



Foreign and Commonwealth Office

London SW1A 2AH

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26 April 1989

Sean Charles,

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Talks with Mr Lubbers: 29 April

At the talks at Chequers on 29 April Mr Lubbers will be accompanied by his Foreign Minister, Hans Van den Broek, his Finance Minister, Ono Ruding, and his Diplomatic Adviser, Mr Merckelbach. I attach personality notes and a copy of Mr Jenkins' scene-setting telegram. The talks will begin at 1600 and conclude with an early working supper. Lubbers is flying in and out in the day. The Dutch Embassy will arrange transport to and from RAF Benson.

The talks are at our invitation. The primary purpose is to discuss EC monetary and tax issues. I will be writing separately about non-monetary EC topics and the Treasury will be writing about EC monetary issues. There is no formal agenda but we have agreed with the Dutch that the other possible topics would be SNF, Southern Africa, the environment and debt reduction. These might be taken over the supper.

SNF

We and the Dutch, almost alone of the European Allies, have been ready to argue robustly the case for a firm decision this year on FOTL. Like us, the Dutch advocate combining this decision with substantial reductions in the warhead stockpile, including 50% cuts in nuclear artillery shells; and with a challenge to the Warsaw Pact to reduce to our levels. They differ from us however in envisaging a commitment now to negotiations on SNF reductions at some future point.

Discussion will centre on the German problem and the ways of bringing Chancellor Kohl back to orthodoxy. The Prime Minister might say that we must continue to seek a decision in principle to deploy FOTL and TASM. At a minimum we should try to persuade the Germans to allow the NATO Summit to confirm the requirement to replace LANCE and the freefall bomb and support the continuation of the necessary development work. Neither of these points has been challenged in previously

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agreed confidential minutes of NATO's Nuclear Planning Group. Quite apart from its wholly unacceptable line on arms control, the German paper on SNF implies that FOTL might turn out not to be needed at all. This should be quite unacceptable to the Alliance as a whole.

On SNF arms control, we agree with the Dutch on a challenge to the Soviet Union to emulate our example and reduce their theatre nuclear weapons to NATO levels. The conceptual divergence between East and West (the aim of the denuclearisation of Europe was reaffirmed in the recent Warsaw Pact Foreign Ministers Declaration). It is too great for any prospect of a fruitful outcome to SNF negotiations.

We should not go down the road (which the Dutch have favoured) of offering SNF arms control negotiations in the light of progress in the Conventional Arms talks, though progress in these talks might lead NATO to conclude that it could afford to make further unilateral cuts.

If there is time, the Prime Minister might give her impressions of the Gorbachev visit and point up in particular his comments on the difficulties ahead for reform in the Soviet Union as well as his unyielding line on arms control issues.

Southern Africa

The Prime Minister may wish to mention the improved climate for positive change she found in Southern Africa during her recent tour. Notwithstanding the present problems in Namibia, the agreements on Namibian independence and the withdrawal of Cuban troops from Angola show what can be achieved through patient negotiation. It has been a bad start to the UN plan. The large scale incursion by SWAPO armed forces was deeply regrettable and wholly self-defeating. Now it is essential to ensure that the authority of the UN is respected and that the independence process is back on course. The Prime Minister may also wish to comment on the prospects for peace in Mozambique. The improved relations between Mozambique and South Africa are a first step in the right direction.

On South Africa, Lubbers does not favour further sanctions but constantly seeks gestures to pacify domestic pressure. Our policy of increased contact with the new generation of South African leaders (eg the Prime Minister's meeting with Barend du Plessis on 24 April) seems the best way

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of influencing the South African Government towards positive change. De Klerk's public commitment to reform is encouraging, but no major steps are likely before the elections in the autumn. We continue to press the South Africans for the early release of Mandela and other political prisoners.

Debt Reduction

Ruding has taken a generally sensible line on debt reduction. We want to work closely with the Dutch over the Brady Plan, which has aroused unhelpful expectations in some debtor countries. Countries must not expect to have their debts reduced unless they are prepared to pursue strong adjustment policies which remain the key to renewed prosperity. Moreover, debt reduction is a matter for the commercial banks, not Governments or the IFIs. We can agree to a limited use of existing IFI resources to act as a catalyst for greater reductions by the private sector. Like the Dutch, we are against using World Bank money to give interest rate guarantees: they would undermine the Bank's creditworthiness; amount to a transfer of risk; and would not be fair to the Asians and others who have honoured their debts and not rescheduled. We are ready to examine any other mechanisms which do not involve World Bank guarantees.

I am copying this letter to Jonathan Taylor (HMT) and Trevor Woolley (Cabinet Office).

Jan,

Stephe Wall

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Private Secretary

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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 1970-73 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. Deputy floorleader of the CDA 1977-78. CDA floorleader, Second Chamber 1978-82.

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 charm and ability, though his quickfire style of talking makes him hard to follow in either Dutch or English (which he nevertheless speaks well). He has proved a highly competent Prime Minister, holding his coalition Government firmly together on the course which it set itself in 1982. His success during his first Cabinet in reconciling the conflicts within the coalition over INF demonstrated his political skill and ingenuity. He stands preeminent among CDA politicians.

He and his wife Ria have two sons and a daughter.

BROEK, HANS VAN DEN, GCMG (CDA)

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. State Secretary for Foreign Affairs 1981-82.

Charming and friendly. On most international issues his objectives are close to our own. He sets great store by Netherlands loyalty to NATO and was the foremost advocate of INF deployment within the Cabinet. He is on the right of his party and, although somewhat impatient with party politics, has learned how to carry Parliamentary opinion with him. Known to be on good terms with Lubbers.

Presided over the EC Council of Ministers with skill and energy during the first half of 1986.

Married to a charming wife who speaks good English. Two children. He speaks excellent English and is generally anglophile: he spent some time at school in the UK. French and German also good.

RUDING, DR H O C (CDA)

Minister of Finance since November 1982. Chairman of the IMF Interior Committee since January 1985.

Born in Breda in August 1939. Grew up in a Catholic family. Studied at the Rotterdam School of Economics (later Erasmus University). 1965-70 Head of the International Monetary Affairs Division of the Ministry of Finance. 1971-77 Managing Director of the AMRO Bank in Amsterdam. 1977-80 Executive Director of the IMF in Washington. 1980-82 member of the Board of Management of the AMRO Bank. A candidate for the job of Chairman of the IMF in 1987.

An efficient administrator with firm ideas on how the economy should be run. Has had considerable success in bringing State spending under control, but consistently demands more stringent economies than his colleagues will countenance.

Married, with three children. An austere but delightful and intelligent man. Has an exceptionally charming wife. Both speak excellent English.