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RECORD OF A PLENARY DISCUSSION BETWEEN BRITISH AND FEDERAL
GERMAN MINISTERS HELD IN THE FEDERAL CHANCELLERY, BONN, AT
1000 HOURS ON FRIDAY 29 OCTOBER 1982

Present:

The Prime Minister	Chancellor Kohl
Foreign and Commonwealth Secretary	Herr Genscher
Chancellor of the Exchequer	Herr Stoltenberg
Secretary of State for Defence	Count Lambsdorff
Secretary of State for Industry	Dr. Wörner

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Statements by Heads of Government

Chancellor Kohl said the talks so far had been conducted in a very friendly atmosphere. They showed that the change of Federal Government made no difference to the closeness of UK/FRG relations - indeed the closeness of political philosophy between the present governments should make even better relations possible. UK/FRG friendship had over the years been based on common interests and common ideas, on membership of the Community and the Alliance. The Germans never forgot that the UK was the guarantor of their security (and it was relevant that the talks had touched on the Falklands crisis). The presence of the Rhine Army in the FRG created a bridge with the UK. He thanked the Prime Minister for agreeing to visit Berlin, and ^{said} that he would be accompanying her.

The UK/FRG talks had been in line with those held with other European partners, and for Chancellor Kohl himself a preparation for his visit to the US next month. His discussion with the Prime Minister of the world economic situation had looked forward to the next Economic Summit.

/ He himself

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He himself had emphasised his strong commitment to arms control, but also his resolve to implement the stationing part of the NATO Double Decision if there were no success in the Geneva negotiations. He had domestic problems over INF, and this was an important reason why he intended to hold Federal elections in March. This would enable him to take the stationing decision in the autumn on the basis of a clear moral mandate, which he was confident of obtaining.

He and the Prime Minister had agreed that at their press conference they would emphasise their joint view of developments in Poland. Herr Genscher had just returned from Rome and the Vatican with the Federal President, and he would be asking him to report the news about Poland he had brought back.

[Note: This was done at a meeting of the two Heads of Government and the two Foreign Ministers after the Plenary session.] The Germans were concerned that the beginning of winter would bring further problems in Poland. The Government were delighted that German opinion (especially among the young) was so enthusiastic about humanitarian aid for Poland, and they were re-introducing the free postal service to Poland for the pre-Christmas period. The Community would need to consider how it could provide further humanitarian help, e.g. seed to farmers, which would be in short supply next year. Western democracy would be judged by whether it had a human face.

The Prime Minister, thanking Chancellor Kohl, said she too had been pleased by the talks and with the relaxed atmosphere. Human rights, freedom and justice were indeed important, and discussion of them had led on to discussion of the Western Alliance, East-West relations, and how to maintain our security at a lower level of armaments. She had been grateful for Chancellor Kohl's full account of developments in the Polish situation, which was the crisis of Communism.

/The Polish

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The Polish problem would be difficult to resolve, but she agreed that humanitarian aid was the first step.

The Prime Minister had impressed on the Federal Chancellor the need for the Community to stand together on the Falklands question. HMG had been grateful for the Germans' united support over the Falklands, and to Chancellor Kohl for his part in it. She hoped the Germans would abstain on the draft Argentine Resolution before the UN.

On the Community, she and the Federal Chancellor had stressed the need to preserve free trade, and to persuade the Danes to reach a solution on fish: an agreed fisheries policy would be a tremendous step forward.

Foreign Affairs

Herr Genscher said that he and the Foreign Secretary had spoken only briefly about the Community and the Falklands, which they had discussed in London the previous week. This time they had talked mainly about East-West relations.

On Poland, they were both concerned at the most recent measures which the Polish Government had taken against Solidarity which would make it less easy for them to win the support of the population. This in turn would make it more difficult to achieve the badly needed improvement in the Polish economic situation.

On security issues, he had told Mr. Pym about the previous week's joint talks between French and German Foreign and Defence Ministers. They had discussed the various current East-West negotiations and had found that the British and German positions continued to be fully in agreement, which was important for the West as a whole. They had agreed that

/ British

British and French nuclear systems should not be included in the current US/Soviet negotiations. They had both stressed the importance of upholding both parts of the Double Decision.

The Foreign and Commonwealth Secretary said he and Herr Genscher had both attached importance to keeping their respective public opinions on their side over INF stationing through 1983. Apart from subjects mentioned by Herr Genscher they had also discussed Latin America, where relations with Europe were good. On the Community there was a great deal of common ground, and the two sides would keep in close touch as negotiations over the Community Budget etc. proceeded.

Defence

NATO Double Decision

Herr Wörner said that he and Mr. Nott had both attached importance to proceeding with the NATO Double Decision as planned. The Defence Secretary said he had also agreed with Herr Wörner on the importance of coordinating and synchronising stationing of INF in their respective countries.

NATO Infrastructure

Herr Wörner said they had also agreed that an improvement in NATO infrastructure arrangements was urgently desirable as part of the mid-term review. The FRG would make a positive contribution. The Defence Secretary greatly welcomed the possibility of German help over NATO infrastructure, which had been a cause of dissension in NATO.

British Defence Contribution

Herr Wörner said the British contribution to NATO was important to the Federal Republic and to Europe. He thanked Mr. Nott for the courage and clarity with which, in his

/speeches

speeches at home, he had explained the importance of the Rhine Army for the United Kingdom as well as for its allies.

The Defence Secretary said the British Government would sustain its commitment under the Brussels Treaty to maintain forces in Europe (at present 72,000 men in BFG and Berlin). The British would continue as at present to provide 70 per cent of ready forces in the East Atlantic and their amphibious contribution to Norway, as well as the reinforcement base of the UK itself.

NATO Strategy

Herr Wörner said he had agreed with Mr. Nott that, within the doctrine of flexible response, conventional elements must be enhanced and the credibility of existing strategy strengthened. The Defence Secretary said that some at least of the current ideas in NATO for strengthening conventional forces and raising the nuclear threshold were worth serious consideration. He looked forward to further discussion at the NATO Defence Ministers' meeting in December.

Lessons of the Falklands

Herr Wörner said he had welcomed Mr. Nott's account of the military lessons of the Falklands conflict, and the report which the British were preparing would be important for the Germans. British experience of dealing with public opinion during the Falklands crisis would also be useful to the Federal Republic.

Export of Collaborative Armaments

The Defence Secretary said he recognised that exports of collaborative equipment was a politically sensitive subject in Germany. But it would be a great help if the Germans could agree to the export of some items, e.g. RB199 to India.

/This would

This would help sustain our defence industrial base.

Steel

Count Lambsdorff said that he and Mr. Jenkin had had talks both separately and with their Finance Minister colleagues. On steel, they were in full agreement that the decision reached within the Community on pricing, production quotas and restructuring should be fully implemented. The question was how to persuade the Commission and the other parties to carry out what they had agreed to do. He had agreed with Mr. Jenkin that experts from the FRG, UK, France and The Netherlands should meet soon to prepare the informal Ministers' meeting on 17 November at Elsinore.

The Secretary of State for Industry said it was vital to make the steel regime work, and agreed with the proposal for an experts meeting. All Community partners would face real political difficulty in implementing measures over aid and restructuring. Unless all acted in the same direction, none could withstand domestic criticism.

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Count Lambsdorff said discussion had been brief; both sides had agreed that the project should only be pursued further if it could be shown to be economically viable. There could not be further budgetary burdens stemming from the project. He had explained this to the French at the Franco-German Summit. Mr. Jenkin would speak to the French next week.

GATT

Count Lambsdorff said this had been discussed in the Council of Ministers in Luxembourg. The French had been pessimistic, but the Germans had pointed out that to cancel the Conference, or to fail to achieve at least a limited success, would send the wrong signal over free trade. The British

/ delegation

delegation had taken a helpful mediating position. GATT was an operational body: concrete results were needed, the renewal of the OECD trade pledge would not be enough. Something should be done for the LDC's on safeguards: the NICS should be brought to accept GATT disciplines. The British found imbalanced tariff barriers unacceptable.

Mr. Jenkin stressed that the continuance of the open trading system was vital, but to that end it was crucial to satisfy our own industry and peoples that the open trading system worked to their advantage. Ways must be found of removing the imbalances which affected particular industries. In addition to persuading the new industrial countries to accept GATT disciplines, progress on services was important to the British Government. On Japan, he had expressed the view to Count Lambsdorff that unless the Community worked out a common position the Japanese would not listen to their attempts to bring a better balance in EC/Japan trade.

Gas Pipeline

Count Lambsdorff said the four pipeline countries were studying the US paper. Their joint position was that stricter COCOM measures would be acceptable, provided they were limited to items with strategic impact. Action on credit would be very difficult and pointless unless OECD was brought in. There was also a possibility of loopholes through third countries, e.g. Switzerland. His own view was that the United States Administration was coming under increasing pressure from United States industry to lift sanctions. Grain sales to the USSR for credit undermined an important United States objection to the pipeline deal. These two factors would oblige the President to lift the sanctions after 2 November. The Europeans should help presentationally but there was no need for them to give anything on substance.

/The Secretary of State

The Secretary of State for Industry said Europe must feel its way. It must not make unnecessary concessions which it would regret, but it must find a way of letting President Reagan off the hook. Agreement to study certain US proposals implied no commitment to concessions.

National Economies

Herr Stoltenberg said he had explained the decisions which had just been reached on the 1983 Federal Budget, and the Chancellor of the Exchequer had outlined his economic plans and expectations. The Chancellor of the Exchequer thought it would be useful to keep in touch with Herr Stoltenberg, especially on policies to promote the revival of enterprise.

European Community Budget

Herr Stoltenberg said that he and the Chancellor of the Exchequer had agreed to stick to the 1 per cent ceiling for the foreseeable future. They would have to resist attempts by others to raise the ceiling in the context of Spanish and Portuguese accession. As regards the British contribution it would be realistic to look for a solution of the 1983 problem with a duration of two to three years. But it would continue to be important to check Community expenditure, especially the Common Agricultural Policy. Both sides had agreed that the European Monetary System contributed^{to} stability and convergence; but the Chancellor of the Exchequer had said that the British felt they could not at present join EMS because of special features in the British economy, including Britain's status as an oil producer.

The Chancellor of the Exchequer said he had explained why it was in the interests of the Community, as well as of the UK, to solve the British budget problem. Recurring

/disputes

disputes damaged the Community. Moreover, a situation with only two net contributors was bad for the Community as a whole, and made it difficult for those two to control expenditure. CAP spending should grow less rapidly than that of the Community budget as a whole; and this should be achieved by a sustained reduction in CAP spending.

World Economy and IMF

Herr Stoltenberg said he and the Chancellor of the Exchequer had agreed that IMF quotas should be increased by not less than 50 per cent, and that the lending facility should be strengthened. Decisions needed to be taken quickly if confidence was to be restored. We should work for a decision by Ministers at the Interim Committee in early 1983. The Chancellor of the Exchequer said both sides had agreed on the importance of strengthening confidence in the world financial system and in the role of the IMF. Certainly there must be a substantial increase in IMF quotas. He agreed that a decision must be taken as soon as possible, but we should not commit ourselves to a rigid timetable in case it proved impossible to reach an acceptable decision in time. It was important for the whole world that there should be a resumption of growth in the US, but without an accompanying increase in interest rates. Both the British and the German Governments needed to urge the US, as friends and partners, to achieve a reduction in their budget deficit.

Date of Next Meeting

The Prime Minister proposed that the next Anglo-German bilateral meeting should be held in the UK in April. Chancellor Kohl proposed 22 April, and the Prime Minister took note.

The meeting ended at 1105 hours.

1 November 1982

A.J.C.