Quiet. Aged about 40. Member of Democrats '66.

Wrote thesis on Northern Ireland. National Service in Navy. Long experience in working for successive Prime Ministers. Married. Five children (four from wife's first marriage).

HOVEN, Mr H F van den

Chairman of Unilever NV since May 1975.

Born 1923. Joined Unilever 1938; 1948 Accounts Department, London; 1951 Unilever, Turkey; 1958 Managing Director, Unilever, Turkey; 1962 Deputy Chairman of Central Export Division; 1962 Chairman, van den Bergh en Jurgens NV; 1970 Director, Unilver.

HUIJSER, General G L J

Chief of Defence Staff since 1983.

Born in Indonesia and spent his first fifteen years there, including during the Japanese occupation. An infantryman, he attended Staff College in the Netherlands and USA. Held important field commands including 1st Netherlands Division and 1st Netherlands Corps.

HUYDECOPER VAN NIGTEVECHT, JHR JAN LOUIS REINIER, GCVO

Netherlands Ambassador to Britain since 1982.

Born 1922 in Utrecht. Studied law at Leiden. Rotterdam Bank 1942-44; Ministry of Finance 1945-46; joined Foreign Service 1946; Ottawa 1947-48; Berlin and Bonn 1949-52; London 1952-56; Jakarta 1956-59; Washington 1959-62; Rome 1962-66; Ministry 1966-70; Minister in London 1970-73; Geneva 1973-74; Ambassador to USSR 1974-77; Ambassador to Portugal 1978-80.

Competent and widely respected. A man of strong views, which he does not hesitate to express.

Married. He and his wife speak excellent English.

JACOBOVITS DE SZEGED, MR ADRIAAN PIETER ROETERT

Director General for Political Affairs, Ministry of Foreign Affairs since 1982.

Born 1935. Studied French civilisation at the Sorbonne then Law at Leiden. Ministry of Finance 1963; Foreign Service 1963; Moscow 1964-66; Geneva 1966-68; London 1968-71; Nairobi 1971-73; Brussels 1973-78.

Able and cool under pressure, though not the first choice for his present job. Of Hungarian origin.

Married to a charming Swiss, Françoise. Two sons. Good English.

JONKER ROELANTS Mr Jan Joan

Spokesman, MFA since 1982.

Born 1937. Studied law, Leiden. Private business 1965-69; MFA 1970; Bonn 1970-74; Algiers 1974-77; Ankara 1977-79; Ottawa 1979-80; Tripoli 1980-82.

Married. Tall, blond and languid. Not considered to be doing a particularly good job as spokesman.

JONKMAN, MR PIETER JAN HANS

Grandmaster of the Royal Household since January 1982.

Born 1925 in Indonesia. Studied law, Leiden. 1955 Foreign Service; 1955-57 Paris; 1957-59 Pretoria; 1959 Leopoldville; 1959-62 Buenos Aires; 1962-66 MFA; 1966-71 Brussels; 1971-73 Beirut; 1973-75 Minister, Jakarta; 1975-80 Director General of International Cooperation, Ministry of Foreign Affairs; 1980-81 Grand Officer of the Royal Household with special duties. Rather self-effacing and not as influential as his predecessor.

Married with three children.

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KOK, Gommert Abraham de

Chief Editor, Haagsche Courant since 1978 and Chairman of the Netherlands Federation of Chief Editors.

Born 1924. Previously chief editor of the Provinciale Zeeuwse Courant.

Married with two children. Cheerful, helpful and friendly. Writes long editorials which, during the Falklands crisis, were generally supportive of our position. Haagsche Courant is the local evening newspaper in The Hague. It has a circulation of 194,600 and is politically independent.

KORTEWEG, Professor Dr Pieter

Treasurer General since 1982.

Born 1941. 1965-71 studied economics, Rotterdam; 1971-72 lecturer then Professor of monetary economy, Erasmus University; 1974-75 visiting lecturer, Carnegie-Mellon University, Graduate School of Industrial Administration Pittsburgh. Has participated in many international conferences on international economic problems.

Married. Two children.

KRUMINK, VICE ADMIRAL (RETIRED) FREDERICUS EVERHARDUS

Intelligence Co-ordinator, Prime Minister's Department.

Born 1917. Entered the Dutch navy in 1937. On 10 May 1940 he was one of many sailors on duty in the Dutch ports. After the capitulation he refused to sign the declaration demanded by the Germans and was taken into custody as a POW. He escaped from his first camp before suffering re-capture and incarceration in Colditz Castle. He escaped again and spent some time in hiding in Poland and France.

In August 1944 he arrived in the UK and served aboard HMS Van Galen. After the war he used his war time experiences as a good basis for naval intelligence work.

On 1 January 1973 he retired from his last naval appointment (as Flag Officer Personnel) to become the Intelligence Co-ordinator in the Prime Minister's Department. For several years until 1980 he was also the part-time Director of the Dutch Intelligence Service, the IDB, but he is not particularly bright.

He has a pleasant English wife, Dorothy.

MALLETT, Mr Edmund

Director of Applications Programmes, European Space Agency, since 1981.

Spent six years in industry before joining scientific civil service in Britain, holding a number of scientific posts in the Royal Aircraft Establishment, Farnborough. 1976 Director of Space, Department of Industry. 1978 Under Secretary responsible for Research and Technology Requirements and Space Division. 1979, Director of the National Maritime Institute.

MERCKELBACH Mr J P M H

No 1 Private Secretary to Lubbers for Defence/Foreign Affairs

Long experience in working for successive Prime Ministers. Aged about 50. More impressive on further acquaintance than he seems at first meeting.

NEUMAN, HENK

Director of the Netherlands Institute for International Relations.

Born 1927. Entered journalism in 1945. Specialist in foreign affairs from 1961 onwards. From 1965 employed by the KRO (Catholic radio and television station). Present job since 1970. Still writes a column for "Trouw" (Protestant daily) and "De Tijd" (Catholic weekly). Member of the official Advisory Council for Defence Matters. Chairman 1978-9 of the CDA Defence Committee which advocated a positive decision by the Netherlands on TNF modernisation.

Articulate and intelligent defender of NATO policies. Strong advocate of Dutch membership of NATO, and of participation by the Netherlands in the 1979 TNF decision. Previously Director of the Netherlands Institute for Studies on Peace and Security which merged in 1983 with three other institutions to form the Netherlands Institute for International Relations.

NIEMAN, Mr Peter Cornelis

Director, European Integration, MFA since 1980.

Born 1930. Studied law Leiden. Hollands Bank Unie Istanbul; 1959-61; Ministry of Economic Affairs 1961-63; MFA 1963; Brussels 1964-67; Caracas 1967-70; Brussels 1970-74; Singapore 1974-75; Jakarta 1975-77; Paris 1977-80.

Married.

OVERMARS, Leonardus Maria

Managing Director, Economic Information and Export Promotion Branch, Ministry of Economic Affairs since 1979.

Born 1935. Studied law, Leiden. 1956-58 military service; 1965 Ministry of Economic Affairs; 1972 head of External (EEC) Affairs Division; 1975 head of Bilateral Affairs Department.

Married. Three children. French decoration.

POLAK, PAUL JACQUES

Director, European Affairs, MFA since 1976.

Born 1922. Studied classics, archeology and Slavic studies, University of Amsterdam. MFA 1950; Moscow 1950-52; Ministry 1952-60; Moscow 1960-64; Ministry since 1964.

Married.

POSTHUMUS MEYJES, DR HERMAN C

Director-General for European Co-operation, Ministry of Foreign Affairs since January 1978.

Born 1927. Studied political science at Universities of Amsterdam and Wisconsin. Ministry of Agriculture 1958-62. Joined Ministry of Foreign Affairs in 1962. Adviser on Policy Planning 1972-77. Part-time Professor of International Relations at Wageningen University until appointed Director General of European Co-operation in January 1978.

A member of the home-based Foreign Ministry, he has not served abroad. Rather academic in experience, he has a lively mind and a keen sense of humour. Labour Party sympathies.

Divorced (twice).

Speaks excellent English.

QUISTGAARD, Mr E

Director General, European Space Agency since 1980.

Aged 62. Danish. Studied Mechanical Engineering, Copenhagen. Has spent three years with Chrysler in the USA and was General Manager and later Director of Volvo in Sweden. Has also been Managing Director of a Danish shipbuilding firm.

RECEVEUR, Lieutenant Colonel C

Commander of the Netherlands Amphibious Combat Group since 1983.

Served in Britain on an exchange with the Royal Marines 1970-71. Trained in mountain climbing in USA and commanded the Netherlands marine company trained for arctic warfare. Would serve under command of the British 3 Commando Brigade in war.

RUITER, PROFESSOR JACOB DE (CDA)

Minister of Defence since November 1982.

Born 1930. Studied law at Utrecht University. Judge at Zutphen 1963-70. Professor of Private Law at Amsterdam Free University 1970. Appointed Rector Magnificus (Vice Chancellor) in 1976. Minister of Justice 1977-1982.

Member of Protestant Anti-Revolutionary Party.

A pleasant, rather quiet man, with firm views.

Married with three children. His wife is a CDA Councillor in their home town of Naarden.

Speaks good English.

RUYS, Mr B E

Chairman, Koninklijke Nedlloyd Group NV.

Born 1925. Member of the Boards of Directors of H E S Beheer NV, Martinair, Niehuis en van den Berg's Shipyards, Nieuw Rotterdam Beheer NV, Smit Internationale NV. Member of AMRO Bank advisory council. Chairman of Holland Committee of Lloyd's Register. Member of Committee of Royal South Holland Shipwreck Rescue.

SMIT-KROES, MEVR DRS NEELIE (VVD)

Minister of Transport and Waterways since November 1982.

Born 1941. Studied economics at Rotterdam University. Member of Rotterdam City Council and Rotterdam Chamber of Commerce. Elected member of the Second Chamber for the Librerel Party (VVD) in 1971. State Secretary for Transport and Waterways December 1977-81.

Established her reputation as opposition spokesman for transport matters during the den Uyl government.

Married with one son. Her husband is Director of Materials at the PPT. Speaks good English.

STEENKAMP Professor Piet A J M (CDA)

Professor of Social Law, Eindhoven Technical University,
Chairman of the First Chamber and (pro-tem) Chairman of
the First Chamber Foreign Affairs Committee.

Born Uithoorn 1925. Studied at Catholic Economics University,
Tilburg.

Member, First Chamber, since 1965. Originally from the
progressive wing of the KVP, he played an important part in
the early attempts of the three leading confessional parties
to set up a united Christian Democratic Party.

As "informateur" after the 1971 elections, was instrumental
in bringing together the coalition partners in the Bieusheuvel
Government. Informateur also after 1981 elections.

In 1972 he and his wife paid a sponsored visit to Britain, where
he was much impressed by the Open University.

Married.

Speaks good English.

SWINDEREN Jhr R A van

MFA Deputy Director-General European Cooperation

Born 1926. Ministry of Agriculture 1959-64. MFA 1964-77.
No 2 NLREP EEC Brussels 1977-82. Present post since 1982.

TRELLA, Professor Massimo

Director, European Space Research and Technology Centre (ESTEC) and Technical Director, European Space Agency.

Born 1932 in Rome. Studied Mechanical and Aerospace Engineering. 1959-64 Aerospace Laboratories of the Polytechnic Institute of New York and the General Applied Sciences Laboratory, Westbury, New York. 1964-69 Head of Research, Centro Recerche Aerospaziale, Rome; 1969 Director of Space Activities, CNR Rome. 1975-78 Technical Inspector, European Space Agency Paris.

VEEN, CHRISTIAAN VAN (VVD)

Chairman, Verbond van Nederlandse Ondernemingen (VNO) since 1974.

Born Barneveld 1922. Studied constitutional law while working as a clerk for a municipal authority. Town Clerk at Hoogeveen 1960-64; Town Clerk, Groningen 1964-67; State Secretary for the Interior 1967-71; Minister of Education 1971-73. In the latter portfolio he was not very successful, being strongly criticised for ordering heavy increases in students' fees. His present post is the Dutch counterpart of Chairman of the CBI. He is Vice Chairman of the Social and Economic Council (SER) and Co-Chairman of the Foundation of Labour. Adviser to AGO insurance company. Visited Britain in 1978 with a group of senior Dutch industrialists at the invitation of the Department of Industry.

He is approachable and amusing in company.

Married, with two children. Category I visitor in 1982.

Speaks good English.

VERKADE, IWAN

Secretary General, Ministry of Foreign Affairs, since January 1983.

Born 1921. 1940-47 worked in industry. 1948-51 Consulate-General Saigon; 1953-55 Karachi; 1955-57 Ministry; 1957-59 Rome; 1959 Beirut; 1959-62 Rangoon; 1962 Saigon; 1962-66 Ministry; 1966-68 Geneva; 1968-72 Seoul; 1972-74 Tokyo; 1974-76 Kinshasa; 1976-80 Ministry; 1980-82 Ambassador Tel Aviv.

An Anglophile who speaks almost perfect English. Sent his daughters to schools in England.

VOET, Mr Marcus Johannes Dirk van der

Director, Netherlands Information Service since 1983. (RVD).

Born 1930. Officers training, Royal Marine Reserve, studied law. 1949-65, Netherlands Shipping Association; 1965-68 Ministry of Internal Affairs; 1968-69 Personnel Affairs, University of Leiden; 1969-73 Head of Personnel, Prime Minister's Department; 1973-77 Secretary to the Cabinet; 1974-82 Secretary to Welfare Council and Secretary to the Council for Government Service.

VOS, Mr Joris Michael

Head of the Atlantic Cooperation and Security Affairs Department, MFA since 1982.

Born 1940. Studied law, Utrecht. MFA 1968; Prague 1968-69; Accra 1970-72; Ministry 1972-77; Washington 1977-80; Belgrade 1980-82.

Married. Best man to Minister of Foreign Affairs and vice versa.

VREDENBURCH, Jhr Jan Maarten van

Deputy Director of Protocol since 1978.

Born 1937 in Buenos Aires.

Studied maths and physics at Amsterdam. Military service 1961-63; private business 1963-5; MFA 1965-75; Paris 1975-78.

Married. Highly strung but efficient. A tremendous help to the Embassy after the assassination of Sir R Sykes in 1979.

WACHEM, Mr L C van (CBE)

Chairman, Committee of Managing Directors, Royal Dutch Shell Group, and President Royal Dutch Petroleum Company since 1982.

Born 1931. Studied mechanical engineering, Delft. Joined Shell, 1953. Worked in Venezuela, Nigeria, Brunei. Technical Director 1969; Head of Production Division, The Hague, 1971; 1972 Managing Director Shell-BP Nigeria; Exploration and Production Coordinator 1976; Managing Director of Royal Dutch Shell and Shell Petroleum 1977; Director Shell Oil 1979; Director and Chairman Shell Coal International 1979.

CBE 1977.

WERFF, Drs Ymenus Peter Willem van der

VVD Member of the First Chamber and Chairman of the First Chamber Defence Committee.

Born 1918. Studied history Groningen. 1945-62 Teacher; 1960-66 Scientific Civil Servant, Royal Military Academy; 1969 Member of the First Chamber and Member of the Provincial States of North Brabant.

Also a member of the Inter Parliamentary Benelux Council, the NATO Assembly and the WEU.

Married. Two children.

ZIJLSTRA, DR JELLE (CDA)

Formerly President, of the Netherlands Bank (1967-81).

Born 1918. Studied economics at Rotterdam University. Professor of Economics, Free University of Amsterdam, 1948-52 and 1963-66. ARP Minister for Economic Affairs 1952-59 and Minister of Finance 1959-63.

Declined Ministerial Office after the 1963 elections, but became Prime Minister of a caretaker government from November 1966 to February 1967, during which time he took firm measures to control the Dutch economy. Prepared the ground for the formation of a government after the General Elections but refused to head it himself and, despite considerable pressure, withdrew finally from politics in May 1967.

Following his retirement from the Netherlands Bank, he has become an adviser to Shell.

He has an outgoing character, always ready to speak freely about his views and problems. A small rather birdlike man with a ready laugh, he enjoys social life and is quick to make friends. He is one of the most influential men on the economic/financial scene.

Married with five children.

Speaks perfect English.