

Prime Minister

PM/83/3

PRIME MINISTER

Yes not

Are you content that we should have these points in mind as briefing is prepared for the series of meetings with our European and U.S. partners which lie ahead?

A. J. C. $\frac{14}{1}$ Bilateral Consultations

1. We have a series of important meetings with partners and allies over the next few months. You will be seeing Kohl at Chequers on 4 February and the Anglo-German Summit will be held here on 22 April. I have a brief meeting with Colombo in London on 13 January and the Anglo-Italian Summit is now fixed for 25 February. I am seeing Cheysson on 31 January, also in London, and Geoffrey Howe will be talking to him about the Community Budget the following day. I shall probably also be seeing the French Foreign Minister again in April to follow up your meetings with Mitterrand on 4 and 5 November. You are seeing Lubbers on 2 March. We also have Bush coming here on 9-10 February, and the Economic Summit at Williamsburg is fixed for the end of May.

2. I think it worth clearing our minds as to our priorities and objectives in these meetings. I believe these should lie in four areas:

- (a) International economic problems are bound to become more and more insistent themes as Williamsburg approaches. Not only will current problems such as debt and protectionism be raised, but also the medium-term question of how the world economy can move out of recession along a non-inflationary path. Interest in this last point will be sharpened by the elections this year in Germany, France and possibly Italy, and in 1984 in the US. Fear of protectionism has exacerbated Community/US relations. We shall need to work on the Germans and the French. We have common interests when it comes to Japan..



- (b) We also need to steer between the rocks on Community questions. Our immediate and principal objective must be to make progress over the budget, including tactics for dealing with the European Parliament over 1982 refunds as well as the broader issue of refunds for 1983 and later. We must also ensure that any review of the Community's budgetary system flowing from the forthcoming green paper by the Commission should highlight the correction of budgetary imbalances as a major objective. Other Community subjects include: fisheries, where we need to keep the Nine together; enlargement, where we need progress; and increasingly over coming months, CAP price fixing, where we shall be urging our partners to agree that a real measure of restraint is imperative this year.

In pursuing these objectives it will be important to convince our partners of our commitment, as shown by recent speeches by Ministers, to the development of the Community. The Germans and Italians will be looking for sympathy from us over the Genscher/Colombo proposals, which the German presidency would no doubt like to see adopted before their elections on 6 March. I think we should be prepared to swallow a good deal of Continental rhetoric if it helps to reinforce our European credentials and thus improves the chances of our securing our European objectives.

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- (c) Our defence credentials, after the Falklands and our expenditure record, give us a standing we can exploit. 1983 will be a difficult year for the Alliance. INF has become the latest and vital test of its unity. There can be no doubt of our determination to deploy, nor that of Chancellor Kohl or of the Italian Government. I wish I could say the same of the Dutch or the Belgians. Rising popular and party political opposition (especially in West Germany) could this year threaten the broad consensus which has prevailed in Western Europe on defence issues since the Second World War. We shall need to co-ordinate NATO's reactions to Soviet moves and do our utmost to make sure that the Americans keep in step with the Europeans. They have to be persuaded to talk about security issues in terms which meet public concerns. There is in 1983, even apart from arms control issues, likely to be an increase in East/West exchanges, with Gromyko already booked to talk to Genscher and Cheysson during the next month.
- (d) All three of these issues have important implications for the Transatlantic relationship. The pipeline dispute has been settled but the differences of opinion which led to it have not been resolved. There is still fundamental disagreement about how to handle East-West economic relations.



relations, reflecting differing assessments as well as divergent interests. It may be difficult this year, too, to manage US/Community relations. Britain will therefore have a continuing role in persuading our European partners to keep American political realities in mind, and the other way about. This is likely to prove particularly necessary during the various studies set in hand following the pipeline row, if they are not to lead to another round of disillusionment and bitterness. We have a unique standing in Washington and will need to exploit it on behalf of wider European and transatlantic interests.

3. I am instructing my officials to bear the foregoing considerations in mind when preparing briefing for these meetings, subject to any comments from you or from OD colleagues to whom this minute is also being copied.
4. I am also sending a copy to Sir A Armstrong.

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(FRANCIS PYM)

Foreign and Commonwealth Office
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