

ANGLO-GERMAN SUMMIT

1. Internal situation in UK and FRG
 - economic prospects
 - nuclear power
 - emissions from powerstations
 - visas/asylum seekers
2. South Africa
3. East/West relations and arms control
 - prospects for US/Soviet Summit
 - consequences of Daniloff
 - START/SDI
 - CTB
 - CDE
 - Chemical Weapons
 - Glenn amendment

4. EC issues

- 1.4% ceiling must not be reopened
- need for further CAP savings
- support for our employment initiative
- tougher approach to Japan
- sympathise over free movement of labour for Turkey: postpone implementation for 10 years
- commodity agreements (tin, rubber, cocoa)

5. Middle East

- prospects for Arab-Israeli peace process
- Libya; Walter's visit

6. Nuclear

- compliment on initiative to launch IAEA conference on international cooperation in nuclear safety

7. Bilateral

- visit to BFG
- problems over training areas
- signature of MOU or EFA (Ferranti radar)
- draft dodgers
- launch aid for Airbus
- torpedoes for Argentina
- Falklands
- World Administrative Radio Conference
- HOTOL/Hermes
- Cultural cooperation: reports of special representatives

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ANGLO-GERMAN SUMMIT 16 SEPTEMBER 1986

STEERING BRIEF

OUR OBJECTIVES (in order of discussion agreed with the Germans)

A REVIEW OF POLITICAL AND ECONOMIC DEVELOPMENTS IN BOTH COUNTRIES

- To outline the main political issues in the UK including immigration policy.
- To support German efforts to limit numbers of Third World asylum seekers entering the FRG.
- To bring out positive developments in the UK economy.
- (For civil use of Nuclear Energy, see F below).

B SOUTH AFRICA (see separate brief)

C EAST-WEST AND ARMS CONTROL

- To establish maximum common ground over arms control in order especially:
 - i) to ensure united Alliance support for the US position at the Geneva negotiations and in the Summit preparations;
 - ii) to dissuade the Germans from publicly advocating a Comprehensive Test Ban;
 - iii) to respond to any last-minute German concerns about the conclusions of the CDE in Stockholm (scheduled for 19 September).
 - iv) to work towards a common approach in the preparations for the Vienna CSCE meeting (begins on 4 September).

D EUROPEAN COMMUNITY ISSUES

- To coordinate positions with Kohl on major EC issues during UK Presidency, specifically:
 - i) to work with the Germans to ensure that expenditure is contained within 1.4% ceiling in 1986 and 1987;
 - ii) to enlist Kohl's support for our Presidency initiative on employment growth;
 - iii) to consolidate Anglo-German cooperation on international trade, including resolution of EC/US trade disputes;

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iv) to seek Kohl's cooperation in achieving effective Community action on the Japanese trade surplus;

v) on Turkey, to assure Kohl that we agree there can be no question of implementing the free movement of labour provisions in the Association Agreement in December 1986;

vi) to explain that we think it unrealistic to aim for a definitive solution on free movement now, and that a 10 year postponement may be the only realistic possibility;

vii) to strengthen German resolve on commodities policies, and enlist Kohl's support against signing the proposed International Rubber Agreement;

viii) To gain credit with Kohl for the British decision to put further emission pollution controls on new power stations and some existing ones.

E MIDDLE EAST/LIBYA

- To compare notes on the risk of further terrorist actions by Libya, in the light of General Walters' visit, and emphasise the need for continuing cooperation to combat state sponsored terrorism.

F IAEA AND CIVIL USE OF NUCLEAR ENERGY

(As separate item on agenda at German request in view of Kohl's personal interest)

- To congratulate Kohl on his personal initiative in proposing an international conference on safety following Chernobyl.

- To assure Germans of our full support for further work in IAEA on safety standards.

- To encourage the Germans to maintain a robust line on the need for nuclear power.

G BILATERAL (see also Press Handling section of brief)

- To bring out in public (at the joint press conference) the quality of the bilateral relationship, the extent of shared interests and objectives, and the value both governments attach to developing still closer contacts, as exemplified by President von Weizsäcker's State Visit in July.

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- To take note of the reports by the Special Representatives on ways of further strengthening non-governmental links.
- To explain our requirements for military training in Germany, whilst expressing understanding for German environmental concerns.
- To issue invitation to next Summit in the UK at a time to be agreed.

H OTHER ISSUES

- To encourage the Germans to abstain on the UNGA resolution the Argentines are likely to introduce on the Falklands.
- To note common ground on the approach to the World Administrative Radio Conference (WARC).
- To answer German concern about Government aid for development of the Airbus A330/A340.

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GERMAN OBJECTIVES

GENERAL

- To demonstrate publicly in the run-up to the 25 January 1987 Federal Elections that Kohl can work in an effective and statesmanlike way with a key EC and Alliance partner to advance German interests.

A REVIEW OF POLITICAL AND ECONOMIC DEVELOPMENTS

- To discuss issues relevant to the German elections, including civil nuclear energy safety questions.
- To enlist continuing UK support in the Community and elsewhere to limit numbers of asylum seekers entering Germany and other Western countries.

B SOUTH AFRICA (see separate brief)

C EAST/WEST AND ARMS CONTROL

- To confirm the priority attached in Germany to East/West relations and FRG's special interest.
- To enlist our support in encouraging the US to take full account of European, and particularly German, interests in their approach to the next US/Soviet Summit, the Vienna CSCE meeting and other negotiations.
- To raise any last-minute points of difficulty in the CDE negotiations in Stockholm, ending 19 September.

D EC ISSUES

- To express their view that agricultural expenditure should not be sacrificed in favour of the structural fund, and to avoid CAP reforms which would antagonize the German farming vote before the Federal elections.
- To express concern at the possibility of Italy/Spain unravelling EC/US citrus deal, if not settled at 15 September Council.
- To avoid action on Japan which might lead to pressure on Germany because of its growing trade surplus, high interest rates etc.
- To seek our support for a definitive solution to prevent free movement of Turkish labour in the Association Agreement.

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- To seek UK views on handling a possible Turkish application to join the Community.

E MIDDLE EAST/LIBYA

- To argue for caution in response to any proposals for further action against Libya.

F IAEA

- To gain credit for Kohl's initiative following Chernobyl, and to seek future international cooperation in nuclear safety.

G BILATERAL RELATIONS

- To press for further restrictions on training of British Forces in Germany, particularly at Soltau-Lueneberg.
- To take note of the Special Representatives' reports.

H OTHER ISSUES

- To press HMG to provide aid for the development of the Airbus A330 and A340.
- To investigate out attitude to Hermes.

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ARGUMENTS FOR USE

A INTERNAL DEVELOPMENTS

Economic Developments

- Government economic policy bearing fruit: inflation lowest for almost 20 years; GDP rising for sixth successive year; employment risen by about 1 million since 1983; productivity since 1979 grown faster than any other industrial country except Japan; profitability of all British companies last year highest for 25 years.
- But unemployment still rising; currently by around 10-15,000 per month.
- Growth in UK has slowed this year, as in other major industrial countries, while the world adjusts to sharp fall in price of oil. Collapse of oil price has had an initially dampening effect on world activity, as oil producers have been more prompt in cutting back their spending than oil consumers in increasing theirs. This has shown up in UK export performance in first half of this year. But our most recent monthly export figures are more encouraging, with signs of renewed growth. Also heartened by signs of pick up in German growth. Confirms us in our view that we are merely experiencing a brief pause; the outlook for next year and beyond remains good.
- However, UK industry's control of its labour costs has been disappointing. Pay increases are running substantially above the inflation rate. Unit labour costs are increasing much faster than in our major competitor countries. This has prevented the UK from creating jobs on the scale it should and is a major reason for the continuing rise in unemployment.
- The problem we face is not just the level of pay in relation to productivity but also the rigidity of the pay system. Profit related pay (PRP) may be a way of introducing greater flexibility, and we published in July a discussion document on the possibility of adopting PRP more widely, following consultation with industry. In no doubt about merits of PRP in principle. Still considering whether new tax relief should be given to encourage employees to participate in PRP schemes.

Immigration Policy

- UK faces immigration pressure mainly from Indian sub-continent and West Africa.
- Government has just announced decision to impose visa requirement on nationals of India, Pakistan, Bangladesh, Nigeria and Ghana.
- Recent increase in pressure on ports of entry, particularly Heathrow Terminal 3, from passengers who are not genuine visitors or businessmen. Visas will require them to establish their eligibility for admission before travelling.
- British move consistent with approach of EC partners.

Asylum Seekers

- Sympathetic to problem. Note Federal Government's efforts to tackle it.
- [to be confirmed] Demarches by the Twelve to GDR and Soviet Union have demonstrated the seriousness with which the Twelve view the problem. Ready to study German proposals for other measures in appropriate Community forum.
- Any progress on discussions with the GDR?

Nuclear Energy

- Chernobyl raised level of public concern about nuclear energy. Main public concerns are Sellafield reprocessing plant, proposed Sizewell power station and possible low grade waste sites.
- Government remains committed to nuclear power. Opposition parties appear to be moving towards anti-nuclear positions.
- Should do our best to avoid widening gap between pro-nuclear and anti-nuclear Community partners.
- Situation in Germany?
- Your response?

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B SOUTH AFRICA (See separate brief)

C EAST/WEST RELATIONS AND ARMS CONTROL

East-West Relations

- Incidents such as detention of Daniloff have important implications for superpower relationship. [To be confirmed: despite the agreement over Daniloff and Zakharov], clumsy Soviet handling has damaged Gorbachev's image in lead-up to possible US/Soviet summit and Vienna CSCE Meetings.
- If Gorbachev does go to the US, would need concrete arms control results both for domestic policy reasons and to balance expected barrage of human rights criticism. Rude Pravo interview suggests he still wants a productive summit, but is nervous about prospects for achieving Soviet aims.
- Welcome US restraint in an extremely fraught situation.

Arms Control

- Fully support approach in President Reagan's reply to Gorbachev. Must continue to encourage clear and flexible US position in all arms control negotiations. May require strong line in Washington by Allies.
- Indications that Russians now beginning to grapple with central arms control issues. Major concessions by them still needed if agreements to be reached.
- Alliance unity crucial. Signs that Russians understand strength of Alliance unity.
- Hope US will not drop objective of 50% strategic cuts.

INF

- Interim INF agreement (possibly with freeze on Asian systems) may be more realistic prospect than zero-zero. Should also ensure our security interests met.
- Grateful for firm German support on third country forces. British policy unchanged. Not prepared to speculate now about possible future involvement. Russians will drop conditions (viz no transfer) if seriously want agreement.

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SDI

- Important that US conducts SDI in conformity with restrictive interpretation of ABM Treaty.
- Implications of Glenn Amendment. Welcome our coordination of lobbying in Washington. Must bring home to US that Europeans will not accept second class treatment.

Conventional Arms Control

- CDE important test of Soviet intentions. West must pull together in final days. US/Europe split, as at Berne, in no-one's interest.
- Result will condition our approach to future initiatives, through the Conventional Task Force in NATO. Welcome our close coincidence of views in that forum and at MBFR.

CTB

- Soviet moratorium played for propaganda, not for agreement at a US/Soviet summit. Way forward on CTB lies through discussion of verification issues at Conference on Disarmament, and US/Soviet contacts centred on verification, particularly for Threshold Test Ban Treaty and Peaceful Nuclear Explosions Treaty. Agreement on these more likely at US/Soviet summit.

Chemical Weapons

- Grateful for German support for UK initiative on CW challenge inspection.

CSCE

- Continued close Anglo-German cooperation important in run-up to CSCE Follow Up Meeting in Vienna (opens 4 November). Must avoid division evident at end of Berne Conference. Opportunity to highlight European interests; reassert Western priorities; help resolve future of conventional arms control.
- UK places priority at Vienna on encouraging Soviet and East European implementation of existing commitments. Thorough review of implementation crucial to future credibility of process. New proposals also important to maintain CSCE momentum, but should be directed towards ensuring better compliance.

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D EC ISSUES

 i) Budget/CAP

- Good cooperation between us on the 1986 and 1987 budgets. Must continue to resist pressures from Mediterranean. Hope as Presidency can count on German support to avoid discussion of 1.4% ceiling. Do not want issue raised at December European Council.
- Agriculture spending must be held within ceiling. Much expenditure is directed in ways which do not really benefit the farming community. Absurd that two-thirds of EC agriculture expenditure on storage and disposal of surpluses. Must ensure that expenditure better directed.
- Community is committed to achieving reforms in beef regime. 700,000 tonnes in cold storage. Must seek measures to reduce surpluses and rebalance market. Want to work with Germans to carry forward discussion of alternative use of land (cereals set aside scheme). Interested in German experience and ideas.

 ii) Employment/Internal Market

- Community needs coherent employment approach, aimed at helping create conditions in which business, particularly small enterprises, can flourish.
- Paper circulated before last Social Affairs Council set out our main ideas.
- Not a question of additional expense, but of concerted approach in member states and through existing Social Fund provisions.
- EC Employment Ministers will meet informally at Edinburgh on 22-23 September to discuss this and work out priorities (e.g. encouraging small businesses; more flexible employment patterns; training; tackling long-term unemployment).
- Must work to meet 1992 target for breaking down remaining barriers to free trade in goods and services, which impede creation of wealth and jobs.

[if Kohl argues that Transport Liberalisation must proceed in step with harmonisation]

- Harmonisation must not delay liberalisation, on which we are bound by European Court judgement, as well as European Council decisions, to take early action.

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iii) EC/US

- Look forward to continuing cooperation with Germany on active management of trade relationship with US. Experience shows Americans can be dissuaded from protectionist action if EC maintains two-pronged policy: working for negotiated solutions, while not hesitating to retaliate against illegal unilateral US actions. (If Germans raise Glenn/Traficant Amendments as an EC/US issue)
- Not an EC/US trade dispute, but confirm importance of cooperation in opposing Glenn/Traficant Amendments. (See page 25 for background).

iv) EC/Japan

- Seriously concerned about Japan's trade surplus. France and other Member States also increasingly worried. Council agreed on need for action, most recently in July.
- Objective is not erection of protectionist barriers, but to persuade Japanese to open up their market, giving us the benefits of the open trading system from which they profit. This means long term macro-economic and structural change.
- Nakasone's intentions clearly right, and we must encourage him. Appreciation of Yen since Plaza Agreement should reduce trade surplus in long term, though may also bring dangerous trade diversion from US to other markets (eg Germany). Surge in exports to EC of particular products: cars 42%, lathes 54%, machine centres 33% in first half 1986.
- Inadequate progress on removal of non-tariff barriers to trade with Japan, and trade surplus keeps growing; latest figures appalling: manufactured imports remain negligible, overall trade surplus \$34 bn, surplus with EC \$8.3 bn, over first half of 1986.
- In long run GATT round should help. But in short term, Community must take effective action. Vigorous anti-dumping action (recent photocopiers case) must be complemented by continuing pressure on Japanese to open up specific sectors (eg alcoholic drinks) and speed up structural change.
- If Japanese fail to respond, EC must act in GATT to defend its rights, as Council has agreed.

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v) EC/Turkey

- Share German concern to normalise relations with Turkey, and to forestall any membership application by Turks - that was my purpose in talking to Ozal in February.
- [Subject to developments] EC/Turkey Association Council in Brussels (on 15/16 September) first public step in normalisation of relations.
- Essential that Greek bilateral problems with Turkey are not allowed to dictate course of EC/Turkey relations.

[If Germans argue for early decision on free movement]

- Understand German concerns about free movement of labour. Commission proposals amount to freezing Turkey's rights in this respect. Are working together to ensure no further influx of Turkish workers.

[If Germans argue for definitive solution, ie effective removal of right of free movement]

- See force of this. But as Presidency, doubt if other member states prepared to go that far; almost certainly not acceptable to Turkey.

[If Germans ask about handling Turkish application for membership]

- Have made clear to Ozal application unwise until sure it would succeed. We must continue to dissuade.
- If Turks proceed, we must all respond carefully, and avoid public statements in favour or against. (Greeks will no doubt oppose instantly.)

vi) Commodity Policies

- Price stabilising commodity agreements interfere with free market forces and are unwelcome in principle. Can only contemplate such agreements if they contain stringent economic and financial provisions, to ensure no repetition of tin disaster.
- Important to build this into EC approach to commodity issues. Preparation for UNCTAD VII offers chance for EC to develop constructive position on whole range of commodity issues.
- Hope Germans will support UK in maintaining tough EC line at next session of renegotiations on International Rubber Agreement.

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Reference price in Rubber Agreement must reflect long run market price. Price adjustments should be even more automatic.

- New Cocoa Agreement better than expected. But HMG against commodity agreements in general and remains concerned about certain aspects of this one. Would prefer not to join, but recognise our view not shared by majority of EC partners.
- Also concerned about line Commission seems to be taking on Community membership. Important legal and competence issues involved. Hope Germans will join UK in opposing any Commission proposal that undermines member states' positions.

(If Kohl raises Tin)

- Essential to ensure ITC and members obtain and mobilize best legal arguments. Useful exchanges between lawyers in London.
- Hope Germans will support efforts to establish ITC sub-group to instruct ITC lawyers.
- UK Presidency organising meeting of EC defendants on 25 September.
- (If necessary) Understand Spanish/Portugese concern, but must not let this inhibit Community consultation.

(If Kohl argues that insistence on free market likely to accentuate problem of export earnings instability for producers, or raises the need for more compensatory finance)

- No need for any new scheme for compensatory finance. IMF and EC facilities exist.

vii) Large Combustion Plants

- Pleased to tell you that HMG has announced intention to retrofit fluegas desulphurisation (FGD) equipment to three major power stations.

(If Kohl asks whether UK will join 30% Club)

- No. Our aim remains 30% SO₂ reduction on 1980 levels by end of 1990s. Have already reduced by over 40% since 1970.

(If Kohl raises Large Combustion Plants Directive).

- Hope during Presidency to develop the possible compromises which have been put forward.

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E MIDDLE EAST/LIBYA

i) Libya/Terrorism

- Recent incidents in Karachi, Istanbul and Paris demonstrate need to keep up international cooperation.
- EC measures provide reasonable framework to maintain pressure but important for those who have not yet fully implemented them to do so.
- Important to present to public opinion considerable progress already made within the Twelve.
- UK happy to agree to French and German proposals for special meeting of Interior Ministers. Have proposed dates, await partners' response. What do you see as main purpose of meeting?
- No evidence so far of Libyan involvement in Karachi or Istanbul. Too early to say who was responsible but events have focussed attention again on terrorist problem.
- Message we derive from Walters' visit is that US content with measures taken by Europeans so far. But US still reserves right to take military action where there is conclusive evidence of involvement in terrorism. Need to keep in close touch with the US on their likely intentions. Need also to ensure that Europeans continue to work together and demonstrate that there is a creditable alternative to military action.
- Possible further measures could include oil embargo but UK not major importer and could not take the lead. US said they were content with quiet measures taken by European countries to reduce imports of Libyan oil.

ii) Iran/Iraq

- Iran still oppose all mediation attempts, but if her expected Autumn offensive fails, might just be a chance for the UN Secretary General.

iii) Middle East Economic Plan (if raised)

- Not enough support for this amongst EC partners or Summit 7. Not a starter: economically dubious and fraught with political problems.

iv) Arab/Israel (if raised)

- Continued stagnation worrying, but caution still in order for the Twelve. Not clear we can do more than keep in contact with parties and US; be ready to help when the parties are again ready to move.

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F IAEA SPECIAL CONFERENCE

- Value idea of IAEA Special Session, 24-26 September, and recall this stems from your initiative. Strongly endorse your support for IAEA's role. Recall my own letter to Gorbachev.
- Welcome Soviet contribution to post-accident review meeting in Vienna, 25-29 August. A surprisingly open performance.
- Pleased with rapid progress in drafting two Conventions (Early Notification and Assistance in the Event of a Nuclear Accident).
- Important to restrain Commission from exceeding Community competence by becoming too involved in international nuclear safety standards.

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G BILATERAL RELATIONS

Anglo-German Security Cooperation

- Anglo/German defence and security cooperation central to Alliance.
- Believe bilateral defence relationship has not had the publicity it deserves. Looking forward to visit with you to British and German Forces tomorrow.
- Value our extensive collaboration in defence equipment. We are each other's most important partner.
- Very much hope that Germany will be able to join others in signing EGA General MOU at ceremony now arranged for Defence Ministers at Gleneagles on 22 October. Important to ensure maximum European content in this project which will be mainstay of European military aerospace industry into the next century.

Cultural Relations

- Pleased that both Special Representatives have now submitted reports on possible ways of developing non-Governmental contacts. Some useful ideas being implemented. Hope we can follow up some of their ideas, especially increased contacts between young people.
- Endorse Special Representatives' conclusions on the need to encourage learning of German. We have launched an initiative which we hope will lead over time to increase in numbers studying German as a first foreign language, as well as study of foreign languages in general.

Arrangements for next Summit

- Look forward to hosting next Summit in UK in 1987.

Soltau-Lueneberg training area (if raised)

- As we agreed in November, officials examining question of environmental issues raised by British Army training in Germany. Understand that main outstanding issue is whether British Forces should continue training during summer holidays. Steps already taken to meet some of your concerns at Soltau-Lueneberg. However, cannot commit ourselves to a summer pause in training there in advance of the outcome of the Anglo-German Coordinating Group's work.

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- Most important to train forces effectively. British training practices in Germany essentially no different from those in the UK.

750th Anniversary of Berlin in 1987 (if Kohl raises)

- (Proposal for joint visit by three Allied leaders plus Kohl) Will consider carefully. Have Reagan and Mitterrand reacted?
- UK will play full part in celebrations. HM The Queen has already announced that she will visit on 26/27 May.

Draft Dodgers (if Kohl raises)

- Remain willing to examine sympathetically German proposals, subject to paramount need to preserve demilitarised status of Berlin.
- (if necessary) Allied specialists have studied carefully March 1986 German proposal, but do not consider it consistent with Berlin's demilitarised status.

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H OTHER ISSUES

Airbus A330/A340 (if raised)

- No decision has been made on the question of government launch aid for BAe for the new A330 and A340 aircraft.
- Recognise that if Airbus is to have a long term future it must develop its product range.

HOTOL/Hermes

- HOTOL's "proof-of-concept" study has not revealed any insuperable problems. Grateful for Germans' interest in HOTOL. Important to take longterm view of space vehicle development. European Space Agency should determine requirements and appraise all options. (Hermes, HOTOL, Snger)
- On Hermes, still considering a (small) UK share of up to 5-10 % in Hermes if rewarding UK role can be identified.
- Welcome Rolls Royce collaboration with MBB-ERNO on future propulsion system studies for ESA.

Broadcasting

- Most important to concert Western position and tactics before February 1987 World Administrative Radio Conference meeting on High Frequency Broadcasts.
- Clear that not all Community partners understand political significance.

Falklands

- Thank you for renewed assurance not to supply SUT torpedoes to Argentina.
- Argentines again likely to introduce UNGA resolution calling for negotiations on sovereignty and ignoring Islanders' right to self-determination. Trust we can again count on German abstention.

Macro-economic policies (If raised)

- Must continue with sound macroeconomic policies, but further measures needed to reduce current account imbalances: US needs to achieve major reduction in Federal deficit over time, starting with a sizeable cut in 1987; Japan to reduce barriers to imports.

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ANGLO/GERMAN SUMMIT : 16 SEPTEMBER : SOUTH AFRICA

OBJECTIVES

- a) If necessary (ie. if the Germans have blocked agreement in the Foreign Affairs Council on 15 September) to stress as Presidency the advantages of early conclusion of a joint EC position.
- b) To explain the consequences of dropping coal from the Hague package, and the unlikelihood of precise concertation of EC, US and Japanese decisions on restrictive measures.
- c) To consider what further positive contribution the Twelve can now make towards the objective of fundamental but peaceful change in South Africa.

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ANGLO/GERMAN SUMMIT : 16 SEPTEMBER : SOUTH AFRICA

ARGUMENTS FOR USE

FURTHER MEASURES : THE HAGUE COMMUNIQUE PACKAGE

[If FRG have agreed to decision to adopt Hague Communiqué measures at FAC on 15/16 September.]

- Pleased that Twelve have reached common decision on further measures.
- Still believe that economic measures will prove ineffective, and probably counter-productive. Growing obduracy of SAG confirms this. But given the refusal of SAG to react to our call for movement towards reform during the three months period set in Hague communiqué, and limited achievements of Sir Geoffrey Howe's mission, Twelve had little alternative.
- By finalising our position now we have been able to resist pressure to unpick or go beyond Hague Council communiqué measures. It is an integral package. Not prepared to go further, but dropping the ban on coal imports would have destroyed the basis for agreement.
- A pity we were not able to achieve precise coincidence of measures with US, Japan and other Western partners. Principle of Western concertation important; but must recognise disparity of our national interests. Have therefore had to settle at this stage for similar kinds of measures taken on a broadly similar timescale.

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[If FRG have blocked agreement at FAC or reserved their position on Hague Communiqué measures ad referendum to Chancellor Kohl]

- Clear from discussions at Brocket Hall and Foreign Affairs Council that most of the Twelve favour agreement on further measures in Hague Communiqué on or before 27 September.
- Share your conviction that sanctions policy will not be effective and may be counter-productive in pursuit of fundamental but peaceful change. But SAG have failed to respond to our call for steps towards dialogue. For sake of Twelve's credibility we now have to swallow bitter pill of further restrictive measures.
- Clear that for most partners the measures included in Hague Communiqué are minimum acceptable. For UK (and I believe FRG) they are certainly maximum acceptable. Believe they represent only identified basis for agreement in Twelve.
- Removing coal from list, however desirable, would inevitably lead to calls from Partners for alternative measures. Most likely is ban on fruit and vegetable imports. This highly contentious. Prospects for finding a new basis for agreement dim. Hague package agreed only with great difficulty.

HIS OBJECTIVE:

- a) To promote maximum concertation with Western allies on measures against South Africa, [and, if FRG have blocked agreement at FAC, to encourage UK to join US and Japan in opposing ban on coal imports].
- b) To discuss prospects for a common political platform agreed by EC/US/Japan.

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YOUR RESPONSE : CONCERTING WITH WESTERN ALLIES

- Agree important to concert action, especially with US, Japan. But recent exchanges with both (Troika talks with Japanese on 3 September and Sir Geoffrey Howe's discussions with George Shultz 9/10 September) revealed differences on individual measures. For example, both US and Japan likely to go ahead with ban on air links. UK cannot accept this.
- So dictates of individual national interests mean we shall have to settle for concertation in terms of similar kinds of measures taken on broadly similar timescale. Foreign Secretary and Mr Shultz agreed this principle on 9/10 September; and Shultz sceptical whether EC position would influence thinking in Congress, although prior EC agreement on package might strengthen President Reagan's hand.
- We should concentrate now on achieving best outcome in Twelve.
Strong arguments for early decision.
- Risky to wait for President Reagan to announce his position. House and Senate have now agreed proposals for far reaching measures including coal ban. Administration bound make concessions going beyond what we can accept. Risks encouraging more radical Partners to try to unravel and expand Hague package.
- We should also face strong criticism at UNGA and throughout black Africa if no measures adopted by 27 September. Also undermine new-found moderation and realism in Front Line States.
- As Presidency believe it in best interests of Twelve to get agreement on Hague Communiqué measures now, and implement on or before 27 September.

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- [Defensive: I would not favour holding extraordinary European Council to agree/announce measures]
- Agreement now would allow us to move on from negative obsession with sanctions policy and look at more positive approaches. Otherwise debate on measures will continue and pressures on us can only grow.

[DEFENSIVE : IMPLEMENTATION OF MEASURES]

Hague communiqué measures are:

- "ban on new investments, and the import of coal, iron, steel and gold coins."
- I have already announced UK willingness to impose voluntary ban on new investments (as well as promotion of tourism). A Ministerial announcement of these bans will follow shortly.
- We have already imposed a legal ban on import of gold coins.
- UK considers these measures are for implementation at national level. We cannot accept attempt to make ban on new investments legally binding. Not prepared to pass primary legislation or extend Community competence
- Bans on imports of coal, iron, steel (which we believe should cover treaty of Paris products only) would be for decision of the Member States meeting as Council of Ministers. Contingency planning for their implementation by 27 September already in hand.

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FUTURE OF EC POLICY

- Time is not right for major new Western initiative; neither SAG nor black opinion in receptive mood.
- Remain convinced that key to progress on the ground lies in reciprocal and matching concessions. This is basis of idea Sir Geoffrey Howe floated on Kaunda and others.

POLITICAL ROLE OF TWELVE

- At Brocket Hall Herr Genscher argued for common political platform as basis for international pressure on SAG. Dutch expressed similar sentiments; believe that we need to reassure Afrikaners if there is to be movement towards reform. These ideas welcome in principle. Should ask officials to put flesh on them; but important to avoid publicity at this stage (risk of raising expectations).

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ANGLO/GERMAN SUMMIT : 16 SEPTEMBER : SOUTH AFRICA

BACKGROUND

1. The issue of restrictive measures against South Africa is a contentious one within the FRG's coalition. Herr Strauss is a vocal opponent.
2. To deflect domestic criticism Chancellor Kohl has sought to achieve maximum coordination between the Twelve and Western allies, notably US and Japan. He earlier indicated a preference for announcement of any EC measures at Head of Government rather than Foreign Minister level.
3. At Brocket Hall, Herr Genscher did not exclude the possibility of a decision in principle in the margins of the Foreign Affairs Council on 15/16 September to adopt the further measures envisaged in Hague Communiqué. But on 12 September Genscher told the Foreign Secretary that FRG would not be able to support a ban on coal imports because of the adverse effects it would have on black coalminers. He had been told by the US Ambassador that US and Japan would not impose a coal ban, and argued that the substance of the EC position should be as close as possible to those of Japan and the US.
4. Insistence on precise coordination with the US and Japan seems impractical. (For example, both Japan and US will probably accept a ban on air links and other measures which the US Administration seem likely to accept go well beyond the European package.) Given disparity of national interests we are unlikely to be able to achieve more than concertation in terms of similar kinds of measures

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taken on broadly similar timescales. Mr Shultz agrees. On 11 September the House and Senate agreed on joint proposals for further measures going far beyond the Hague package. It is by no means clear that the Administration will be able to resist a coal ban.

5. FRG share our interest in examining the best ways for the Twelve to make a positive contribution over the coming months towards peaceful change in South Africa. At Brocket Hall Herr Genscher called for the establishment of a common political platform among the Western countries as a basis for massive political pressure on South Africa. This approach requires further definition, but prima facie is not dissimilar from a Dutch proposal that the Twelve should elaborate a set of common principles for an eventual solution in South Africa.

Southern African Department
12 September

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PRESS HANDLING : SOUTH AFRICA

A. [If FAC has announced agreement on Hague measures.]

- the two Heads of Government noted decision in principle taken by Foreign Ministers in FAC to implement measures listed in the Hague Communiqué by 27 September. This decision the result of failure of SAG to respond to Twelve's call on them at The Hague to implement steps to bring about a dialogue for peaceful reform. Twelve must now examine together how they can most effectively contribute in future to achieving aim of fundamental but peaceful change in South Africa.

B [If Herr Genscher has reserved FRG position on further measures at FAC ad referendum to Chancellor Kohl]

- Foreign Ministers of the Twelve, meeting in political cooperation in the margins of FAC, agreed in principle to adopt the economic measures against South Africa identified in the Hague Communiqué for implementation by 27 September.
- In case of FRG this agreement was given ad referendum to Chancellor Kohl as Head of Government.

[Chancellor Kohl has confirmed today to the Prime Minister, in her capacity as President of the European Council, that FRG agrees to the implementation of the measures.]

C [If no agreement reached in margins of FAC]

- Twelve stated in Hague Communiqué that they would consult on further measures against South Africa for possible adoption if certain steps to advance prospects for reform not taken by SAG by 27 September.

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- UK position on these that:
 - we have already announced willingness to impose voluntary ban on new investments in South Africa and on promotion of tourism. (These will be announced soon).
 - We have already imposed legal ban on import of gold coins.
 - At CRM Prime Minister announced that UK would not oppose joint EC decision to ban imports of coal, iron, and steel.
- In the event no agreement on adoption of these measures was reached at FAC. The two Heads of Government discussed outcome of the FAC and future handling of further measures against South Africa by the Twelve. Twelve will be considering the issue further in consultation with Western partners.

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Debt (if raised)

- Should maintain existing case by case approach, and support Baker initiative. Problems still serious but being managed. Must continue to be flexible, in particular to help oil exporting debtors to adjust.
- Support agreement in principle to General Capital Increase for World Bank at annual meetings. Welcome German signature of Multilateral Investment Guarantee Agency Convention.

BACKGROUND

A INTERNAL DEVELOPMENTS

UK Economic and politics (see Annex C on Germany)

- Gross domestic product (output estimate) rose by about 0.5% in 1986Q2 and was 1.5% higher than a year earlier.
- Consumer expenditure rose by about 0.5% in 1986Q2 and was about 3% higher than a year earlier.
- Industrial investment in 1986Q2 was over 5% higher than a year earlier.
- Unemployment (UK seasonally adjusted excluding school leavers) on the provisional output estimate rose by 4,400 in July 1986 to stand at 3.2 million (11.7% of working population).
- The employed labour force rose by 29,000 in 1986Q1 to 24,035,000, some 242,000 higher than a year earlier, and 1,022,000 higher than in March 1983 when employment began to rise again.
- Average earnings (underlying) rose by about 7.5% in year to June 1986.
- Productivity in manufacturing industry in 1986 broadly unchanged on a year earlier.
- Unit wage costs in manufacturing in 1986Q2 7.5% higher than a year earlier.
- Retail price inflation 2.4% in July.
- Money supply M0 3% growth over last 12 months. (In bottom half of 2-6% target range) £M3: 19% growth in last 12 months. (Outside 11-15% target range).
- PSBR in first four months of 1986/87 totalled £2.1 bn compared with £3.1 bn over same period last year.
- Current account surplus: £3.75 billion in 1985, sixth successive year of surplus. Current account estimated to have been in surplus of £0.9 billion in the first half of 1986.
- Budget time forecast: Oil price assumed to average \$15 for rest of 1986 and in 1987. GDP was forecast to grow by 3% in 1986Q4. current account forecast to remain in sizeable surplus (£3.5 billion in 1986). PSBR forecast to be £7 billion in 1986-87. Mr Lawson has subsequently said "For this year, while the rate of inflation is likely to be even lower than I forecast at the time of the Budget, the rate of output growth may be slightly lower too. But next year

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- 1987 - I would expect to be that much better". The FSBR current account forecast could quite possibly prove too optimistic given fall in oil prices after Budget. PSBR forecast in FSBR still best central estimate.

Immigration

- In year to June 1986 (over 1984) 34% increase in difficult cases needing detailed immigration examination at Terminal 3. Pressure threatened effectiveness of immigration control, with 2½ hour queues for immigration control at peak periods. Up to 12 hours wait for interview for those needing detailed examination; sometimes held overnight in waiting area.
- Majority from 5 countries selected - 80% of difficult cases at Terminal 3; over 6,000 nationals of the 5 countries refused at Heathrow and Gatwick in first half of 1986, 68% up on 1985.
- Germany makes wide use of visas (including all 5 selected countries except Nigeria). Recently announced tightening of restrictions, including tightened visa requirements for Ghana and Bangladesh among other countries.
- EC pressure for relaxation of controls over EC nationals needs to be balanced by effective checks against illegal immigration, terrorism etc. For discussion at meeting of EC Interior Ministers in London on 20 October.

Asylum Seekers

- Influx into West Germany of Third World asylum seekers (mainly from the Middle East) has increased sharply since 1984: some 74,000 in 1985; nearly 67,000 already in first eight months of this year. FRG's liberal asylum laws guarantee that anyone claiming political asylum may stay while the case is heard, which can take years. In practice, few arrivals are sent back. Asylum seekers are an increasing economic and social burden; now major domestic political issue in FRG.
- Approximately 50% of asylum seekers exploit (with GDR connivance) the lack of controls at the Berlin Sector Boundary to enter West Berlin via East Berlin, having arrived at the GDR airport Schönefeld. Most arrive by Aeroflot or GDR airline Interflug. The Berlin Allies have spoken to the Russians, but cannot introduce controls at the Sector Boundary without undermining Allied position

that East Berlin (the Soviet sector) is not part of the GDR, and that the Sector Boundary is therefore not a state frontier.

- FRG Government have been pressing the GDR to stop the flow through Berlin, but are reluctant to jeopardise inner-German relations. Honecker has hinted at possible GDR flexibility, but no practical progress yet. Focus in FRG now on domestic measures rather than Berlin. Kohl announced on 27 August series of measures, including fines for airlines which bring asylum seekers, designed to show that the government is taking action. These will not however plug the Berlin loophole.

- Germans have also raised problem in Community. UK as Presidency have drawn up demarche by the Twelve to GDR and Soviet Union calling on them not to issue transit visas to, or transport, individuals without visas for final destination (ie FRG). Approval of the Twelve awaited, but should be possible to deliver before Summit. Germans are pleased.

Nuclear energy in the UK

- Main public concerns have been the Nuclear Industry Radioactive Waste Executive's (NIREX) difficulties in securing access to explore possible sites for low grade waste disposal, and minor incidents at Sellafield. The nuclear debate will be given a new stimulus when we receive the report of the Sizewell Inspector (due to be delivered at about the end of September).

- In 1985 the UK's 18 commercial nuclear power stations supplied 20% of electricity from the public grid.

- Nuclear power remains high on the list of public concerns, although the signs are that of opinion is settling down: 53% anti-nuclear immediately post-Chernobyl; 45% anti-nuclear end July.

- Mr Walker gave a robust pro-nuclear speech in June stressing the government's continued support.

- The other main parties have since adopted anti-nuclear positions: Labour will seek Conference agreement on phasing out nuclear power, albeit over the longer-term; Liberal position is similar, but with a 10-15 year timescale; SDP oppose new nuclear orders but would maintain existing stations.

Nuclear energy in the FRG

- The FRG's 19 nuclear power stations are predominantly light water reactors operated by privately owned utilities. Six further stations are under construction. Nuclear power accounts for 33% of electricity (24% in 1984). There are facilities for manufacture of fuel elements and (by UK/FRG/Netherlands consortium URENZO) for uranium enrichment. Reprocessing is mostly carried out in France, but a reprocessing plant is under construction at Wackersdorf. Work there and at other nuclear plants continues against a background of violent demonstrations.
- The CDU remain committed to the nuclear programme. The creation of a new Federal Ministry of the Environment, Nature Conservation and Reactor Safety on 6 June was designed to demonstrate the Government's concern following Chernobyl. The CSU generally take the strongest pro-nuclear line within the coalition. The FDP have called for a thorough review of nuclear policy. A key electoral issue for the SPD will be their commitment to withdrawal from nuclear energy within 10 years. The Greens are fervently anti-nuclear.
- Recent German opinion polls showed 59% afraid of radioactivity, while 62% rated it a major political issue. Nuclear issues will remain important in the Federal election campaign.

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B SOUTH AFRICA (see separate brief)

C EAST/WEST RELATIONS AND ARMS CONTROL

East/West Relations

- Discussion is likely to be dominated by consideration of prospects for the US/Soviet Summit, which have been thrown into doubt by arrest of Nicholas Daniloff, Moscow correspondent for US News and World Report, on 30 August. He was charged with espionage on 7 September. On 8 September Reagan stated that the affair could become "a major obstacle in US/Soviet relations". [To be confirmed: the US and the Soviet Union have now reached agreement over Daniloff and Zakharov]

- The pace of US/Soviet contacts on arms control, regional and bilateral issues had picked up since Deputy Foreign Minister Bessmertnykh's visit to Washington (25/29 July), when agreement was reached that Shultz and Shevardnadze should meet on 19/20 September.

Reagan is considering options for responding to Daniloff's detention, including a review of whether this meeting should go ahead.

- In an interview with Czech Party Newspaper Rude Pravo on 8 September, Gorbachev stated: "We are in favour of the holding of the Soviet/American Summit meeting, a Summit that would be marked by the achievement of considerable headway towards the solution of at least one or two problems of international security".

- But time is short for achieving even a framework arms control agreement. Without such an agreement, a full agreement during 1987 on central arms control issues is less likely. It is still difficult to identify which areas offer most potential: INF is one possibility, but agreement may only fall into place once the START outline is clear.

Arms Control

- Nitze and Karpov met in Moscow in August, but appear to have got down to basics only at the last moment. They met again on 5-6 September. The Russians tabled a further proposal on INF elaborating an interim solution at rather lower levels than in previous proposals. There was no mention of third country forces

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(although we do not know whether there was any agreement to leave this issue aside until a later stage). No new numbers were tabled by either side in the START group. The US accept that despite the Reagan reply of 25 July the ball is still in their court on this. Leaks in Washington had suggested that the Administration were working on some figures which amounted to an offer of about a 30% cut. But the US were not in a position to table these on this occasion. Discussion of space and defence issues was limited, with the Russians accepting that the ball is in their court following the President's message of 25 July. The next session of the US/USSR nuclear and space negotiations begins on September 18, with Shevardnadze's meeting with Shultz on 19-20 September.

- The Germans share our view that private encouragement is the right approach with the US Administration, although this does not prevent some public activity, especially by Genscher (he restated the FRG's commitment to the Harmel doctrine, and importance of the twin-pillars of Alliance, during a speech at American/German Chamber of Commerce in Munich on 28 July).

- It is electorally important to Germans that a US/Soviet Summit should be held; and they may develop nerves as the FRG elections approach if Summit prospects deteriorate. They will have European interests very much to the fore, viz INF, CW and CDE/MBFR.

- Germans also share UK concerns about US intentions on holding to restrictive interpretation of ABM Treaty, and Senate action to try to restrict foreign participation in SDI research (the Glenn Amendment). In a surprise move on 8 August the US Senate passed an amendment to its version of the FY87 Defence Authorisation Bill, which would, if it becomes law, prevent the award of SDI contracts to Allied governments unless the US Defence Secretary certified that the work could not reasonably be performed by a US firm. An even more restrictive House amendment was dropped. The Senate amendment will now go forward to the budget conference in mid-September. The Traficant Amendment would oblige the Pentagon to award a contract (not just SDI-related) to a domestic firm if the difference between domestic and foreign bids was not more than 5%. We are lobbying in concert with the Germans.

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Conventional Arms Control

- Stockholm CDE, which ends on 19 September, is important to the Germans. They badly want a significant outcome agreed between East and West. They are particularly nervous about possibility of US vetoing a result otherwise acceptable to NATO, as happened at the Berne CSCE human contacts meeting. The political significance of a CDE agreement as a means of revitalising the CSCE, which the Germans regard as a process and not just a negotiation, may make them less exacting than other allies in judging the fine print.
- Many issues have been settled during the last four weeks but two key items remain to be resolved: the level of forces at which prior notification of military activities will be obligatory; and the detailed procedures for verification.
- On notification the Allies are pressing for a threshold (c 10,000 men) which would oblige the Soviet Union to notify divisional exercises on their territory. The Germans may be ready to accept a figure of 12,000. This would be at the margin of acceptability for us, as it would catch very few exercises on Soviet territory. However it might be acceptable if other aspects of the final package are significantly attractive.
- Verification may be the acid test. The Russians have made concessions but are backtracking on their apparent agreement to use neutral aircraft for air inspection, and are arguing for unreasonably large restricted areas which will not be open to verification through inspection. The UK does not need such areas but the Germans say they do. We would be prepared, given German views, to accept restricted areas provided they are not as large as the Russians currently demand.
- On the Task Force established by the NATO Halifax Meeting to look at ways of developing the Allied position on conventional arms control, the Germans share our perceptions about the lessons of the past. Whether they are developing new ideas as we are is not yet clear. In the meantime they agree with us on the need not to appear to be giving up on MBFR.

CTB/CW

- The Germans are less close to the UK position over nuclear testing. Their commitment to a Comprehensive Test Ban Treaty (CTBT) has recently surfaced in unhelpfully forthcoming comments on the

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extension of the Soviet moratorium on testing. In a statement on 19 August Genscher said it was important that US/Soviet contacts should lead to a narrowing of the gap over verification. Should this lead to agreement on a CTB at a US/Soviet summit, the Germans would welcome it.

- Kohl wrote an open letter in early August supporting the 6 Nations/5 Continents group's proposals on verification for a CTB. He reiterated his support during a visit to Sweden on 4 September. Nevertheless, in recent contacts with Sir J Bullard, the Germans have made clear that their position has not changed: whilst a CTBT remains an objective, they recognise that while deterrence remains the basis of Alliance policy, some testing will be necessary, (even if they could not say so in public).
- While the UK wants to see further work on verification, we would not want the US and Soviet Union by themselves to include an agreement on a CTBT at a summit. We believe that US views on the importance of testing rule this out in practice. The most that may be achieved would be a more limited agreement to ratify the Threshold Test Ban and Peaceful Nuclear Explosions Treaties.
- The UK Chairmanship of 1986 negotiations on Chemical Weapons has made good progress. FRG strongly supported UK initiatives to try to make progress on the key verification issue of challenge inspection. The Soviet Union has yet to respond.

CSCE

- For the Germans the CSCE has been since 1975 the main opportunity for continuing Ostpolitik, ie reconciliation with former enemies and gradually overcoming the division of Europe. Together with the relationship with the US and the development of a united Europe, this remains the main focus of their foreign policy.
- The Germans will wish to discuss the prospects for the Vienna CSCE Follow Up Meeting (4 November). German strategy will be to maintain dialogue. They still resent US failure to support the agreed NATO position at the Berne Human Contacts meeting. The environment is another issue of particular concern in view of the pollution of the FRG emanating from the GDR and Czechoslovakia.
- Although there is no general discrepancy between the FRG position and our own, we (like the Americans) tend to put greater emphasis on ensuring implementation of existing commitments, rather than wide-ranging proposals for new commitments.

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D EC QUESTIONS

EC Budget/CAP

- The Budget Council on 8 September agreed on a draft 1987 budget which respects budget discipline rules. Cooperation between the "northern" member states (especially the UK, FRG and France) was a major factor in securing this outcome. The Budget now goes to the European Parliament.
- Possible 776 mecu shortfall in 1986 Budget: Council invited Commission to make management savings and will look at situation again later this year when figures clearer.
- The Commission are likely to present by the end of the year the ex novo review of own resources called for by the Fontainebleau conclusions one year before the 1.4% ceiling is reached.
- The Germans, like us, have said that there should be no increase in the 1.4% ceiling this year or next, in accordance with the Fontainebleau terms ("the rate may be increased to 1.6% on 1 January 1988 by unanimous decision of the Council and after agreement has been given in accordance with national procedures".) We share a common interest in avoiding discussion of the ex novo review during our Presidency (including at the London European Council) and for as long as possible next year (although the German domestic budget already plans for an increase beyond 1.4% in 1988).
- On the immediate CAP objectives and responsibilities of our Presidency (reform of the beef régime primarily by cutting back intervention, and certain structural measures) the Germans are not likely to be particularly troublesome. They should also be sympathetic to our idea of curbing cereals surpluses through a set aside scheme (for discussion in the informal Agricultural Council on 28-30 September). But the Germans are unlikely to translate their growing recognition that CAP surpluses are economically and financially disastrous into measures hurting their farmers before the Federal elections. Since this year's tough price fixing, the Germans have given DM 650 million of aid to these farmers, mostly in direct compensation for the price fixing.

Employment Initiative

- The Germans are concerned about high unemployment, though current trend in FRG shows unemployment down and employment up.

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- The Germans will be represented at the Edinburgh meeting of Employment Ministers (22-23 September) by Minister of State, Vogt. He visited UK on 3 September for discussion with Mr Clarke (Paymaster General) on the employment initiative, in advance of the Edinburgh meeting.
- While the Germans have until recently been the least enthusiastic about this initiative, fearing that we were seeking to divert Community funds to solve our own unemployment problems, Mr Clarke's meeting with Vogt seems to have gone a long way towards removing German objections. However, should these reemerge it will be important to emphasise (as Mr Clarke did with Vogt) that no additional Community funding will be involved. As the UK paper made clear, the intention is to re-assess the priorities for expenditure within the existing Social Fund resources.
- Following the Edinburgh meeting, we aim (as Presidency) to steer a detailed resolution through the December Social Affairs Council, to lay down the broad lines of a common approach to combat unemployment, based on the ideas in the UK/Irish/Italian paper.

EC/US

- Commission/US agreement on citrus/pasta dispute on 10 August. First stage (rollback of retaliatory tariffs on both sides) now implemented. UK Presidency working for Council approval on 15 September of substance of deal involving further EC tariff reductions: Italy, Spain and Greece are holding up agreement.
- US will implement agreement with EC on export restraint levels for semi-finished steel on 15 September.

EC/Japan

Japanese trade imbalance has worsened perceptibly in first half of 1986.

- Surplus with EC record \$8.3 billion, according to Japanese figures: 61% increase in dollar value of exports (compared with 42% for imports). Global surplus record \$33 billion.
- OECD estimates show likely surplus for 1986 as \$80 billion.
- Volume of Japanese exports to EC estimated to have risen by 28% over first five months of 1986.
- 21 July Foreign Affairs Council decided to instigate formal GATT

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procedures against Japan if no assurances by October on removal of discriminatory tax system on alcoholic drinks; and to select other sectors for similar treatment.

- Foreign Secretary has written to Nakasone conveying Council conclusions; Delors has also done so.

EC/Turkey

- Agreement at February Foreign Affairs Council to begin gradual normalisation of EC/Turkey relations.

- Greece has subsequently raised difficulties at every turn, but Ministerial meeting of EC/Turkey Association Council scheduled at Foreign Affairs Council on morning of 16 September. Germans will be keenly interested in outcome and in our handling as Presidency.

- Several outstanding problems include Greek foot-dragging over signature of protocol covering Greek adherence to EC/Turkey Association Agreement.

- Germans have major political problem with commitment in Association Agreement on free movement of Turkish workers in EC, which is theoretically intended to come into effect on 1 December 1986. (In our and German view this is not a legal deadline, but remains subject to prior decisions by the Association Council and detailed implementing provisions.)

- Germans (who have 1.5 million Turkish workers) want solution which will effectively end further Turkish immigration on permanent basis. We and other partners see no prospect of Turks accepting this, and think postponement of any decision on implementation for eg ten years most realistic option. However, Vogt told Mr Clarke that the Germans would be opposed to such a postponement.

- Germans likely to be concerned at prospect of early Turkish application for membership. Prime Minister told Ozal in February that an application had no chance of success at present.

- Risk that Turks may try to link problem of free movement with membership application. Possibility of further joint UK/FRG action to dissuade Turks from applying under discussion.

- If Turks apply, our objective will be to minimise public response and ensure application is processed in normal way, eg, (very protracted) study by Commission as first step. But Germans might be tempted to make encouraging statement in belief that others (eg Greece) will veto.

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Commodity Policies

- Negotiations on the International Rubber Agreement resume in October. A Community mandate for these negotiations was agreed in 1985. At UK instigation, the Community has taken a tough line. But there is a risk that, faced with the readiness of others to settle for something closer to the producers' position, Community partners will be reluctant to hold out on all the points to which we attach importance (eg period of automatic price adjustment and price level). The Prime Minister commented on Mr Channon's report on the outcome of the May session of the negotiating conference that the government should take opportunities to lobby vigorously before the next session, to ensure that the UK's tough stance on the Rubber Agreement was widely shared within the Community.

- Apparent American willingness to renew the present Agreement without significant amendment makes the prospect of achieving our goal more difficult. The US position is determined more by self-interest than by any strong desire to please the Malaysians and other producers: the financial saving and strategic benefits of holding a significant proportion of the Agreement's buffer stock in the USA outweigh US commitment to free market principles.

- On compensatory finance, the Germans have shown keenness for some kind of new facility to compensate developing countries for loss of commodity export earnings. This would involve us in heavy unscheduled expenditure from our aid programme.

- The new International Cocoa Agreement negotiated in Geneva in July incorporates the majority of points upon which UK negotiators were instructed to insist, and generally meets the criteria for commodity agreements set out in the Interdepartmental Review of Commodity Policy. Unless we are able to muster a sufficient number of EC member states to oppose membership of the Agreement, the UK will be unable to prevent a Community decision to join.

- Ministers have not yet considered the question of UK membership. Mr Jopling is expected to make a recommendation about signature and provisional application in the light of discussions in the Community the outcome of the Cocoa Council meeting (1-12 September).

- A Commission proposal for signature/provisional application of the Agreement by 30 September was discussed by the Community on 9 September. The FRG, and almost all other members states, favoured membership. The FRG indicated that it would join the Agreement

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unilaterally if the EC Council of Ministers proved unable to agree a decision on Community membership (30 September).

- Whatever their positions of principle the UK, Italy and Ireland, will not be able to complete the necessary domestic procedures to permit membership by 30 September. The Commission's proposal could imply an extension of Community competence. It is possible moreover that the Commission may seek to force member states to take a decision on the basis of an amended version of the proposal which involves unacceptable legal, competence and practical difficulties.

- It is important to ensure that the Germans are aware of the need to take full account of the implications of the Commission's proposals. Despite the Germans' commitment to the new Agreement, they should be willing to oppose a proposal of questionable legal validity which could result in an extension of Community competence.

- All members of the International Tin Council (ITC), and the EC Commission, are named as defendants in an action brought by one of the tin brokers owed money by the ITC.

- The UK has proposed the creation of a small ITC legal sub-committee authorised to instruct ITC's solicitors without first seeking the approval of the entire ITC membership. This proposal was discussed at ITC meetings on 10 and 11 September. A number of member states had misgivings about it.

- The UK Presidency, in response to a Commission suggestion, is organising a meeting of EC defendants in London on 25 September to discuss coordination of defence in general. Spain and Portugal, who are not members of the ITC, will not participate in the meeting of EC defendants on 25 September. An attempt by Spain, supported by Portugal, to obtain an undertaking from the Council of Ministers exempting these two countries from financial liabilities that might follow from legal actions, will be discussed at the Foreign Affairs Council on 15 September. The UK Presidency hopes to satisfy Spanish and Portuguese concern without committing the Council to any particular undertaking.

Large Combustion plants

- On 11 September HMG announced it had authorised CEGB (subject to completion of engineering studies, appropriate financial arrangement and consultations with planning authorities) to retrofit 6000MW of existing generating capacity, equivalent to three 2000 MW stations, with fluegas desulphurisation (FGD) equipment, starting with the recently completed extension to the Drax power station. The retrofit programme will be phased over 1988-1997.
- The Government also announced that it will require future coalfired power stations to be fitted with FGD, to the requirements of the Industrial Air Pollution Inspectorate.

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E MIDDLE EAST/LIBYA

Terrorism/Libya

- This is an issue to which Kohl attaches considerable importance in view of its possible electoral implications.
- General Walters visited European capitals from 1-5 September. In Bonn he saw Kohl and Genscher separately. Walters' main theme in Bonn as elsewhere was low-key expressing appreciation for measures already taken, and to urge that these be maintained to keep up pressure on Qadhafi.
- Pan Am flight 73 was attacked on the ground at Karachi airport in the early hours of 5 September. Incident ended with 20 dead and over 100 injured. Hijackers under arrest in Pakistan. No sign so far of their affiliation but early indications are that they had Palestinian rather than Libyan sympathies.
- Arab speaking terrorists attacked the main Istanbul synagogue on 6 September. 21 were killed and several injured. Turks are still investigating but no sign so far of direct Libyan or other state involvement.
- A bomb exploded in the Hotel de Ville in Paris on 8 September killing one woman and injuring several. These events prompted Kohl and Chirac to call for an urgent meeting of EC Ministers of the Interior after their own discussions on 9 September. We are consulting partners about a possible meeting later this month.

Sale of EX-BCAL Airbus to Libya

- Aircraft are now in Libya. German support for attempts to prevent the delivery of the aircraft to Libya was patchy at first, but eventually satisfactory considering the limited direct German interest. Officials are considering action to seek German support in denying Libya access to Airbus spares, in particular to the central spares facility at Hamburg.

Iran/Iraq

- A major Iranian ground offensive is expected this Autumn. It is likely to be bloody but inconclusive. The Iranians remain implacably opposed to mediation, but if the offensive fails and economic pressures increase, might just be more amenable. UN Secretary General is best placed to exploit any opportunity.

Middle East Economic Plan

- New bureaucratic structure not the answer to the region's (including Egypt's) economic problems: international institutions such as the IMF already exist. Israeli ambitions to use the idea to foster economic cooperation between Israel and the Arab states likely to founder on Arab political objections.
- Ezer Weizmann, Israeli Minister without portfolio, visited Bonn on 2 September. In a two hour meeting with Kohl, he sought German support for the Middle East economic plan.

Arab/Israel

- Stagnation in the peace process since Jordan/PLO breakdown in February. US efforts to broker Israel/Jordan/Egypt statement: prospects poor. Rotation to Shamir in October.

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F IAEA SPECIAL CONFERENCE

- Kohl wrote to the Prime Minister (and heads of Government in other countries with nuclear power programmes) in May, proposing a conference to consider developing international cooperation in nuclear safety. The Prime Minister supported the initiative, but urged that the conference should be convened under IAEA auspices.
- A Special Session of the IAEA Board of Governors on 21 May agreed to convene a conference under IAEA auspices, to consider on the full range of nuclear safety issues. Following a visit to Vienna in late May by Dr Zimmermann (then Federal Minister responsible for the Environment), the German and IAEA proposals were combined. The resulting Special Session of the IAEA General Conference takes place on 24-26 September.

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G BILATERAL RELATIONS

Plans for next Summit

- Anglo/German Summits were held twice a year up to 1984, then in November 1985 (in London). On the pattern of the last two years, the next Summit would take place in the autumn of 1987 in the UK (in any event after the German elections).

Defence Cooperation

- The only area of difficulty concerns the environmental effects of training by British Forces in Germany, which the German Government fear could become a serious public issue. Although agreement has been reached on voluntary restrictions on low flying by Allied air forces including RAF(G), and some reductions made on ground forces training, problems over the environmental impact of ground force training have yet to be resolved. As agreed at the last Summit, officials have been tasked with examining the problem. We told the Germans on 10 September that it would not be possible to implement a summer pause in training this year or next.

- The Germans are showing uncertainty over the signing of the European Fighter Aircraft General Memorandum of Understanding which would allow the establishment of an International Project Office to formalise arrangements for management of design development and production of the aircraft and its engine. The signing is scheduled to take place on 22 October at Gleneagles. The Defence Secretary will be pressing Dr Wörner at the Summit to keep to this timetable despite their difficulties over financial authorisation. It will be important to sign the General MOU before the German pre-election period prevents decisions being taken. Chancellor Kohl will have been briefed on this issue.

← - Ferranti are part of a European consortium bidding against an American one for the EFA radar contract. The choice will be made towards the end of this year on the basis of an international competition. The Germans appear to favour the American bid and it may well be necessary at a later stage to put political pressure on them over this. It would, however, be premature to do so before the competing bids have been evaluated.

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750th Anniversary of Berlin in 1987

- The Germans indicated some time ago that they might wish to propose a joint visit by the three Allied Heads of State/Government and Kohl to Berlin in May 1987, following Economic Summit in Italy. Kohl mentioned the idea at Tokyo Economic Summit. But no formal invitation has issued, and there are signs that the Germans may be cooling on the idea and that Reagan and Mitterrand might prefer to make separate visits on their own.

Draft Dodgers in Berlin

- Kohl not briefed to raised this, but has personal and electoral interest in problem and could do so (as he did in margins of November 1985 summit).
- Germans in Berlin cannot be called up because of demilitarised status of city. Many young Germans go to Berlin each year to avoid call-up. This has the incidental effect of altering the city's political balance, although the CDU (Diepgen) now seems to be established in power after years of SPD preeminence (Reuter and Brandt).
- Problem considered in detail in 1982. Allies suggested that Germans propose solutions (eg changing rules of call-up in FRG).
- Germans put forward paper in March suggesting that individuals moving to Berlin should be considered Bundeswehr conscripts (and hence expellable to FRG) if call-up papers were served at former address in FRG. Allies about to reply rejecting proposal as inconsistent with Berlin's demilitarised status. Germans expecting negative reply.

Cultural Relations

- The British Special Representative, Sir Norman Statham, has now submitted his report (which was delayed by illness). Follow up action is also in hand on the German Special Representative's (Dr Gehlhoff) report. (Gehlhoff's report apparently failed to arouse Genscher's interest and Gehlhoff has now resigned.)
- Sir Norman Statham saw a need for an increase in foreign language learning in the UK, in particular in German. On 16 June the DES published a Draft Policy Statement in England and Wales on Foreign Languages in the School Curriculum, calling for substantial increase over time in the study of foreign language throughout compulsory

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schooling and beyond. The Statement also seeks some increase in the study of German (and one or two other languages) as a first foreign language, and an improvement in communication skills. Educational interests are being consulted and it is expected to issue the Statement later in the Autumn. It would be worth mentioning this at the Press Conference.

- The other main areas the reports identified for further consideration include:

- efforts to stimulate British interest in school links;
- increased resources for youth exchanges;
- improved publicity for town-twinning arrangements;
- greater publicity for work of Anglo-German Foundation for the Study of Industrial Society (which von Weizsaecker visited after his State Visit).
- Recent initiatives on youth exchanges include:
 - von Weizsäcker's meeting with participants in successful first Young Wilton Anglo-German Seminar, held at Wilton Park 29 June - 5 July;
 - new undergraduate and von Weizsäcker postgraduate scholarships established;
 - exchange of community social workers.

H OTHER ISSUES

Airbus A330 and A340

- HMG recognises that if Airbus is to have a long-term future it must develop its product range. The Government fully supports in principle the development of the Airbus family of aircraft to cover a wider market range, and hopes that BAe and UK equipment suppliers will be able to partake in new Airbus programmes which prove to have strong prospects of commercial viability.
- DTI Ministers have made clear that government launch aid for new Airbus projects will be available only if the projects are commercially viable, and if BAe have been unable to raise the necessary finance in the commercial markets. Sir Austin Pearce has told Mr Channon that BAe will expect the same level of launch aid as their French and German Partners. BAe have not yet made a formal application for aid, but hope to submit technical details of the projects in early September. A Cabinet decision is therefore unlikely to be taken before the end of September.
- Kohl raised the question of British launch aid with the Prime Minister at the Tokyo Economic Summit in May, and Genscher pressed hard on this in talks with Sir Geoffrey Howe at Farnborough on 4 September. The German Government has decided in principle to meet 90% of Deutsche Airbus' development costs when these have been determined, provided the project appears to be commercially viable. But the German Government does not propose to give financial support for production of the A330/A340.
- The French Government has recently agreed to meet 50% of Aerospatiale's pre-production costs of about £22 million compared with the 100% funding sought. The French Government is likely to come under pressure to meet a higher proportion of Aerospatiale's costs, possibly in the region of 75% of development costs.
- In the light of the levels of French and German launch aid, Kohl is likely to press HMG to provide equivalent financial support to BAe.

HOTOL/Hermes

- France and Germany keen to develop an independent space transport system for Europe.
- The Germans have expressed considerable interest in HOTOL

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(Horizontal Take Off and Landing spaceplane, to be unmanned at first but with the option later of a manned version), a next generation advanced technology project being developed by BAe and Rolls Royce. But the Germans have queried how firmly the UK is committed to the project. They have encouraged Britain to take a stronger lead and provide more technical data about it.

- The current "proof of concept" study of HOTOL is due to last until late 1987. So far none of the challenging technology problems seems insoluble. HOTOL launch costs could be 50-80% cheaper than those of today. HOTOL, like Hermes (see below) is being offered for adoption by the European Space Agency (ESA): likely cost £2,800m.
- France is vigorously promoting the manned mini-shuttle, Hermes, which has been adopted as an ESA-funded programme for its project definition stage. ESA Ministers meeting in mid-1987 will be asked to adopt the subsequent development and construction phases (about £1,200m). UK and Germany are potential participants with prospective shares of up to 5-10% and 20-30%.
- Although largely complementing each other in applications, Hermes and HOTOL could prove mutually exclusive in terms of ESA funding.
- Germany has described its own manned spaceplane concept to ESA (Sänger, £5,600m to £6,800m to develop).

Broadcasting

- The World Administrative Radio Conference on high frequency (short wave) broadcasting (WARC-HFBC) meets in Geneva in February 1987 to consider a 'more equitable' allocation of the limited short wave frequencies. This poses a serious potential threat to Deutsche Welle and BBC External Services operations (BBC say they could lose up to 60% of their wavelengths). It would affect the West's ability to present a democratic voice to the rest of the world. The problem is therefore political as well as technical. It is important that we and the Germans liaise closely on tactics, and rally other European countries, some of whom are not fully apprised of the political implications. Coordination of a Western position, including the US, is in hand.

World Economic Issues

- There are no substantive points of disagreement with the FRG on major international economic issues.
- OECD and IMF forecasts for world economy suggest that factors producing relatively slow growth earlier this year were largely temporary; outlook is for activity to strengthen in the second half of 1986 and in 1987, with inflation continuing very low. But large current account imbalances remain. US Treasury Secretary Baker has suggested that Japan and FRG should do more to increase growth. We share German view that a major fiscal/monetary boost in FRG is unnecessary at the moment. On 20 August, US cut its discount rate to 5½%. Volcker has put pressure on Germans to follow suit. They may do so eventually, but reduction in German interest rates likely to be small and of largely token significance. Likely that strengthening DM and good growth rates will start to reduce current account surplus in 1987.
- At spring Interim Committee Mr Lawson proposed improved policy coordination and strengthening IMF role to help reduce imbalances between industrialised countries. Work is proceeding in the IMF to establish economic indicators to help improve understanding of international dimension of domestic decisions.
- Tokyo Summit agreed to hold meetings of G7 Finance Ministers as well as of G5 Finance Ministers and Central Bank Governors. The first G7 meeting is likely to take place in the margins of the IMF/IBRD Annual Meetings at the end of September. UK and FRG share view that G7 meetings should not be operational in same way as G5, and that Central Bank Governors should only be included if it is known in advance that interest rates and exchange rates are to be discussed.

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- Debt strategy remains intact. Some good progress made on implementing Baker initiative eg by IBRD. Recent US interest rates will help further, but dangers remain particularly from protectionism, oil exporting debtors. IMF agreement with Mexico should be sealed shortly, but appears to dilute normal fund conditionality. Nigeria, Egypt present formidable problems. The Germans share our outlook on debt. They are prepared to support General Capital Increase for World Bank and \$12 bn IDA 8 though figure likely to end up at \$11.5 bn to meet US concerns. UK willing to contribute its share (6.7%) of \$11.5 bn IDA 8, but any topping up to \$12 bn should be from voluntary contributions eg from Japan, Italy.

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PRESS HANDLING (may need updating in light of Foreign Affairs Council)

1. The joint press conference will be held before the Plenary Session in order to meet the early deadlines of the German media. Chancellor Kohl as host will make an opening statement, ask the Prime Minister to give her comments, and then invite questions.

A Points for the Prime Minister to draw on in her opening remarks

i) General

- A relationship of exceptional extent and depth.
- Visits to Britain within the last twelve months by the holders of the three most senior offices in Germany (the Federal President, the Chancellor and the President of the Bundestag).
- Success of State Visit of President von Weizsäcker, who gave a major and thoughtful speech to both Houses of Parliament.
- Close and fruitful consultations with Germany on major policy areas: East-West relations, security, arms control, European Community affairs.

ii) EC Issues

- Important that there should be close cooperation between us in the European Community, particularly as United Kingdom now holding Presidency. Believe Presidency has got off to a good start. We confirmed the closeness of our views on international trade issues, on the Community budget and on the completion of the internal market.
- We are committed to adapting the CAP in the face of global surpluses so that supply more closely reflects demand. we are looking at various ideas including alternative land use (cereals set-aside and afforestation).
- I have also informed the Chancellor today that, on top of our excellent record, United Kingdom has decided to put new pollution controls not only on new power stations but on a number of existing ones.

iii) IAEA

- Welcome role of IAEA in follow-up to the Chernobyl accident. Chancellor Kohl played a significant role in ensuring that, through IAEA, the international community is learning the lessons of Chernobyl.

iv) Security Co-operation

- Joint visit tomorrow to British and German Forces highlights quality of defence relationship and its contribution to strengthening the European pillar of the Alliance. British Forces Germany a visible sign of UK's continuing commitment to forward defence in Germany.

- High level of Anglo/German collaboration on defence equipment programmes, notably the important European Fighter Aircraft project, in which we are partners together with Italy and Spain.

v) Cultural Relations

- Over the past two years have examined ways of developing still further the close links at all levels between the governments and citizens of our countries. Follow-up work in hand on the reports by the two Special Representatives (Dr Gehlhoff and Sir Norman Statham) on ways of developing non-Governmental contacts.

- Close contact between governments mirrored by wide range of informal contacts - best known of which is annual Königswinter Conference.

- Particular emphasis on extending contacts between young people - We have in hand new guidelines which we hope will result over time in increased numbers studying foreign languages at school and beyond, and an increase in the teaching of German as a first foreign language.

vi) Broadcasting

- Shared concern about World Administrative Radio Conference to be held in February 1987 which may threaten external services.

B Notes on subjects that may be raised in questions:

i) East/West and Arms Control

Questions are likely to be aimed at drawing both Britain and Germany on the state of play on arms control and disarmament and probing for differences between European and American policies. Press line: Both governments fully support President Reagan's approach to these issues. Hope that it will be possible to arrange a Summit this year, which will bring concrete results. Importance of Alliance consultation, which has worked well.

ii) South Africa (see separate brief)

iii) Libya/Terrorism

- Appalled by recent terrorist attacks. Reaffirmed commitment to firm measures to deal with terrorism. Agreed to maintain and strengthen existing cooperation both bilaterally and within Twelve and Summit 7.

Karachi hijacking and attack in Istanbul

- Too soon to allocate responsibility. But attacks in Karachi and Istanbul sadly demonstrate all too clearly need to maintain firm international stance against terrorism.

iv) Bilateral Defence Relations

Questions are likely to be designed to probe possible plans to reduce the size of British Forces Germany and problems over training areas and low flying by RAF units stationed in the FRG. Press line:
- British Forces Germany, which we shall visit tomorrow, demonstrates British commitment to German security. Forward defence of Germany is the forward defence of the UK. Our two governments agreed earlier this year that officials should look together at problems over training areas. This is now being done. But important to maintain training standards. Practices of British Forces here broadly the same as those in UK. In response to German Government wishes to ease burden on German population, caused by low flying, RAF and other NATO air forces have agreed to certain voluntary restrictions on their training. This should reduce the amount of disturbance caused by RAF aircraft.

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v) Visa regime (if raised)

- Immigration problems of both countries discussed.
- UK decision based on Sources of pressure. Not discriminatory.

The following are attached:

Annex A: Programme

Annex B: Personality Notes

Annex C: Background and basic statistics on the German political/
economic scene and Anglo-German relations.

Foreign and Commonwealth Office
12 September 1986

ANGLO-GERMAN SUMMIT: PRIME MINISTER'S PROGRAMME,
TUESDAY 16 SEPTEMBER

All times local

1120	Depart London Heathrow by VC10
1330	Arrive Cologne/Bonn
1400	Arrive Federal Chancellery
1410-1510	Bilateral between Prime Minister and Federal Chancellor with note-takers only
1515-1600	Foreign Ministers to join the meeting
1615-1700	Press Conference
1715-1845	Plenary
(time to be confirmed)	Interview with Die Welt
2015	Dinner

KOHL, DR HELMUT

Federal Chancellor and Chairman of the CDU.

Born 1930 in Ludwigshafen. Studied law and history at Frankfurt and Heidelberg. Joined the CDU at 17 and became a member of its Land Executive in Rhineland Palatinate at 25. Member of the Land Parliament 1959, and Chairman of the CDU Parliamentary Group there from 1963. Member of the CDU Federal Executive since 1966. Chairman of the CDU in Rhineland-Palatinate, 1966-73. Minister President of Rhineland Palatinate 1969-76. Chairman of the CDU since 1973. Was Chancellor candidate of the CDU/CSU in the 1976 Federal election. Thereafter, elected Chairman of the CDU/CSU Parliamentary Party in the Bundestag, a post which he held until October 1982 when he was elected Federal Chancellor.

Politics have been Kohl's whole life. He first achieved national prominence as Minister President of Rhineland Palatinate, where he was active in modernising the Land Administration, expanding higher education and promoting industrialisation. He played a large part in the early 1970s in planning a new policy for the Federal CDU, but failed to stand up for certain aspects of this at the 1971 Party Conference. This contributed to his defeat by Barzel in the elections that year for the party chairmanship. But after careful ground work in the party, cultivating the younger generation in the centre, Kohl was the only candidate for the chairmanship at the special Party Conference in June 1973, after Barzel's resignation. Since then, he has never been challenged for the job.

After a period of intense political manoeuvring, he was nominated as Chancellor candidate of the CDU/CSU for the 1976 Federal elections. But the grudging support from Strauss and the CSU undermined his authority. Nonetheless, he ran a skilful and energetic campaign, and came within 200,000 votes of unseating Schmidt and the SPD/FDP Coalition. Subsequently he moved to Bonn to lead the CDU/CSU Parliamentary Party in the Bundestag. But for the 1980 Federal elections he lost the CDU candidacy to Albrecht, and it was Strauss who eventually secured the CDU/CSU nomination. Kohl fell in loyally behind Strauss and ran an energetic and effective campaign.

With Strauss's defeat, Kohl re-emerged as the natural leader of the CDU/CSU Parliamentary Party. But there were many in the party with reservations about his leadership, and he might have been overtaken for renomination as Chancellor candidate had the SPD/FDP government lasted its full term. Its premature collapse in September 1982, however, found him still in charge of the Parliamentary Party; and he was duly elected Chancellor on 1 October after the CDU/CSU and FDP had successfully moved a constructive vote of no confidence against Schmidt in the Bundestag.

When it took office, Kohl's government had a clear majority in the Bundestag. But Kohl was conscious of having become Chancellor without a mandate from the electorate and announced his intention to arrange for early Federal elections in March 1983. Many thought his tactics would rebound against him: either because the method he used for dissolving the Bundestag — a deliberately lost vote of confidence — would not be approved by the Federal President or the Constitutional Court: or because, if the election did take place, the FDP might be excluded from the Bundestag and Kohl thus lose his majority. But Kohl's calculations were correct. The CDU/CSU polled their second best result ever, the FDP got back into the Bundestag, and Kohl's government was thus secure. He had little difficulty in dealing with extreme demands by Strauss in the post election Coalition negotiations. Despite pressure from the CSU, the Coalition which he formed corresponded in policies and Ministerial appointments with what Kohl, not Strauss, wanted.

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In opposition, Kohl was always under-estimated as a politician. His speeches were tedious and he was criticised, even within his own party, for his narrow outlook and lack of understanding of economic issues. But he has a steady determination and an outstanding political sense, which he used to the full in getting himself re-elected as Chancellor and in resisting the subsequent efforts of the powerful Strauss to increase his influence in the Government. Kohl is not an intellectual Chancellor like Schmidt: he likes to deal in the broad outline of policy and leaves detail to his Ministers. Nor is he the enthusiastic decision maker that Schmidt was. His tendency to procrastination, together with the looseness with which he holds the reins of Government, led to confusion and contradiction in the early months of his administration. After a series of gaffes had seriously damaged the image of his Government, he moved belatedly to strengthen his grip through a major shake-up in the Federal Chancellery whose coordinating role was much improved. Murmuring about Kohl's style of leadership continues, and there is once again speculation about his possible removal as Chancellor by his own party now that Public Prosecutors are investigating the allegations by the Green MP Schily (qv) that Kohl gave false testimony to parliamentary committees inquiring into the party donations affair. But if Kohl can overcome these adversities, as he has overcome gibes about his lack of intellectual pretensions and organisational ability, he can still lead his party to victory in the 1987 elections.

Kohl is proud of his simple origins. His father was a minor official. His mother held the family together. He himself worked as a stone mason to get through school. He sees himself as one of that first generation of Germans who came into politics young immediately after the war with the belief in democracy and the rule of law. He is a big, genial man, with a relaxed and reassuring manner, who showed in 1976, and again in 1983, that he could attract voters by means of straightforward propositions stated clearly, firmly and often. He is a great optimist, a man who visibly enjoys himself, who exudes confidence. He stresses old-fashioned virtues — hard work, self-reliance, thrift, family values — in populist speeches.

Kohl had until recently taken little interest in foreign affairs. He has a strong commitment to the Atlantic Alliance, to the Franco-German relationship, and to the European ideal. But his contacts with other countries have otherwise been limited. He speaks some French but no other foreign language. He has become increasingly aware of the importance of the UK.

His wife (Hannelore) studied in Paris and is a qualified interpreter, speaking fluent French and English. She is a determined woman who has certainly been a spur to Kohl's ambition. They have two sons, both of whom have studied in Britain.

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GENSCHER, HANS DIETRICH, HON GCMG

Federal Foreign Minister and Vice-Chancellor since May 1974.

Born 1927 in Reideburg, Saxony (now GDR). Son of a farm cooperative official. War service with the Luftwaffe. POW. Later studied law in Halle and Leipzig. Left the GDR for the Federal Republic in 1952 and joined the FDP. Became Business Manager of the FDP Parliamentary Party in 1959 and then in addition, from 1962-64, Federal Business Manager of the FDP. Elected to the Bundestag in 1965. Became a Vice-Chairman of the Party in 1968, Minister of the Interior 1969-74. When Scheel became Federal President in 1974, Genscher succeeded him as Chairman of the FDP, Vice-Chancellor to Schmidt, and Foreign Minister.

The FDP's excellent showing in the 1980 Federal election increased Genscher's standing both as Foreign Minister and Party Chairman. But it became increasingly clear that Genscher no longer believed that the SPD/FDP Coalition had a future; and he began to look for the best way to end it. When the moment came in September 1982, however, Genscher was outmanoeuvred by Schmidt, and he and his party took the full force of public criticism for the break-up of the Government. Genscher was also attacked by the FDP left-wing for the way in which he had forced through the switch without consulting his party. At the FDP Party Conference in November 1982, a determined, but unsuccessful, effort was made to unseat him as Party Chairman, and a large proportion of the FDP left then quit the party. By realigning it well to the right, Genscher managed to ensure that the FDP secured re-election to the Bundestag in March 1983.

But discontent with him in the Party re-emerged when he tried to corral the FDP into accepting an amnesty for politicians and businessmen in the so-called Flick scandal. Faced with a further challenge to his leadership at the Party Conference in 1984 he only succeeded in defusing the situation by announcing that he would stand down as Party Chairman in 1985, which he subsequently did to make way for Bangemann (qv).

Genscher's problems with his own Party have inevitably affected his authority as Foreign Minister, and there is now speculation about his replacement (eg by Bangemann) after the 1987 elections. He has also lost ground since 1982 to the Chancellor's Adviser on Foreign Affairs, Teltschik (qv). But he remains an active and effective Foreign Minister, and can be expected to use all the tactical cunning at his disposal to hang on to the job.

An immensely hard worker, with the capacity to absorb detailed information quickly. In private he is an easy-going man, informal yet with a certain reserve. He divorced his first wife and married his then secretary in 1969. For both it was their second marriage. Since then, he draws a clear line between business and family life, partly in the interests of his daughter, (by his first wife), to whom he is deeply attached. He reads voraciously anything that lies to hand. His tastes in music are equally wide-ranging from classical to pop. In the 50s he suffered from a nearly fatal bout of tuberculosis which kept him three years in a clinic. In November 1977 he was admitted to hospital with pneumonia, and secondary blood circulation instability. He did not return to work until mid-January 1978. Although he seemed to recover well at the time, the enormous strain of his working habits has taken its toll and he often looks less than healthy.

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WÖRNER, DR MANFRED

Federal Minister of Defence (CDU) since October 1982.

Born in Stuttgart in 1934. Studied law at Heidelberg, Paris and Munich. At Munich he wrote a doctorate on "The Stationing of Foreign Troops in Friendly States". He belonged to the "White Generation" of those too young for war service but too old to be conscripted when the Bundeswehr was formed. He joined the Luftwaffe as a reserve officer and became a Starfighter pilot. He kept up his flying until 1981, logging over 1200 flying hours as a jet pilot, and reached the rank of Lieutenant Colonel in the Reserve.

From 1962-64 he was a civil servant in the Baden-Württemberg Land Government. Member of the Bundestag since 1965, concentrating since the early 1970s on defence matters. Nominated as shadow defence minister for the 1972 election campaign and remained CDU spokesman on defence until 1980. From 1976-80 he was Chairman of the Bundestag Defence Committee. After the Federal election in 1980 he became Vice Chairman of the CDU/CSU Parliamentary Party where his responsibilities included foreign affairs, defence policy and inner-German relations. He was appointed Minister of Defence when the present government was formed in October 1982.

He made a good start at Defence where he proved popular and effective with a firm grasp of the technical issues. But after his decision in December 1983 to retire prematurely, the German Deputy Saceur, General Kiessling, on the basis of inadequate evidence provided by the military security authorities led to a major public scandal and to Wörner's own offer of resignation. The Chancellor surprisingly refused to accept this. But Wörner's reputation suffered considerably as a result of the affair, as did his standing with the Bundeswehr. He has since recovered some of this lost ground, eg in successfully pushing through his White Paper on the future of the Bundeswehr in 1985, but must still be vulnerable.

Married for a second time in 1982. His new wife was a journalist working in Berlin. His interests are sport, flying, walking and skiing. He speaks fluent English. An honest man, but not a subtle one.

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RIESENHUBER, DR HEINZ

Federal Minister for Research and Technology (CDU) since October 1982.

Born 1935 in Frankfurt. After obtaining a Doctorate in chemistry at Frankfurt university, he worked as a scientist and manager in various subsidiaries of Metallgesellschaft AG. Joined the CDU in 1961. Active in CDU politics in the Frankfurt area, he has been a member of the Präsidium of the Hesse CDU since 1968.

Elected to the Bundestag in 1976, he quickly won a reputation as a well-informed and able expert on energy and environmental issues, being described as having a computer brain. Appointed a Federal Minister when the CDU returned to power in 1982, he quickly made his mark, reorienting policies in line with his party's philosophy, expanding the Ministry's budget and broadening the base of its activities. Energetic and ambitious, but with considerable charm. A forceful speaker and an eager publicist for himself and technology. Altogether a politician with a future. He regards himself first and foremost (and with justification) as a technocrat, priding himself on his detailed knowledge both of his own Ministry's portfolio of activities and of technical, industrial and political developments in science and technology in general. Whilst remaining polite, he has little time for interlocutors who do not appear to take science and technology issues or his position as a Cabinet Minister seriously. He tends to travel abroad only when convinced there is good reason to do so, preferring to confine his activities to Germany.

Catholic. Married with four children. His wife is a judge. Speaks good English. Visited UK briefly in December 1982 to open the German Cultural Centre in London.

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WALLMANN, DR WALTHER

Appointed to newly created post as Federal Minister for the Environment, Nature Conservation and Reactor Safety in June 1986. A Deputy Chairman of the Federal CDU.

Born 1932 in Uelzen, son of a schoolmaster. Studied law at Marburg University. Practised law in Kassel, Rotenburg and Giessen. Joined CDU in 1960. 1966-72 Member of the Hessen Landtag, becoming deputy party leader. Represented Marburg in the Bundestag from 1972-77 and first came to public notice as Chairman of the "Guillaume Committee" investigating the activities of the notorious spy Gunther Guillaume. By end of 1976 was Parliamentary Manager of the CDU/CSU group in the Bundestag. Persuaded to campaign in the 1977 municipal elections in Hessen. An unexpected majority in Frankfurt itself left him as Lord Mayor. Suffered a setback in 1983 Land elections, but retained the CDU majority in Frankfurt in the 1985 communal elections against the trend in the rest of Hesse. Elected a Deputy Chairman of the Federal CDU in 1985. Promoted to his present position when Kohl created new Ministry for the Environment (partly in response to Chernobyl) on 6 June 1986.

Displayed toughness in dealing with politically motivated demonstrations in Frankfurt, but otherwise his style is one of charm and civility. He was credited with much of the improvement in urban aspects of Frankfurt. Tipped for ministerial office for some time. But lacks recent experience in Bonn and may take time to adjust to his new responsibilities. Is unlikely to get much help from Zimmermann (Interior) or Kiechle (Agriculture), the CSU Ministers who lost responsibilities to the new Environment Ministry.

Married, with one son. Protestant. Close to Chancellor Kohl and identified with right-wing of CDU. Especially interested in legal and security questions as well as in foreign and European community policy. Affable, articulate and approachable. Friendly towards the UK and paid a very successful visit on Category I terms in July 1985. Widely read and fond of classical music (plays the piano). Both he and his wife speak English.

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SCHLECHT, DR OTTO

Official State Secretary in the Federal Ministry of the Economy.

Born 1925 in Biberach (Swabia). War service 1943-45; American POW. From 1947-52 studied economics at Freiburg University. Joined the Federal Ministry of the Economy in 1953 and rose rapidly.

In 1967 Professor Schiller made him Head of the Department dealing with economic policy. Following the General Election in 1972 and the resignation of Dr Mommsen he was promoted in 1973 to his present position where he is responsible for general domestic economic policy and European Community policy.

Schlecht is a consistent champion of the social market economy. A non party figure who has served Ministers of different parties with equal success, impressing each in turn with his ability and experience. Has come more into the public eye as a spokesman for the Government's economic policies.

A tall, bulky human man, who retains a strong Swabian accent and simple tastes. His bonhomie and sometimes coarse humour do not mask his ability and common sense. Friendly and well disposed towards Britain. A firm defender of German interests, though he has not always received credit in Bonn for his efforts in the Council in Brussels.

Married, no children. Understands English quite well, although prefers to speak through an interpreter. His wife speaks English quite well. Both are keen, not very good, golfers.

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BACKGROUND AND BASIC STATISTICS

Anglo-German Relations

1. 1985 saw some uneven passages in Anglo-German relations mainly because of differences over EC issues. This year the relationship has been notably harmonious. Visits to Britain by the three most senior political leaders in Germany (the Federal President, the Chancellor and the President of the Bundestag) illustrate the intimacy of the partnership.

2. In the important fields of East-West and transatlantic relations, security, arms control and European Community affairs our consultations with the Germans have been especially close and fruitful. More generally, in contrast with the risks we saw last summer of Britain's becoming "marginalised" within Europe, our commitment in the eyes of all our major partners to the development of the Community in practical and constructive ways is not now in question. President von Weizsaecker made it clear during his State Visit that Germany was in no doubt of this.

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Political and Economic Scene in the FRG

3. The Federal elections, due on 25 January 1987, are already a dominant factor. Kohl's CDU/CSU/FDP coalition continues to have difficulty in reaping political credit from its economic successes. But, despite unimpressive performances in Land elections and Kohl's inconsequential leadership, the present best estimate is that the coalition will be returned again, though with a reduced majority. Kohl's fortunes received a much needed fillip from the elections in Lower Saxony in June when the CDU retained power (albeit by 1% and only with FDP support). His strategy from now on will be to hold the ship on course, to concentrate on selling its successes and to try to avoid damaging disputes within the coalition. Strauss' CSU are presently the most awkward partner: they are taking a tough line on asylum-seekers and have launched fresh attacks against the FDP and against Genscher personally; they are unlikely to calm down until after the Land elections in Bavaria on 12 October.

4. The coalition's confidence rests on its economic record and the weakness of the opposition. Germany's recent performance over growth, inflation (now negative), and fiscal and monetary discipline remains the envy of Europe. Though unemployment (at 8.4%) is high by German

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standards, the rate of job creation has held in check unfavourable demographic trends, and the trend in unemployment is now downwards. Growth, at 2.5-3%, though less than previously expected, remains respectable.

5. The moderate SPD Chancellor-candidate Rau (Minister-President of North Rhine Westphalia) is popular and likeable. But inexperience at the Federal level has already led to errors of judgement, and his credibility will be severely tested in the Federal election campaign. Internal divisions have prevented the SPD from forging the economic and security policies needed to offer a credible alternative government. The FDP, which now seems sure of retaining representation in the Federal Parliament, will not want to switch coalition partners again so soon after abandoning Schmidt for Kohl in 1982. The Greens have lost momentum, and despite the experiment of a Red/Green coalition in Hesse, Rau is firmly opposed to repeating this at Federal level.

6. Nevertheless, there are enough potential pitfalls around for Kohl to seek to avoid difficult decisions before January 1987. He is likely to continue pandering to special interest groups (eg farmers), and making showy gestures when crises threaten (cf his proposals for a

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special international conference on nuclear safety and creation of a new Federal Environment Ministry post-Chernobyl). Key issues in the campaign will be economic policy, particularly maintaining growth and lowering unemployment; the problem of Third World asylum seekers; and, in foreign policy, balancing Germany's interest in security within a strong and stable NATO Alliance against progress in East/West and inner German relations. On all of these issues, except perhaps unemployment, Kohl should feel confident of appearing more impressive than his opponents.

The draft Federal German budget was presented on 9 September. Finance Minister Stoltenberg emphasised the Government's commitment to continued budgetary consolidation and further tax cuts.

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GERMANY: BASIC STATISTICS

		FRG	UK
Population (millions)	1985	61.0	56.5
Labour Forces (millions)	1985	27.8	27.6
Unemployed (% OECD standardised rate)	1984	8.5	12.8
	1985	8.6	13.0
	Q1 1986	8.4	13.1
Gross Domestic Product (\$ bn)	1985	611.8	438.4
GDP per capita (dollars)	1985	10030	7759
Annual Rate of Growth of GDP (%)	1984	2.6	1.8
	1985	2.3	3.3
Annual Rate of Growth of Industrial Production (%)	1984	3.4	1.3
	1985	5.4	4.7
Inflation (%)	1984	2.4	5.0
	1985	2.2	6.1
	12 months to 5/86	-0.2	2.8
Annual Increase in Manufacturing Unit Labour Costs (%)	1984	0.6	3.8
	1985	-0.3	6.1
Balance of Payments on Current Account (\$ bn)	1984	6.8	1.9
	1985	13.8	5.3
	Q1 1986	6.9	0.2
Trade Balance (\$ bn)	1984	22.0	-5.9
	1985	28.8	-2.3
	Q1 1986	11.5	-2.6
Defence Spending (% of GDP)	1983	3.4	5.5
Total Armed Forces (thousands)	1985	478.0	327.1
Trade	1984	7458.0	
UK Exports to FRG (£ mn)	1985	8947.1	
	1st 6 months 1986	4169.0	
UK Imports from FRG (£ mn)	1984	11090.0	
	1985	12601.4	
	1st 6 months 1986	6805	

Economic Advisers
27 August 1986

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PROSPECTS FOR THE UK/FRG SUMMIT, 16 SEPTEMBER

SUMMARY

1. THE COALITION IS IN GOOD HEART BUT KOHL WILL BE LOOKING TO SCORE PR POINTS AND AVOID PITFALLS IN THE RUN-UP TO NEXT JANUARY'S ELECTION. THE SUMMIT AGENDA INCLUDES THE MAIN CURRENT GERMAN PREOCCUPATIONS: NUCLEAR POWER, ASYLUM SEEKERS, SOUTH AFRICA, EAST-WEST. ON MOST SUBJECTS WE SEE EYE TO EYE, BUT THERE ARE POSSIBILITIES OF DIVERGENT VIEWS ON SOME EAST-WEST AND BILATERAL ISSUES.

DETAIL

2. AS THINGS STAND TODAY, THE PRIME MINISTER SHOULD FIND KOHL IN FAIRLY BUOYANT MOOD. AS I NOTED IN MY TELNO 714, THE ECONOMY IS WORKING FOR THE GOVERNMENT AT PRESENT. THE BUNDESTAG RECONVENED THIS WEEK (IN A CONVERTED WATERWORKS WHILE THE NORMAL CHAMBER IS BEING RECONSTRUCTED) FOR A 4-DAY DEBATE ON THE DRAFT 1987 BUDGET (MY TELNO 763). STOLTENBERG'S PRESENTATION WAS MAGISTERIAL, THE GOVERNMENT MADE MOST OF THE RUNNING IN THE DEBATE AND THE OPPOSITION'S ATTACK DID NOT LOOK LIKE THAT OF A PARTY EXPECTING TO RETURN TO POWER IN JANUARY. HELMUT SCHMIDT'S FAREWELL SPEECH WAS A BIG EVENT IN ITSELF, BUT HE SAID MORE ABOUT HIS OWN PAST THAN HIS PARTY'S FUTURE. THE SPD'S CHANCELLOR-CANDIDATE RAU (WHO AS A MEMBER OF THE BUNDES RAT IS ENTITLED TO SPEAK IN THE BUNDESTAG) HAS AGAIN RESISTED THE CDU'S CHALLENGE TO COME DOWN FROM DUESSELDORF AND EXPLAIN HIS PARTY'S POLICIES: HIS HEART SEEMS TO BE MORE IN THE HUGE CELEBRATIONS PLANNED FOR THE 40TH ANNIVERSARY OF THE CREATION (BY THE BRITISH OCCUPATION AUTHORITIES) OF THE LAND OF NORTH RHINE WESTPHALIA: LATER THIS MONTH. IN OPINION POLLS, THE COALITION HAVE A CLEAR LEAD OVER THE SPD AND GREENS COMBINED, NOT THAT THE SPD ARE WILLING TO COMBINE WITH THE GREENS. THE COUNTRY AS A WHOLE GENERALLY EXPECTS THE CDU/CSU/FDP COALITION TO SECURE A RENEWED MANDATE IN JANUARY 1987.

3. BUT WITH THE ELECTION CAMPAIGN DEFINITELY UNDER WAY, THE OPPOSITION WILL BE LOOKING TO EXPLOIT ANY FURTHER MISTAKES OR SIGNS OF COALITION DISUNITY. ELECTORAL CONSIDERATIONS WILL BE AT THE BACK OF EVERY GERMAN MINISTER'S MIND DURING EVERY ITEM ON THE SUMMIT AGENDA. IN WOERNER'S CASE, AND TO A MUCH LESSER EXTENT GENSCHER'S, THERE IS ALSO A PERSONAL UNCERTAINTY WHETHER THEY WILL RETAIN THEIR JOBS EVEN IF THEIR PARTIES DO WELL.

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/POWER

POWER GENERATION AND THE ENVIRONMENT

4. MY TELNO 750 SHOWS THAT THIS IS STILL A POLITICAL HOT POTATO HERE. EVEN THOUGH A POLICY OF ELIMINATING NUCLEAR POWER MAY NOT PROVE SO MUCH OF A VOTE-WINNER AS THE SPD AND GREENS CURRENTLY BELIEVE, A STRING OF SLANTED LEAKS OF SCIENTIFIC STUDIES IS KEEPING THE ISSUE VERY MUCH ALIVE, AND THE COALITION ARE DIVIDED ON IT. KOHL, MOST OF THE CDU AND OF COURSE THE CSU EXPRESS CONFIDENCE IN THE CONTINUED USE OF NUCLEAR POWER, EVEN POST-CHERNOBYL. THE FDP HAVE FOUND A CAREFUL FORMULA ABOUT NUCLEAR POWER BEING A TRANSITIONAL PHASE, TO LAST ONLY AS LONG AS ENERGY REQUIREMENTS CANNOT BE MET AT AN ACCEPTABLE PRICE FROM ALTERNATIVE SOURCES: THE MORE SCIENTIFIC STUDIES, SAYS GENSCHER, THE BETTER. KOHL WILL BE KEENLY INTERESTED WITH OUR OWN THINKING ON THE RIGHT MIX BETWEEN NUCLEAR AND OTHER FOSSIL FUELS AND ON HOW TO HANDLE THE ISSUE IN PUBLIC. THE PRESS HERE HAS NOTED THE RECENT TUC DEBATE AND THE FACT THAT A DECISION ON SIZWELL MAY BE REQUIRED SOON. THE PRIME MINISTER MAY ALSO BE QUESTIONED ABOUT THE IMPLICATIONS OF THE LATEST DECISION ON MEASURES TO REDUCE THE EMISSION OF SULPHUR FROM FOSSIL-FUELLED POWER STATIONS IN THE UK, IN PARTICULAR WHETHER THIS IS A STEP TOWARDS JOINING THE 30% CLUB.

ASYLUM SEEKERS

5. THE GERMANS ARE GRATEFUL FOR OUR PROMPT AND HELPFUL RESPONSE IN OUR PRESIDENCY CAPACITY. THEY ARE CONTINUING THEIR OWN HIGHLY SENSITIVE CONTACTS WITH THE GDR: THEY BELIEVE THAT THE USUAL COMBINATION OF PRESSURE AND INDUCEMENTS WILL CAUSE THE GDR TO BE MORE HELPFUL, BUT THEY THINK IT WILL TAKE TIME. THEY MAY ASK ABOUT OUR OWN INTRODUCTION OF A VISA REGIME FOR CERTAIN ASIAN AND AFRICAN COUNTRIES, WHICH SOME OBSERVERS HERE SEE AS PART OF THE SAME GENERAL PICTURE.

SOUTH AFRICA

6. THIS IS ANOTHER DIFFICULT ISSUE FOR THE COALITION. KOHL AND GENSCHER'S OWN ANTIPATHY TO SANCTIONS IS CLEAR, BUT THEY WILL NOT WISH TO BE ISOLATED INTERNATIONALLY, WHATEVER STRAUSS AND THE CSU MAY SAY. IT LOOKS TODAY AS IF GENSCHER MAY HAVE BEEN GIVEN SUFFICIENT DISCRETION AT THE FAC ON 15-16 SEPTEMBER TO MAKE EC AGREEMENT POSSIBLE, IN WHICH CASE A LENGTHY DISCUSSION OF SOUTH AFRICA AT THE SUMMIT MAY NOT BE NEEDED.

LIBYA AND TERRORISM

7. GIVEN WALTERS' UNEXPECTEDLY SOFT APPROACH ON HIS EUROPEAN TOUR, AND US DISINCLINATION AT PRESENT TO LINK LIBYA WITH THE KARACHI HI-JACK, THIS DOG IS NOT AT PRESENT BARKING. BUT IF FURTHER UNMISTAKEABLY LIBYAN-BACKED TERRORIST INCIDENTS OCCUR, THE GERMANS WILL HAVE DIFFICULTY RECONCILING THEIR STRONG VIEWS ON TERRORISM WITH THEIR RELUCTANCE TO BE SEEN SUPPORTING FURTHER US MILITARY ACTION AND THEIR SUSPICION THAT ON ECONOMIC MEASURES THE FRG IS ALREADY PRACTISING MORE THAN THE US PREACHES. ON TERRORISM GENERALLY, YOU WILL BE AWARE OF KOHL'S ENDORSEMENT OF THE FRENCH REQUEST FOR AN EARLY MEETING OF TREVI MINISTERS.

EAST-WEST AND ARMS CONTROL

8. FOR THE GERMANS, SUNSHINE IN THIS FIELD IS AN ELECTORAL IMPERATIVE. THEY WILL WANT THE SUMMIT TO REINFORCE THE IMPRESSION THAT NEITHER THE DANILOV CASE NOR ANYTHING ELSE IS GOING TO PREVENT A SECOND US-SOVIET SUMMIT (KOHL TOOK PERSONAL CREDIT FOR BRINGING ABOUT THE FIRST) AND RESULTS OR AT LEAST PROGRESS IN AT LEAST SOME OF THE VARIOUS NEGOTIATIONS. OVER THE NEXT FEW MONTHS, THIS MAY LEAD THEM TO BE MORE ACTIVE IN PUBLIC ON CTB THAN WE WOULD LIKE, THOUGH KOHL AND GENSCHER ARE UNLIKELY TO PRESS ON THIS AT THE SUMMIT: WOERNER STILL LESS SO. THEY HAVE A STRONG DESIRE TO SEE AN OUTCOME TO CDE AT STOCKHOLM WHICH CAN BE PRESENTED AS SUCCESSFUL. THEY WILL ALSO WISH TO KEEP UP THE MOMENTUM ON CW AND, PUBLICLY AT LEAST, ON MBFR.

EC QUESTIONS

9. THESE SEEM UNLIKELY TO PROVOKE CONTENTIOUS DISCUSSION AT THE SUMMIT. THE GERMANS ARE AWARE OF OUR PRIORITIES FOR THE BRITISH PRESIDENCY AND BROADLY SPEAKING AGREE WITH THEM.

BILATERAL ISSUES

10. KOHL WILL BE LOOKING FOR THE MAXIMUM PR EFFECT FROM HIS VISIT TO BFG, AND WE MUST BEWARE THAT ON SOME POINTS HIS AIM WILL NOT BE IDENTICAL TO OUR OWN. IN PARTICULAR, ACCOMPANIED AS HE WILL BE BY LOCAL MPS AND OFFICIALS WITH STRONG VIEWS ON ENVIRONMENTAL QUESTIONS, HE MAY FEEL OBLIGED TO PRESS FOR MORE CONCESSIONS ON TRAINING PRACTICES, PARTICULARLY AT SOLTAU, THAN WE HAVE SO FAR BEEN PREPARED TO GRANT.

11. ALTHOUGH SOME GERMAN OFFICIALS DEALING WITH AIRBUS HAVE SAID THAT OUR POSITION ON LAUNCH AID FOR THE A330 AND 340 IS WELL UNDERSTOOD, KOHL (WHO HAS JUST MET CHIRAC IN PARIS) AND GENSCHER (WHO MENTIONED THIS TO YOU AT FARNBOROUGH LAST WEEK) COULD SEEK SOME INDICATION OF UK SUPPORT IN PRINCIPLE FOR THE NEW PROJECTS, EVEN IF THE DETAILS REMAIN TO BE SETTLED.

BULLARD

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Foreign and Commonwealth Office

London SW1A 2AH

12 September 1986

CDP
16/11

Dear Charles,

Anglo-German Summit:

UK Presidency of the European Community

/ The Steering Brief for the Anglo-German Summit contains (page 44) a suggested line on EC issues for use at the joint press conference. The Prime Minister may also be asked about the UK Presidency of the Community. I enclose a short note on which the Prime Minister might draw if necessary.

I am copying this letter to Sir Robert Armstrong.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
NO 10 Downing St

UK PRESIDENCY OF THE EUROPEAN COMMUNITY

What has been done so far

- (i) Agreement on a new 1986 budget following the European Court of Justice's decision.
- (ii) Agreement last week on a draft budget for 1987 which respects the Council's rules on control of agricultural and non-agricultural spending.
- (iii) Eight internal market measures adopted at the July Internal Market Council including one which will free up trade in the vital area of telecommunications.
- (iv) Agreement on access for New Zealand butter to the Community in 1987 and 1988.
- (v) Interim settlement with the United States on agricultural trade consequences of Spanish and Portuguese membership of the Community.
- (vi) Agreement on export of Community semi-finished steel products to the US until 1989.
- (vii) Agreement on a new and more liberal Multi-fibre arrangement governing trade in textiles (negotiations with some of the bilateral suppliers still to be concluded).

Objectives in rest of the Presidency

(i) Getting on with completion of internal market and giving a further impetus to work on that a major priority. Hope to see real progress on liberalisation of capital movements; and increasing emphasis on ways to deal with problems of small and medium enterprises which are the key to job creation.

Mr Kenneth Clarke has put forward ideas which would help enterprises and employment not through subsidisation but improved training, lessening regulatory burdens, thereby helping companies to employ more people.

(ii) Continued adaptation of the CAP with particular emphasis on reform of beef and milk sectors on basis of Commission proposals and on alternative land use including cereals set-aside.

(iii) Adoption of a new framework programme for research and development concentrating on market-oriented R and D linked to needs of industry.

(iv) Agreement on successful launch of new GATT round - now being discussed in Ministerial meeting in Punta del Este; continued successful management of EC/US trade relations (have to work for definitive solution to enlargement problem); continuing effort also to get Japan to open up its market.



Foreign and Commonwealth Office

London SW1A 2AH

15 September 1986

Dear Charles,

mt
Prime Minister
Some supplementary
briefing on CDE.
CDP 15/8.

Prime Minister's Visit to Germany: CDE

Section C of the Steering Brief prepared for the Prime Minister's visit to Germany dealt with the Stockholm Conference on Disarmament in Europe (CDE). You may wish however to have the following update on the situation which takes account of developments over the weekend and in the course of today.

The Conference is entering its final week. The agreed date for its closure is 19 September (but see below). A number of subsidiary issues have been resolved. But in two key areas, namely (i) the levels at which military activities should be notified and at which observers should be invited to them and (ii) the arrangements for inspection visits, agreement has yet to be reached. The negotiating atmosphere is thus tense. The general feeling among the Western European Delegations is that a satisfactory package is obtainable albeit one that in military terms falls short of the Alliance's original objectives. There is however a fear that pressures in Washington from officials in the Department of Defense, coupled with the difficulties surrounding the Daniloff case, may cause the Americans to withhold consensus. The line which we and the Germans take is likely therefore to be of critical importance.

As regards the threshold levels for notification and observation, the Soviet Union is currently advocating a figure of 16,000 men for both, but hinting that it might be prepared to countenance a lower figure for notification provided that the figure at which observation became mandatory is kept higher. Within the Alliance there is general agreement that disjunction of the two thresholds would in the last resort be acceptable, provided that the figure in respect of notification is low enough to ensure that exercises at the divisional level or above throughout the CDE area (ie right up to the Urals in the

/Soviet Union)



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Soviet Union) fall to be notified. This means, a figure of around 10-12,000. An outcome in Stockholm which provided for notification at 12,000 and compulsory observation at, say, 16,000 would thus probably be acceptable. But this will only be achieved if we and the Germans stand firm and refuse to countenance higher figures.

As regards inspection, the Russians have (rather surprisingly) agreed that a limited number of inspection visits can take place involving inspection both on the ground and from the air. The focus of discussion is now on the practical arrangements for such visits and notably the question of whether the aircraft used for air inspections should, as the West has proposed, be provided by neutral countries; or whether, as the Russians are insisting, they should be provided by the state being inspected. Our own and the Germans' view is that provided that satisfactory assurances are given concerning the inspectors' ability to issue directions, the use of the receiving state's aircraft would be acceptable (the French indeed positively prefer it). But it is not clear whether the Americans will go along with this: there is pressure from officials in the Defence Department - although not from the joint Chiefs of Staff themselves - for insisting on neutral aircraft despite the Soviet Union's known antipathy to the idea of foreign military aircraft flying over its territory. Both Sir Geoffrey Howe and Herr Genscher have sent messages to Mr Shultz urging him not to allow this issue to become the one break point of the Conference.

In general cooperation between the British and German delegations in Stockholm is close and provides a focal point around which other Western European Delegations have tended to rally. But as the final end games approaches steady nerves will be required. It is possible that some small extension of the 19 September may be needed to allow the completion of final drafts. If so, the device of "stopping the clock" for a couple of days could be applied.

I am sending a copy of this letter to John Howe (MOD), and to Christopher Mallaby, Cabinet Office.

Yours ever,
A C Galsworthy

(A C Galsworthy)
Private Secretary

C D Powell Esq
PS/10 Downing Street

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CE No 10.



Foreign and Commonwealth Office

London SW1A 2AH

CM

M J Stark Esq
Cabinet Office
70 Whitehall
LONDON

12 September 1986

Dear Michael,

ANGLO GERMAN SUMMIT : BRIEFING

1. As foreshadowed in the extended Steering Brief submitted today through the Cabinet Office, I now attach a self-contained brief on South Africa for the Prime Minister's use at the Anglo/German Summit in Bonn on 16 September. I should be grateful if you would convey this to the Prime Minister to enable her to consider it over the weekend before her briefing meeting for the Summit.

2. This will, of course, require substantial amendment in the light of the Foreign Affairs Council in Brussels 15/16 September.

Yours sincerely,

Robert Barnett

R W Barnett
Western European Department