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**ANGLO/DUTCH CONSULTATIONS:  
PLENARY SESSION**

Prime Minister	Mr. Lubbers
Sir Geoffrey Howe	Mr. Van den Broek
Mr. Nigel Lawson	Mr. Ruding
HM Ambassador, The Hague	Netherlands Ambassador
Mr. Charles Powell	Mr. Merkelbach

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The Prime Minister recapitulated her talk with Mr. Lubbers. She had been pleased to find that the Netherlands' position was close to Britain's, in particular in opposing SNF negotiations and in supporting a challenge to the Russians to reduce their SNF unilaterally to NATO levels. The recent German policy statement was a retreat from existing NATO positions. It was clear that we would not be able to get a commitment at the NATO summit to deploy FOTL. But President Bush had spelled out his minimum requirements on modernisation - confirmation of the requirement for SNF, support for the American development programme, commitment to keep up to date where necessary - and these could be met by repeating earlier NATO summit or NPG communiqué language. We must have before us all the time the risk that, if the Americans were pushed too far, they might start to withdraw their forces from Europe.

Mr. Van den Broek agreed with the Prime Minister's analysis: the German position was even worse than expected. The summit must meet United States' requirements on modernisation, and there should be no commitment to SNF negotiations, only an appeal to the Soviet Union to reduce its SNF to NATO levels. But he doubted that this would be enough for the Germans. They would have to have something on

negotiations, otherwise it would be a defeat for Kohl. The answer might be to try to open up a perspective for negotiations on SNF once there was a conventional balance and Soviet SNF had been reduced to NATO levels. The purpose of such negotiations would be to fix equal ceilings, so that the Soviet Union did not have the option of increasing its SNF again. He handed over a draft text (enclosed).

The Prime Minister and the Foreign Secretary made clear that we could not accept the reference to negotiations in the second paragraph. This went beyond the language of the Reykjavik communiqué which had not referred to negotiations. We could only look at the case for reductions in SNF once there was a firm commitment to deploy FOTL and we had achieved conventional balance and the elimination of chemical weapons. The Prime Minister said that she hoped the Netherlands would not table its text in its present form. Anyway it was too early to be floating compromise texts: it would only encourage the Germans to ask for more. We needed to bring home to the Germans the risks to NATO and to Europe's relations with the United States of pressing for SNF negotiations.

#### Delors Report

The Chancellor of the Exchequer said that the United Kingdom could not accept the recommendations of the Delors Report or treaty amendment. If other member states tried to force the pace, there was the risk of a show-down at the Madrid European Council. But we were ready to discuss in a constructive way how to achieve closer economic and monetary cooperation within the framework of the existing treaty. This was what the Community should now focus on.

Mr. Ruding said that Britain and the Netherlands agreed on quite a number of points. Both were pragmatic and wanted to make progress step by step in a first phase, although the Netherlands accepted the objective of economic and monetary union. He thought that the United Kingdom's position in resisting the full recommendations of the Delors Report would



be greatly strengthened if we were to join the ERM. This would also be in the United Kingdom's economic interests.

The Prime Minister said that was a matter for us. Sterling was a very different currency from the guilder. Our first priority was to get down inflation. She was determined to keep control of monetary policy. Of course exchange rate stability was desirable, but it was secondary to getting down inflation. Our experience of trying to hold sterling to a fixed rate against the DM had been such that we would never try it again. It was what had given us our present rate of inflation. Mr. Ruding commented that membership of the ERM would be anti-inflationary if the United Kingdom entered at the right parity. Mr. Lubbers qualified this by saying that membership of the ERM could be a support to anti-inflationary policy but was not the key to it. The experience of countries that were in the ERM was that it added to stability. But maybe the United Kingdom was different.

Mr. Ruding suggested that, while it would have been impossible for the United Kingdom to join 10 years' ago because of the weakness of our economy, it would be much easier now that we were stronger. The Prime Minister pointed out that we had become stronger without being in the ERM. Mr. Ruding said that he was not suggesting that the United Kingdom should join now, only that it should promise to do so by 1 January 1993 or should link membership to completion of the internal market. The Prime Minister said that there was nothing you could do when you were in the ERM that you could not do when you were out of it. On the other hand, there was a lot you could do when you were out of it which you could not do in it. Joining the ERM would mean losing control of monetary policy. The Chancellor of the Exchequer suggested it was joining a monetary union which put control of monetary policy at risk.

Mr. Ruding - not easily deterred - said that if the United Kingdom agreed to set a deadline for joining, then it would be in a much stronger position to resist the less

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desirable recommendations of the Delors Report. The prospects of avoiding a show-down at the Madrid European Council would be greater, as would the chances of persuading others to adopt a pragmatic approach. Mr. Lubbers said that his fear was that, if the United Kingdom stayed out of the ERM, then it would be harder for us to join in other areas of monetary cooperation. He wanted to see the United Kingdom play a full part in this.

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GEHEIM

Nederlandse suggestie voor paragraaf over SNF-wapenbeheersing in het Comprehensive Concept.

" It is evident that NATO would gain substantial security benefits from a large reduction in the threat from the WTO's short-range land-based missile force. However, present Soviet ouvertures to negotiations clearly indicate the objective of broadening their scope to all American and other NATO nuclear weapons in Europe with a view to their complete elimination.

In the short term, therefore, arms control in the field of land-based missiles should be unilateral and applied by way of mutual self-restraint in defence planning. The Alliance will restructure its SNF-posture on the basis of the minimum requirements of its strategy and will unilaterally reduce its overall stockpile i.a. through a shift of emphasis from shorter to longer ranges. The WTO is to be challenged to translate its self-proclaimed doctrine of "sufficiency" into fact and to start reducing its overcapacity in SNF-missiles down to the Alliance's level. Such action <sup>could</sup> would prepare the ground for <sup>considering</sup> initiating, in a further phase, negotiations on equal ceilings to even lower levels. Ceilings on such lower levels, providing for further mutual reductions but not elimination, could be considered in conjunction with the establishment of a conventional balance in Europe.

In the meantime the Alliance will assess (in the SCG) specific issues to be addressed in future negotiations such as the levels to be set, the items to be limited (launchers, missiles, complete systems), the problem posed by the dual capability of systems involved, verification and other relevant questions. "