



*MV*

Foreign and Commonwealth Office

London SW1A 2AH

5 February 1981

*Dear Michael,*

Prime Minister's Visit to The Hague, 6 February: Enhanced  
Radiation Warheads (ERW)

The Embassy at The Hague have advised us that Mr van Agt may raise ERW following the US Secretary of Defence's press conference on 3 February. The Prime Minister may find it useful to have the following comments to supplement the brief on defence issues already provided (Brief No PMVG(81)3).

Ministers here have not yet had to address themselves to the ERW problem because US policy has remained unchanged since April 1978 when President Carter deferred any final decision on ERW. In recent months, however, there have been numerous indications that the new US Administration would want to look again at ERW deployment in Europe as part of its general review of military policies. Weinberger's off-the-cuff reference to "the opportunity that this weapon gives to strengthening theatre nuclear forces is one that we very probably would want to make use of" is yet another such indication, but it is not yet a firm US Government position.

The military case in favour is much as it was in 1977/78. It is generally recognised that ERWs provide a useful deterrent against massed armoured attack. But the political context has changed significantly. Even in 1977/78, ERW was an emotive issue for European public opinion. This is unlikely to be any less today. But in addition the Alliance is now in the process of implementing the TNF modernisation package. There is much opposition in Western Europe to TNF modernisation, particularly in the countries where basing of cruise and Pershing II missiles is planned (UK, FRG, Italy, Belgium and the Netherlands). A decision to deploy ERW now could result in greatly increased anti-nuclear opinion and thus jeopardise the TNF modernisation programme which has become an important symbol of Alliance solidarity on nuclear issues.

The Dutch have major political problems over TNF (see brief No PMVG(81)3). There has already been widespread opposition in the Dutch Parliament to the latest US statement and calls for the Dutch Government to oppose ERW deployment on Dutch soil on the grounds that the weapon lowers the nuclear threshold. Our Embassy's initial view (telno 43, copy enclosed) is that if the Americans press the ERW issue there will be no hope of the Dutch being able to take a positive decision to accept TNF basing in the Netherlands.

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The Prime Minister may wish to draw on the following points if Mr van Agt raises the subject:-

- a) This is a difficult issue on which the British Government have not yet taken a view. We are considering it carefully in view of the indications that the new US Administration may be considering ERW deployment.
- b) It is generally recognised that there is an important deterrent case for ERWs. But we do not want to overload political circuits in Europe and thereby endanger TNF.
- (c) The Americans must understand the political difficulties posed by ERW in Europe and realise that this issue should so far as is possible be kept out of the public domain. But where public debate is unavoidable, it is up to Governments to correct fundamental misconceptions about the nature of ERW and give a lead to informed debate on this, as on other nuclear issues (see brief No PMVG(81)3).

I am copying this letter to Brian Norbury in the Ministry of Defence and David Wright in the Cabinet Office.

*Yours over,*  
*Francis Richards*

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PRIME MINISTER'S VISIT TO THE HAGUE  
6 FEBRUARY 1981

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COMMUNITY STEEL POLICY AFTER 30 JUNE 1981

Brief by the Cabinet Office

POINTS TO MAKE

1. Glad Dutch have arranged a special Steel Council for 3 March.
2. Crisis in Community steel industry continues. Mandatory production quotas expire on 30 June. They have helped but their influence will be lost unless effective measures continue in force from that date. Disciplined market must be maintained if necessary restructuring is to be achieved. Decisions are needed quickly because steel ordering for the third quarter will be in progress after Easter.
3. Early progress on restructuring essential. Any state aid must be linked to capacity reduction.
4. Hope Presidency will encourage Commission to bring forward early proposals on restructuring and state aids. UK intends to contribute thoughts<sup>on</sup>/restructuring in advance of the Council. Helpful if Dutch

continue to keep up the pace in consideration of these issues in the Community.

#### BACKGROUND

5. Large excess of production over demand and falling prices resulted in Council assent on 30 October 1980 to Article 58 production quotas. These expire on 30 June 1981. The measures are intended to provide time for restructuring, i.e. reduction in capacity and modernisation of remainder. Only UK and France have made significant net closures of capacity. Germans claim that their industry was rationalised in early 70s. The BSC plan envisages a capacity reduction to 14.4 million tonnes per annum with an employment reduction of 20,000 following 50,000 jobs lost last year. The success of the plan will be crucially dependent on the continuation of a disciplined market in the Community which will sustain prices. Otherwise increased price competition and German exports to other Member States will destroy the industry.

6. Commission has powers to deny approval of investment proposals. Accepted that aids must be linked to restructuring. Most Community countries give State aids to their steel industries, many without requiring any capacity reductions.

7. The UK steel industry prefers a continuation<sup>of</sup> Article 58 production quotas to voluntary restraints which broke down last year. They have considerable doubts whether new voluntary arrangements will be agreed by July.

8. French position very similar to ours. Belgium and Luxembourg tend to contribute to problem by aiding their own industries and exporting to other Member States. The Italians have increased output and only reluctantly accepted restraint. But German position critical. They are opposed to State aids and recognise the need for tight market discipline, but without going as far as favouring a continuation of mandatory production controls. We are concerting our position with French and Germans so that effective measures can be continued in force and restructuring furthered.

Cabinet Office

5 February 1981

HAGFO 002/05

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PP MODUK (DS17)

PP UKDEL NATO

PP WASHINGTON

PP BONN

PP BRUSSELS

GRS 240

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TO IMMEDIATE FCO

TELEGRAM NUMBER 43 OF 5 FEBRUARY

INFO PRIORITY MODUK (DS17), UKDEL NATO, WASHINGTON, BONN AND BRUSSELS

INFO SAVING OTHER NATO POSTS

YOUR TELNO 40 TO BONN : ERWS

1. WEINBERGER'S REMARKS HAVE ALREADY AROUSED STRONG PUBLIC AND PARLIAMENTARY REACTIONS IN THE NETHERLANDS. THERE IS NO REASON TO BELIEVE THAT ERW DEPLOYMENT WOULD BE ANY LESS VIGOROUSLY OPPOSED HERE THAN IN 1978: AND HOSTILITY TO ANY US ATTEMPTS TO INTRODUCE THEM WOULD BE LIKELY TO ENGULF SUCH SIGNS AS THERE HAVE BEEN OF A RALLY TOWARDS A MORE HELPFUL ATTITUDE ON TNF STATIONING.

2. OPPOSITION IN THE NETHERLANDS IN 1978 TO ERW REACHED A PITCH PERHAPS MORE INTENSE (AND MORE ORCHESTRATED) THAN IN ALMOST

IMMEDIATE

ADVANCE COPY

Hd DefD

Hd WED

Hd NewsD

Sr A Alad

M P Moberly

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2. OPPOSITION IN THE NETHERLANDS IN 1978 TO ERW REACHED A PITCH PERHAPS MORE INTENSE (AND MORE ORCHESTRATED) THAN IN ALMOST ANY OTHER NATO COUNTRY. A PUBLIC PETITION WAS SIGNED BY MORE THAN A MILLION PEOPLE; THE THEN MINISTER OF DEFENCE, KRUISINGA, RESIGNED; AND IN LATE OCTOBER THE SECOND CHAMBER PASSED, ONLY THE VVD (LIBERALS) AND TWO SMALL RIGHT-WING PARTIES VOTING AGAINST, A MOTION "REGRETTING PRESIDENT CARTER'S DECISION" (THE HAGUE TELNO 342 OF 1978). THE STRENGTH OF FEELING IN THE COUNTRY FOLLOWING WEINBERGER'S REMARKS IS ILLUSTRATED BY UNIVERSALLY CONDEMNATORY COMMENT IN THIS MORNING'S PRESS AND THE PUTTING DOWN OF A MOTION IN THE SECOND CHAMBER, NOT YET VOTED ON BUT SUPPORTED BY THE PVDA (LABOUR), D'66 AND AN IMPORTANT ELEMENT (PROBABLY A MAJORITY) IN THE CDA (CHRISTIAN DEMOCRATS) CALLING FOR ERW'S NOT TO BE DEPLOYED AND FOR DUTCH FORCES NOT TO BE EQUIPPED WITH THEM.

3. IN THE RUN-UP TO THE ELECTIONS THERE IS, -REGRETTABLY, LITTLE PROSPECT OF THE NETHERLANDS ADOPTING A SIGNIFICANTLY LESS HOSTILE OR EMOTIONAL ATTITUDE IN ANY INTER - GOVERNMENTAL DISCUSSIONS OR BILATERAL CONTACTS WITH NATO PARTNERS.

FCO PLEASE PASS TO SAVING ADDRESSEES.

TAYLOR

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SENT AT 05/1457.4 -2AW

RECD AT 05/1457Z IJC